



ACCOU NTING



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FONTENOT & ASSOCIATES SOLUTIONS, LLC

Closing process gaps with actual solutions

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SMALL BUSINESS ACCOUNTING 101

WRITTEN TERRA FONTENOT-BEARD

The initial step into entrepreneurship generally starts with the separation of personal and business funds. This is when an entrepreneur or small business owner have decided to change their passion from a hobby to a business.

Let the truth be told, many small business owners may not qualify for opening a business account and that is okay. This step does not stop the movement of entrepreneurship. The solution is simple, just open a separate personal bank account. One of the justifications for keeping a separate bank account for your business is for clean and accurate bookkeeping.

When deciding on the right bank to for your small business, this tarts with understanding your business needs. Inc. Magazine published an article that can support with decision making.

Once you have established a separate bank account it then becomes important to start posting your income and expenses. Even if you have an accountant, as a business owner, you still should know the accounting basics such as debits and credits and some accounting terminology.

DEBIT AND CREDIT

The words "debit" and "credit" have very distinct meanings and a close relationship. Debits and credits balance each other out - if a debit is added to one general ledger account, then a credit must be added to an opposite general ledge account.

- Debits increase asset or expense accounts and decrease liability or equity accounts.
- Credits do the opposite, it decreases assets and expenses and increase liability and equity.



Now that we have covered the ground level of accounting and explained why some general ledger accounts are charged with a debit and other with a credit, let's take it a step further.

There are many tips to remembering the difference between a debit and a credit type of general ledger account, but we would like to share one.

Debit - All Expenses and Losses (**D**on't **E**at **L**ettuce)

Credit - All Incomes and Gains (**C**ome **I**n and **G**o)



ACCOUNTING EQUATION

Taking this a step further means the business owner is ready to put this information into action by understanding the meaning of assets, liabilities and equity.

Assets = Liabilities + Equity

The accounting equation is the foundation of what history call double entry accounting.

Assets: A resource controlled by a business which is of economic use to the business. Examples of assets include land, buildings, inventory, accounts receivable or cash.

Liability: The obligation of a business towards its creditors. Common liabilities are accounts payable, salaries payable or taxes payable.

Equity: The claim of the owners of the business on the business' assets.

The accounting equation is a simple way to view the relationship of financial activities across a business. For example,

If a business wishes to purchase a new asset, such as computer equipment that cost \$3,000, the purchase can be made using cash (an asset), with owner equity (earnings or funds) or with a liability (such as borrowed money). If a liability is used for the purchase, the \$3,000 can then be paid off using assets or with the use of a new liability, such as a bank loan.





WAYS OF ACCOUNTING

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According to the U.S Small Business Administration, over half of all small businesses started each year will fail within the first five years. Not understanding the basics of accounting and how to manage the financial transactions within your business may be the result of lack of experience or knowledge.

Surveys have showed 46% of small businesses do not hire an accountant and lack fundamental knowledge when deciding to launch a small business.

Accounting provides companies with various pieces of information regarding business operations.

While many small businesses are known for not recording their financial information, it does provide a great insight on growing or expanding current business operations.

MAKING BUSINESS DECISIONS

Accounting information usually provides business owners information about the cost of various resources or business operations.

These costs can be compared to the potential income of new opportunities during the financial process. It allows for better decision making because sufficient financial information is readily available.

Decisions may include expanding current operations, hiring staff, purchasing new equipment or locations, estimating future sales or reviewing new business opportunities that may include partnership.

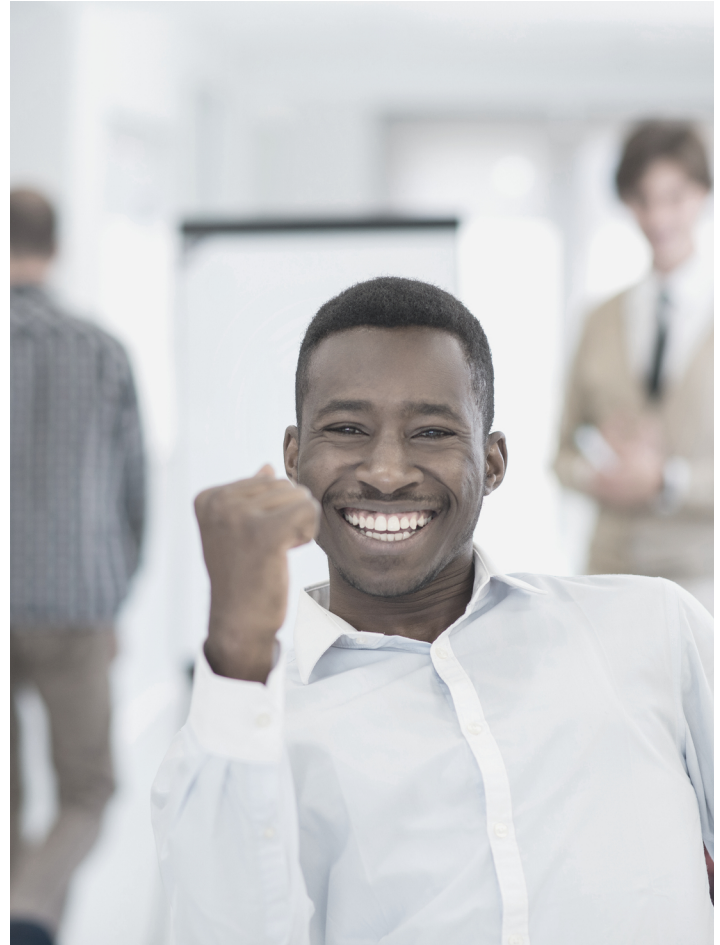
TRACKING INCOME AND EXPENSES

Your business is required to fill out tax forms based on both gross revenue and net income. To calculate these amounts correctly, your business must track and total gross receipts as the basis for revenue numbers, and add all expenses as the basis for business deductions.

Tracking includes the need to break down your revenue and expenses into categories. Categories such as materials, payroll, rent, utilities and auto expenses.

Accurate and up-to-date accounting can also help you make better revenue forecasts for your company.

Without sound financial data, it's difficult to make sound business decisions.



"You can take your accounting processes to an entirely different level, and use them to create a smarter and more financially viable business."



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**YOUR
ACCOUNTING
SUPPORT
SHOULD
INCLUDE
TOOLS FOR
TRACKING THE
AVAILABILITY
AND NEED FOR
CASH.**

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OUTSOURCING SERVICES: ACCOUNTING & OPERATIONS

Fontenot Solutions is an accounting and operations outsourcing firm that strives to support entrepreneurs and small to mid-size business owners with developing and growing their product or customer service based businesses across the world.

We streamline accounting and operational processes to minimize business risk through the development of these key business processes. With 10+ years of accounting and operational experience, we are passionate about using our skills and knowledge to improve the success rates for entrepreneurs and small business owners.

We offer monthly and quarterly service packages, email terra@fontenotsolutions.com to learn more and schedule your free consultation call.



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