University of Idaho Extension

RURAL STUDIES PROGRAM

Tips for Entrepreneurs

Money management for business owners

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Once you start your business, be sure to manage money properly by 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 the credit card balance every month to prevent interest charges.

Set a budget based on your business's income and 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 expenses, maximize business profit, and 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 an accounting software to track your business's income and expenses, capture and organize receipts, and track sales and sales tax. Software options for small businesses include: Quickbooks Online, FreshBooks, Xero, Wave, ZipBooks, and others.

TRACKING BUSINESS INCOME

Cash sales

- Sales made where the customer pays for the goods or services *at the time* the goods are sold, or at the time services have been provided, *regardless of whether the customer pays with cash, credit card, or debit card*.
- Be sure to always 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 recurring payment to vendors and suppliers.

Nonrecurring

- 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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PLEASE NOTE: This handout does not offer or substitute for legal advice.

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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. Financial statements summarize the financial status of your business and can aid in acquiring financing for your business when you seek it. The most common (and important) types of financial statements are:

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 the revenue and the expenses is the profit or net loss of your business.

BALANCE SHEET
A summary of all business assets, liabilities, and owner equity.

- **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 being 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 the business, creditors, or investors, to determine how much cash is available for the business to pay for 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 be 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 then follow the directions on that page to choose the appropriate form(s).

ESTIMATED TAXES
The majority of small businesses are required to make estimated tax payments throughout the year (https://www.irs.gov/businesses/small-businesses-self-employed/estimated-taxes). Due dates must be adjusted if you use a fiscal year other than January 1 to December 31 (https://www.irs.gov/businesses/small-businesses-self-employed/tax-years).

ANNUAL TAXES
At the end of the 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 to Mar 31	April 15th
Apr 1 to May 1	June 15th
Jun 1 to Aug 1	September 15th
Sep 1 to Dec 31	January 15th of the next year

* If due date falls on a Saturday, Sunday, or holiday, the payment will be due on the next working 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/, and https://www.irs.gov/businesses/small-businesses-self-employed/business-taxes.