TIPS FOR ENTREPRENEURS

Money Management for Business Owners

Running a business successfully involves proper money management, which includes separating personal and business finances, setting a budget, tracking business income and expenses, generating financial statements, and paying taxes.

Getting Started

Separate your personal and business finances:

- Open and use a separate checking account(s) for your business.
- Open and use separate credit cards for your business. Beware of high interest rates and annual fees and pay off your credit card balance every month to prevent interest charges from building up.

Set a budget based on your business's income & expenses:

- Plan how money will be used or spent during a specific period (e.g., monthly or quarterly).
- Track business income and expenses to trim unnecessary outlays, to increase business profits, and to maximize tax deductions at the end of the tax year.
- Set aside money for future business growth or investment opportunities.

Tracking Business Income and Expenses

Consider purchasing and using accounting software to track business revenue, expenses, and sales tax and to capture and organize receipts. Software options for small businesses include QuickBooks, FreshBooks, Xero, Wave, and ZipBooks, among others.

TRACKING BUSINESS INCOME

Cash Sales

- Sales made, where a customer pays for the goods or services at the time they are sold or **at the time** services have been provided, **regardless of whether a customer pays with cash, a credit card, or a debit card**.
- Hot Tip: Record cash deposits correctly. Most businesses implement a process to double-check that the amount of cash deposits made is equal to the amount in sales.

Credit Sales

- Sales made, where the customer agrees to pay for goods or services **at a later date**.
- Credit sales are especially important to track so that you know how much your customers owe and when their payments are due.

TRACKING BUSINESS EXPENSES

Recurring Expenses

- Includes expenses you expect to pay every month to keep the business running.
- Examples include rent, utilities, or a recurring payment to vendors and suppliers.

Nonrecurring Expenses

- Includes unexpected expenses and expenses you should plan for.
- Examples include building or machine repairs, replacing furniture or fixtures, or unanticipated travel expenses.

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Generating Financial Statements

Although not always necessary, it may be helpful to periodically generate and review financial statements for your business. They summarize the financial status of your business and can help you to acquire financing for your business when you seek it. Below are the most common (and important) types of financial statements.

PROFIT AND LOSS STATEMENT

A summary of all business revenue, less all business expenses, during a specified time in the past (generally, a month or a quarter). The difference between revenue and expenses is the profit or net loss of your business during a given time period.

BALANCE SHEET

A summary of all business assets, liabilities, and owner equity that illustrates your business's net worth.

- **Assets** include all property owned by the business, such as inventory or equipment, and money in your business bank account.
- **Liabilities** are what the business owes to someone else, such as credit card balances, and money owed to suppliers and investors.
- **Owner equity** is the difference between the assets and the liabilities of your business.

CASH FLOW STATEMENT

A summary of the amount of cash (or cash equivalents) coming into and going out of the business. It does not include any amounts to be paid by customers in the future (credit sales) or any amounts owed by the business in the future. The three main aspects of a cash flow statement are cash from operating activities, cash from investing activities, and cash from financing activities. The **cash flow statement** is often used by a business, creditor, or investor to determine how much cash is available to the business to cover its operating expenses and current debts.

Paying Taxes

Tracking business expenses is especially important for tax purposes because you may be able to deduct the cost of operating your business. To qualify as a deductible, a business expense must be ordinary (i.e., common) and necessary (i.e., helpful and appropriate).

Most small business owners report their business income at the end of the year in conjunction with their personal income tax return. To determine the tax form(s) you must file, go to https://www.irs.gov/businesses/small-businesses-self-employed/business-structures, click on your business structure type, and follow the directions on that page to choose the appropriate form(s).

ESTIMATED TAXES

Most small businesses are required to pay taxes as they earn or receive income during a year, either through withholding or estimated tax payments. To figure your estimated tax, calculate your expected adjusted gross income, taxable income, taxes, deductions, and credits for the year (https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes). Adjust the due dates if you use a fiscal year other than January 1–December 31 (https://www.irs.gov/businesses/small-businesses-self-employed/tax-years).

ANNUAL TAXES

At the end of a taxable year, all businesses must file an annual income tax return or an information return.

Quarterly Tax Due Dates for the Calendar Year*

For the period:	Estimated taxes are due:
Jan 1–Mar 31	April 15
Apr 1–May 1	June 15
Jun 1–Aug 1	September 15
Sep 1–Dec 31	January 15 of the next year

* For a due date that falls on a Saturday, Sunday, or holiday, payment is due the next business day.

SOURCES: IDAPA 35.01.01, https://commerce.idaho.gov/idaho-business/start-a-business/, https://www.irs.gov/pub/irs-pdf/fss4.pdf, https://tax.idaho.gov/i-1159.cfm?, https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes, https://idahosbdc.org/, https://business.idaho.gov/taxes/, and https://www.irs.gov/businesses/small-businesses-self-employed/business-taxes.

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