

Ask SCORE for Business Advice

“Ask SCORE” Column

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Tax and Accounting Issues for Businesses by Tina Dettman-Bielefeldt

Having sold many small businesses, I've come across quite a few owners who don't have a financial handle on their operations. Often, there is no profit and loss statement, no balance sheet, and no response when asked whether or not the business is making money. Usually, the business is in trouble, living day to day on the amount of cash that comes into the till.

Mary Guldán-Lindstrom, owner of FOCUS CPA and a SCORE volunteer, considers financial record keeping vital to a business. At SCORE seminars and in counseling sessions, she says that the use of this information can result in improved financial results.

“Business owners can be lax about mixing personal transactions with business, failing to document transactions – thinking that they will remember,” Lindstrom noted. “A financially successful small business will use financial statements to improve their financial results.”

With more than 25 years in public accounting and having held key financial positions, Guldán-Lindstrom knows that many owners struggle with financial statements. However, by working with an accountant and software like QuickBooks, she thinks that the process can be learned.

“A version of QuickBooks is a great tool, easy to learn, easiest software to hire someone to work with, and cost effective,” she said.

It is a system that can be utilized from the planning stages to on-going operations. Every business should produce four basic documents – a budget, balance sheet, profit and loss system, and cash flow statement. Guldán-Lindstrom says that these statements will help the business owner to make decisions with confidence.

She noted, “There is nothing more stressful than not knowing if you have enough money to pay your bills. You should be able to pull up the information and know exactly where you're at.”

Right from the start, every expense should be documented so that it will withstand IRS scrutiny. Guldan-Lindstrom emphasizes keeping a separate record of business and personal usage of vehicles, computers, and cell phones; receipts for any business expense over \$25 filed by vendor, and information on all meals and entertainment charges. All are areas that the IRS tends to look at closely.

Taxes are a reality for businesses and a start-up needs to consider sales, county, use, room, payroll, and federal and state income taxes. Some taxes are paid monthly, others quarterly, and some annually. A new business may need to apply for a seller's permit and federal tax identification number.

With all of the regulations governing businesses, Guldan-Lindstrom doesn't advise tossing important papers and receipts into a shoebox. She says that using files with category tabs will make it easier when it comes to filing tax returns or in the event of an IRS audit. If you cannot locate a receipt to support your tax deduction, the authorities will not allow the deduction.

"Accountants are typically detail oriented and organized," she stated. "By bringing our set of skills to clients, we can create a system that is easy to work with and provides maximum benefit."

If you'd like to learn more, contact the Green Bay Chapter of SCORE. Visit www.greenbayscore.org or call Cindy Gokey at 920-496-8930 for information.

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