



## Top 10 Bookkeeping Mistakes Made by Small Business

from AllBusiness.com

From one-person entities to major corporations, bookkeeping is a significant part of any business endeavor. While it is typically not one of the more glamorous jobs, bookkeeping is at the heart of a company's success, and errors can cost the company significantly. Below are 10 of the most common errors that you want to avoid.

### 1. Not saving receipts of less than \$75

While such receipts may not be required by the IRS, they provide backup documentation for the many deductions you may claim. It is very simple to have a folder for such receipts, which can provide valuable at tax time.

### 2. Doing it yourself

No matter how much you hate it, many small business owners insist upon handling the books themselves. Having a competent bookkeeper to handle the books can be extremely beneficial in that they have the skills to do the job quickly and efficiently and will provide a second pair of eyes to find errors and make suggestions.

### 3. Forgetting to track reimbursable expenses

Small business owners often pay for expenses out of pocket or with their own personal credit card then make the mistake of failing to track these expenses. They then fail to submit the expenses to the company for reimbursement.

### 4. Not properly classifying employees

The proliferation of independent contractors, consultants, and freelancers has made it difficult to determine who is on staff and who is not. This results in misfiling when it comes to filing taxes since there are different rules and regulations for employees and non-employees.

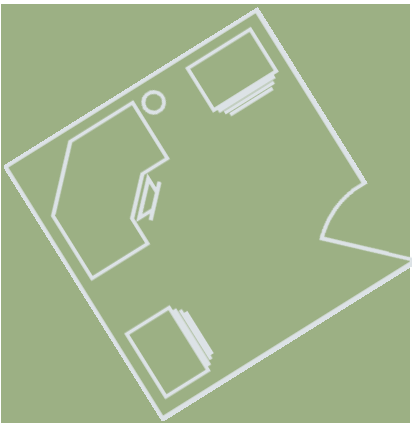
### 5. Lack of communication

Having someone handling bookkeeping is only effective if they are filled in and kept up to date on all financial transactions. A frequent mistake is paying someone a bonus and not reporting it or buying supplies and not providing the bookkeeper with the information or receipts.

### 6. Not reconciling the books with the bank statement each month

One of the fundamental aspects of bookkeeping is reconciling the books and bank statements every month. Nonetheless, there are businesses that do not do this and others where errors are made by not doing it properly. Again, this is a good reason

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for hiring an experienced bookkeeper.

### **7. No backup**

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The paperless office does not exist in the real world, where audits do still exist. A paper trail, documentation or verification in the form of back up documents should be available especially if all files are on the computer system, which could be prone to technical problems.

### **8. Not deducting sales tax**

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A common mistake in retail businesses is not deducting the sales tax from the total sales. This results in a higher total sales amount and does not lower the amount of taxes due.

### **9. Petty cash nonchalance**

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A system should be set up whereby a set amount of money is in petty cash and each time money is taken out for any purpose, a petty cash slip is filled out. When the fund is exhausted, the slips will total the original amount and a check can be written to cash to set up the full amount again. Many offices are nonchalant about using the petty cash fund without keeping accurate records.

### **10. Mis-categorization or Over-categorization**

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There are fairly standard categories for expenses. However, often expenses are entered into the wrong categories or too many categories are created. Use general bookkeeping guidelines for standard categorization and create as few new categories as possible. Try to follow generally accepted accounting practices.