

Is it getting hot in here?



It's the hottest month of the year.

This year, that's not saying much, but it still has us thinking about ways to cool off. Of course, we're not talking about beaches and air conditioning (that would be too easy). We're talking about the financial "hot spots" in your business: problem areas that may seem innocent enough, but are really smoldering coals that, left unattended, can burn out of control.

It's easy to overlook these smoldering coals. For many business owners, it's not a matter of conscious neglect; they're simply busy and focused on other things. Perhaps someone else is "supposed" to be keeping tabs on finances.

For some people, denial plays a big part. This is understandable: you made it through the worst part of the recession (congratulations!) and the Feds aren't knocking down your door, so things must be pretty hunky dory...right?

Still others know there's a problem and just haven't had the time, energy, or resources to throw at it.

How do you know if you have financial hot spots in your business? You've come to the right place. Sit back, grab a cold drink and one of those nifty handheld fans that mists water at your face, and learn what to look for. Nip these smoldering coals in the bud before you have a wildfire on your hands.

SMOLDERING COAL #1

Trusting everyone

Unfortunately, small businesses are disproportionately susceptible to employee-inflicted fraud. The risk is real, and it adds up. In fact, you can expect to lose 5% of your revenue to fraud.

Think you're immune? Think again. The sad truth is that the most common culprits are often the people we trust the most. We're not asking you to interrogate your beloved employees or eye everyone with paranoid suspicion. We just want you to have a strong fraud policy in place — and then we want you to enforce it. Prevention is a lot easier than cleaning up the mess.

SMOLDERING COAL #2

Lack of accurate reporting

Someone's running the numbers... right? They'd let you know if things looked all wonky...right?

Are you sure about that?

We can't begin to tell you how many times we've heard it: an in-house bookkeeper will leave or be fired, and only then will the business owner discover that the books have been in shambles for months — or even years.

Suddenly, you'll discover that your accounts receivable is averaging net 74, your inventory

is double what it needs to be, and you've been sending IOUs to the paper supplier and only getting away with it because their accounts receivables are a mess, too.

Even if you're not the one crunching the numbers, you need to have your eyes on the reports. There are reports you should be looking at every week, and reports you should be looking at every month. If those reports are wrong — or if they don't exist — you need to fix it. Fast.

SMOLDERING COAL #3

Debt

Debt is among the most sinister of smoldering coals threatening businesses. Banks tightened up on lending during the recession, but you may have subprime debt from before the crash, or you may have become a bit over-eager once banks started loosening things up again. Or perhaps you've been relying on your credit cards and racked up more than you expected.

What kind of interest rate are you paying? Are you only making the minimum payments? How long until you pay things off at this rate?

If those types of questions make you either: a) shrug, or b) cringe, you need a debt wake-up call.

SMOLDERING COAL #4

Barely squeaking by

It's the end of the month. It was tight, as usual, but you've been able to make payroll, cover the lease, keep the lights on, fill orders, and buy pizza for your secretary's birthday. Phew! You did it!

Patting yourself on the back? Not so fast. (Sorry.)

Barely squeaking by shouldn't be cause for celebration. This is a major hot spot, and

you're only one unexpected expense away from a real fire.

We have said it so often, it may as well be our tagline: Cash is king. A strong cash flow is absolutely critical to sustain a business over time, and it needs to allow for twists and turns in the business. If any one of the previous four smoldering flares up, this smoldering coal will burst into flames.

It's hot, but your business doesn't have to be *en fuego*.

Watch for problems. Be honest with yourself, and don't be afraid to ask for help. With apologies to Smokey the Bear, only you can prevent business fires.

Each of these smoldering coals could easily justify their own full monthly Suffice it to say that there's, well, a lot more to say.

Want to continue the conversation? We're experts at stamping out coals, and we're just a phone call away.

For more information, contact us at 612-816-6007 or visit owlbookkeepingandcfo.com

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OWL BELIEVES TWO THINGS ABOUT SMALL BUSINESS MONEY:

- > It should be stable and secure.
- > There should be more of it.