

# ACCURATE BOOKKEEPING & ACCOUNTING

## (805) 579-9044

April, 2008  
Business Tips

Dear Business Owners,

With tax forms now submitted, it is time to get back to the business of doing business. A situation which all business owners eventually need to confront is the decision to hire a bookkeeper or to evaluate your current bookkeeping effectiveness. This is not always an easy task as many don't have an extensive bookkeeping background themselves. Hiring the right bookkeeper makes your job easier in both analyzing your financial position and in freeing up your time to build your business.

Hiring the wrong bookkeeper, however, can have dire consequences for you. Many business owners are tempted to avoid this possibility by simply doing the books themselves. This can also be a problem, though, if they are not well-versed or it encumbers too much of their time. It turns out that "they" are the wrong bookkeeper for their own business.

If you currently have in-house bookkeeping, there are certain warning signs to look for that your current bookkeeper or bookkeeping system may not be to the level you need it. Some of these are as follows:

1. Your accounting records are a mess.
2. Your bank statements do not reconcile to your bank balance or your cash, payables or receivables do not show a different balance than the general ledger.
3. Your bookkeeper's work area is so disorganized no one can tell the status of the work or the work is done in such a way that only they know what anything means. It is seemingly top secret.
4. Your bookkeeper never takes any time off or is always taking work and records home with them.
5. Your customers complain that payments made still show as outstanding balances or you get tax delinquency notices that the bookkeeper charges off to governmental incompetence.
6. Of an especially critical nature would be unexpected phone transfers, a request for signing authority, or someone without another source of income who lives well beyond their means.

Can there be innocent reasons for the above warnings? Of course. Some people seem more comfortable working in a more cluttered environment and may operate quite well leaving materials out for easier access. You may also be giving excessive additional duties above those duties they already have on their plate. We tend to do that with those who get things done, but too many functions can create backlogs and mistakes. Still, don't ignore signs either. The more prevalent they are, the better the chance you may have an internal problem which will manifest itself in lost profits or even loss.

Your accountant can help you in this regard. They can run an end-of-month trial balance and review to see that balances do balance and can suggest certain controls to compartmentalize the bookkeeping function. For one, it is rarely ever a good idea for the person controlling the books to also have control of writing checks or transferring funds. It may be simpler and seem more efficient, but it also creates the opportunity for covering tracks when mistakes are made or problems of a much more serious nature. Setting criteria for how payables and tax deposits are to be paid or how frequently receivables are to be addressed are functions which should have relatively rigid guidelines.

None of this is meant to condemn or point fingers at your current bookkeeper. On the contrary, a good one will many times come up with cost saving ideas you never would have dreamed of. They are on the line and see many of the soft costs which go out the door with very little thought. What it does mean is that you should have proper controls and either understand what is going on yourself or make certain your accountant does when reviewing your monthly books.

Until next month, good business!

Steve Trocino  
Accurate Bookkeeping & Accounting  
[stevetrocino@accuratebooks-ca.com](mailto:stevetrocino@accuratebooks-ca.com)

[www.accuratebooks-ca.com](http://www.accuratebooks-ca.com)  
(805) 579-9044