

Plain Language Guide to Your Numbers



TECHNOLOGIES INC

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Introduction

Have you ever wondered why running your own business is so difficult and scary? We did too! And after pondering for a while, we concluded that it doesn't have to be.

So, we created a movement to make accounting and bookkeeping simple and easy to understand, by using plain language.

The plain language movement was started in around 1066 and is still progressing. As each profession and practice is called out for its lack of simple, easy language, we move closer and closer.

Accountants, bookkeepers and the whole accounting industry has not succeeded in using plain language. This lack of transparency puts the power in the hands of powerful wizards

who magically interpret meaning for the business owner...but only if they know the right questions to ask.

The goal of this book is connecting numbers and their meaning for most business people and especially for small business. Also to share the simple, creative truth, of what your business numbers can tell you. That there is strength and beauty in knowing your numbers. They will set you free to make bold, confident, knowledgeable choices with your business. Or you can stay in the dark, right where you are and just ask your accountant...next year at tax time.

This book is designed to overcome some of the most common concerns we have heard from business owners. Look for answers to the following issues:

“I don't like numbers and I don't understand your language as it's as if you are speaking another language to me.”

"Why are you telling me the balance in my books is negative when I have \$10,000 in the bank?"

"This accounting software is not user friendly and it's not for anyone who doesn't understand accounting."

"Why is bookkeeping so expensive."

"I have to pay taxes on what amount? if I actually made all that money, where did it go?"

Let us help you take the mystery out of your business numbers. Read this book and set yourself free from the prison of jargon and "goobledgook" language.

Chapter 1:

Intro to Bookkeeping

Or

Getting to Know Your Numbers



Not everyone who has a great business idea has been to business school. If you're just starting out in the business world, the numbers side of your new company can seem scary. This book will show you how to navigate your numbers and bookkeeping options, so you can choose the one that will best suit your small business.

Bookkeeping is a vital part of any business, and getting it right from the very beginning will prevent problems in the future. Organize your bookkeeping as soon as you can to increase your efficiency and give your business a quick boost. (more on how later)

The first thing to understand if you're going to do your own bookkeeping, is the difference between bookkeeping and accounting. If you're unfamiliar with these practices, you'd be forgiven for thinking they're the same thing because they work with the same numbers. Many experienced business people would struggle to explain the difference between them into

words. Before you look into how bookkeeping works, let's look at what bookkeeping is.

Bookkeeping is the process of recording daily-to-day business transactions and organizing the documents that detail those transactions. Accounting uses the information from bookkeeping records to make sense of a company's finances and progress. Simply put, a bookkeeper tracks and records financial transactions and an accountant analyzes them. For most small business' accounting is for the purpose of getting it right with taxes.

Sounds easy, right? Bookkeeping is definitely less daunting when you know it doesn't need the same knowledge as accounting. Bookkeeping can be easy, as long as you stay organized. It might seem like something you can handle yourself or something you'd rather outsource but either way, you should understand how it works.

When bookkeeping, there are three main things you need to do:

1. Keep track of your money



When bookkeeping for your small business, you can break down your money also known as “finances” into four categories: profits (how much you get to keep), expenses (what it cost you), inventory (what you have), and liabilities (what you owe).

Profits usually come from cash or credit sales, depending on whether the customer pays you at the time of purchase or when you send them a bill.

Expenses can be divided into repetitive or non-repetitive expenses; non-recurring expenses are usually one-off unexpected payments, whereas recurring expenses cover items such as bills.

If your business sells a product, your inventory should track product purchases and sales, allowing you to see how much inventory you have at all times.

Liabilities are separate to expenses and should be viewed separately. Liabilities are money your company owes (loans, or other debt), as opposed to expenses that happen by running your business (such as buying inventory and paying employees).

2. Organize your accounts



Most people just think about “accounts,” as bank accounts but that’s only one type of account that is used in bookkeeping. You can think of “accounts,” as boxes where you put your stuff. There are different boxes for different things, some boxes are more important than others and they are arranged in a specific way. They are usually arranged by the some of the categories mentioned in the previous point; expenses, inventory, liabilities.

Having well organized accounts will make understanding your numbers, so you can quickly and easily look over your numbers at any time. If you are unsure how to organize your accounts and won’t be handling the accounting yourself, talking to your accountant about what they need from you as

the company's bookkeeper will help you to do your job properly.

A general rule to follow when organizing your books is to divide things into the following categories;

- assets (what you own),
- liabilities (what you owe),
- income (money you make from sales),
- expenses (your costs),
- equity (what's it all worth).

These categories will cover what the company owns and owes, as well as all the money going in and out of the business. By dividing your books like this, you and your accountant will be able to find the appropriate documents in record time.

3. Regularly reconcile your books



How often you close and reconcile (fancy term for making sure your bank statement matches your bookkeeping work), your books is a decision you will

need to make with your accountant. An accounting period can be a month, a quarter, or a year, depending on what works best for your business.

Your accountant will probably want to have it the same as your tax cycle. So, whenever your taxes are due, that's when you update. We don't have the same point of view as most accountants and believe you should know your numbers weekly at a minimum. That way you can be aware of any cash problems, or if your advertising plans are working, or any other

business decisions that need up to date numbers. Stay in the know!

When each accounting period ends, you will need to complete a series of bookkeeping tasks before the next period begins. These tasks include reconciling, which means checking that the company's bank and credit card statements match your bookkeeping work. A lot of these tasks are about making sure you can account for every cent that has gone in and out of the company, in case of an audit from the tax collector. By doing these tasks regularly, you will be calm and prepared when it's time to file your taxes.



Bookkeeping is simply organizing of your company's funds and records. The key to great bookkeeping is regular, review of your books.

Bookkeeping shows you what's happening in your company, so a good way to know if you're doing things right is to ask yourself this- "Can I track every cent of the company's money right now?" When the answer is "yes", your books will be a great asset to you, your accountant, and the future of your business.

Sometimes, the "every cent" point of view can end up costing you many dollars in time spent searching for pennies. We recommend not spending too much time on small change. If there is an error of a few dollars or less, forget it, unless you're keen eye for mistakes can find it in a couple of minutes.

Chapter 2:

Bookkeeping Tools



Even if you aren't a bookkeeping professional, it's important that you use professional-level tools. In this chapter, we're going to look at a few of the top bookkeeping software options on the market.

Remember, you want your bookkeeping software to be

- Easy to use
- Affordable
- Can be accessed by multiple company members

QuickBooks

QuickBooks by Intuit is the most popular option for small businesses when it comes to bookkeeping and accounting software. It is quite easy to use and can be integrated with a wide variety of external systems.

QuickBooks has a mobile app where you can take photos of



your receipts. Depending on which plan you choose, QuickBooks can cost between \$20 and \$65 per month. One, three or five people will be able to use your company's QuickBooks account together, based on your plan. This means you can easily share your books with your accountant, business partner, or anyone else who may need access.

Wave

Wave is a free bookkeeping and accounting program that was designed for individuals and small



businesses. It has plenty of features for a free service such as tracking expenses, sending invoices, and balancing books. It can't do everything, but it's a great option if you're just starting out or trying to keep your budget tight. There's a premium option with even more features, which has the added bonus

of removing the ads you'd receive in the free version. Wave also has a mobile app that allows you to take and store photos of your receipts.

Xero

Xero is another easy-to-use program, it has a lot add-ons to make up for any missing program features with one of the most robust app market places that synchronize with Xero. This program could

work well for a small business, but you may need to switch to a more broad program if your business grows larger. Xero has a mobile app and has no limit to how many company members can access one account. This will make working as a team much easier. Depending on which plan you choose, Xero can cost between \$20 and \$80 per month.



Beautiful business

Recently Xero partnered with Hubdoc and now has the added feature of automating your bills and receipt with a snap and go option. It also acts as a document storage “file cabinet,” making you double audit proof by storing all your receipts, bills and bank statements.

Sage

Sage has a wide variety of programs, which they divide by the size of the customer’s business. You can, of course, choose any of their

options but their goal with these categories is to give you exactly what you need based on their experience with companies of a similar size. Their small business package (Sage Business Cloud) starts at \$30 per month and allows you to manage accounts, payments and books. With this



package, the account can be accessed by as many company members as you'd like.

If this all seems overwhelming, keep in mind that you can get help and advice from a bookkeeper without hiring them full time. You can find a bookkeeper that will work with you once or a handful of times to look at your company, introduce you to some options, and even show you how to use the software you choose. You may decide to have someone come in every month or every quarter to check that you're doing everything correctly or answer any questions you might have.

Chapter 3:

Hiring a Bookkeeper



For some people, hiring a bookkeeper is a must have cost. If you want to give this work to someone else while you focus on other important parts of your company. Maybe you feel that you don't know enough about bookkeeping to hire the right person. In this chapter, you'll find a list of what you'll need from your bookkeeper and some helpful ways to hire the right person.

When starting a new business, you'll be trying to keep costs down wherever you can, so hiring someone to do something you could do yourself may seem backwards. However, a bookkeeper will save you time and money. You'll have more time to spend on building your business and following your passion, and save money by having a professional organize your finances from day one.

When considering someone as your company's bookkeeper, it's helpful to keep these things in mind:

- What kind of business do I run, and does my bookkeeper understand how books for this company will be different to businesses in other industries?
- What bookkeeping software does my bookkeeper recommend, and why?
- Is my business large enough to require a full-time bookkeeper, or would a part-time bookkeeper be better?
- Are there multiple pricing options based on my size and activity?
- Do they work virtually or do I have to provide an office space?
- Do they have any testimonials?



Asking a candidate (as well as yourself) these questions will allow you to see what this person would prioritize when working for you. If these priorities are

the same as yours, then they could be a good fit for your business!

When hiring a bookkeeper, don't limit yourself to a person in your office space. There are so many bookkeeping options now, so don't be afraid to explore them! Bookkeeping firms and remote workers are both good alternatives to a new employee. As long as the person you hire has the right qualifications, the way you hire them won't matter.

As mentioned in Chapter Two, you might want to only bring in a bookkeeper to check the books every so often. This can

save on costs while preventing mistakes that you, as an inexperienced bookkeeper, might make. As you learn more about bookkeeping, you might call in your bookkeeper less frequently until you're able to do it all on your own.

As a small business owner, you have the power to decide what works best for you. You can try to do your own bookkeeping at first and then hire someone so you can focus on other things, or learn from a professional and take over when you feel confident.

Hiring a Bookkeeper Conclusion

The role of a bookkeeper is to keep track of finances, organize the accounts, and reconcile the books. The difference between a bookkeeper and an accountant is that a bookkeeper organizes a company's finances while an accountant uses them to see how well the company is doing and how they can grow.

If you're considering doing your own bookkeeping, there are dozens of online bookkeeping programs that can be used to organize and share finances within the company. Xero, QuickBooks, Wave, and Sage are all options for small businesses, each with their own pros and cons. Make sure to check out their websites for more information and pricing options.

If you hire a bookkeeper for your business, make sure they understand your business and can work with you with a good accounting program. Decide if you need a full-time, part-time, consulting or remote bookkeeper. As a small business owner, you can be very flexible with this decision. It could give you an edge by saving you money and makes everything as easy as possible.

Deciding how to handle your company's bookkeeping can be very difficult when you're starting a business. The benefit of professional help will help offset the additional cost. Whether

you decide to do your own bookkeeping or hire a professional, by now you must feel more confident about the importance of bookkeeping for your business.

Chapter 4:

Tips to Keep On Track



The owners of failed businesses often have something in common. Their struggle comes from not being sure how to handle the numbers aspect of owning a business.

Bookkeeping is not the most enjoyable part of owning a business, but money was probably why you started the business in the first place! Dealing with the everyday accounting tasks can be critical to the survival of a small business.

These bookkeeping tips will help to keep your business on track:

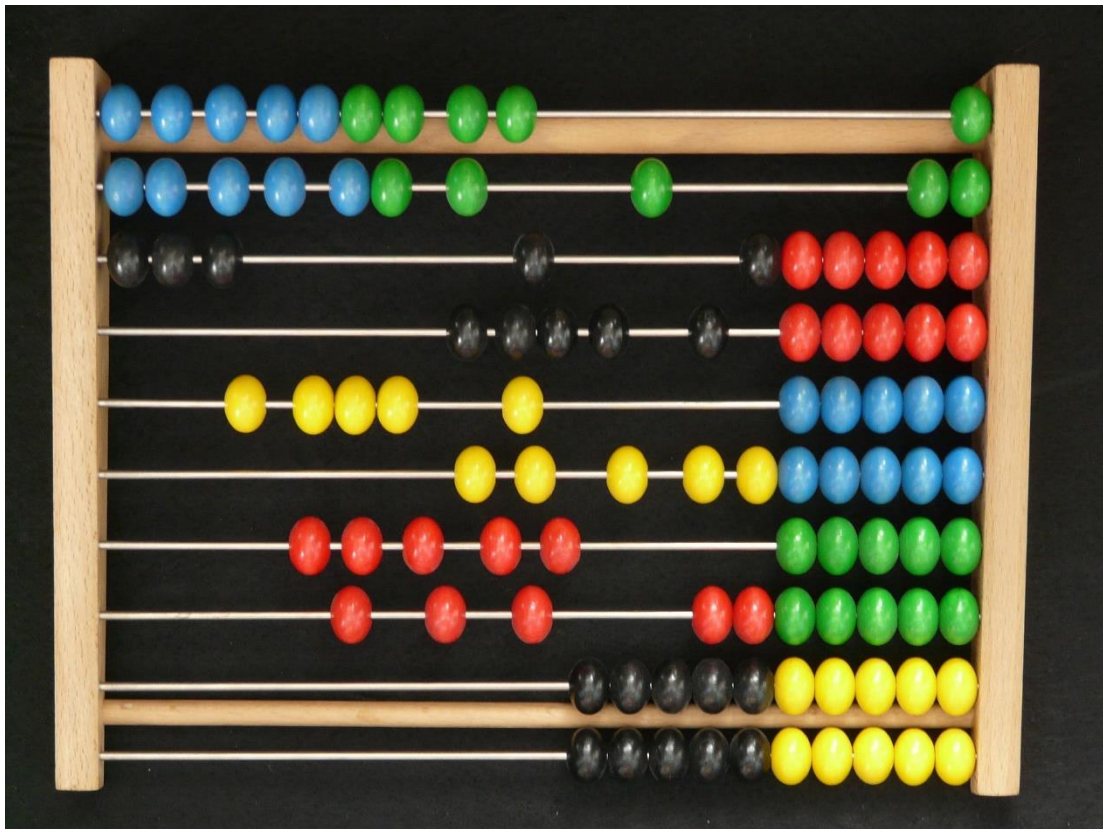
1. It's crucial to have an actual record keeping system in place. A shoebox approach won't work for long.
2. Be prompt when invoicing customers. Most people sit on bills if they can before paying. Let them start sitting on your invoice sooner rather than later. Get invoices to your customers as soon as possible.
3. Deposit checks on a weekly basis, if not more frequently. Checks that are stuck in a drawer get lost. Also, you want to cash the check while the funds are still there. Imagine having to go back to your customer with an expired

- check to ask for a new one. You'll likely feel embarrassed by missing the deposit.
4. Track which invoices have been paid and which ones haven't. Usually, the whole point of owning a side business is to get paid.
 5. Follow up on invoices that haven't been paid. Some customers just require a friendly reminder that their bill is due.
 6. Be accurate. Inaccurate books create headaches that can take a long time to rectify.
 7. Bookkeeping is a priority. Getting paid and controlling your expenses is extremely important. Let's not drop the ball 5-yards from the end zone.
 8. Automate as many of the tasks associated with bookkeeping that you can. If you don't know how, hire a firm that does.

These tips will eliminate and discourage the most common bookkeeping mistakes made in small businesses. Try them out with your business to ensure continued success!

Chapter 5:

Using Your Numbers



One of the most frustrating things to business owners is not knowing how much money they really have. Or more to the point how much can they spend? The hard part about this is new small business owners haven't seen enough business cycles to learn things like:

- Putting aside money for taxes.
- What's in your bank account is not all yours.
- Using credit to buy your inventory increases the cost of your goods and therefore decreases your profit.
- What's my true "cash position?"

Let's start with defining "cash position," so that you can know why keeping track of this is so important to your business survival.

- [What's my cash position?](#)

Cash position is what you have in your bank, minus the money you owe. You can include money that you have billed your customers for but not yet collected. Keep in mind it's not yours until it's in your bank account. So take the time to notice customer that frequently take a long time to pay. Most

importantly, money you owe includes, taxes, upcoming regular expenses, (heat, lights, rent).

If you spend what you have in the bank account, you will find yourself behind when your bills come due. A place that usually puts small business owners in debt. Once you take on debt, the interest payments mean your costs for everything go up. Because borrowing money costs you money. Over time this can make you less competitive and more expensive to price driven customers.

Some simple important habits to develop include;

- Take 35% of every dollar that comes in and put it in your savings account, for future tax payments.
- Invoice regularly and follow up on invoices that are not paid promptly.
- Set customers up on a recurring billing cycle, that's automated.
- Look for ways to automate the process of money in and money out. You will have a clearer picture on how much you really have.

- Make more money

Now that you've mastered cash position, let's talk about how to maximize profits. The simplest way to think about it is, sell more of the products or services that make the most money. If you're spending money on advertising, you want to get the most out of it, so focus on what makes the most money.



The simplest way to grow is by improving profits here are the easiest methods;

1. Improve your efficiency

Technology's great here – there are many ways you can use it to make your processes more efficient. Review all your systems and look for ways they can be improved.

The better the system, the more efficient and productive it will be. Look at your customer base. Do you have habitually late or non-paying customers? It might be time to ditch them.

2. Sell more, especially of those products that are selling well.

Invest more focus, time and money in making or buying products that are selling well. Also increase the amount of time and money you spend promoting them.

3. Increase your prices.

Increasing prices also increases profits and raises money you can use for business growth. You should be increasing your prices over time so that you can improve your profit and at least keep up with inflation. Make sure you communicate to your customers the reasons for any price increase. It's important to convince your customers that your products or services are worth the additional cost, so think about ways to explain a price increase and focus on the benefits.

4. Get better at collection so there's more cash coming in.

Make sure you're always paid on time. If your customers owe you money, the faster you're able to get it using effective collection tools, the better. Ideally, you want to reduce the chance of not getting paid and pressure on your business available cash.

5. Contact your best customers, encourage them to buy more from you.

One of the easiest ways to increase sales is to sell more to your existing customers. For example, you could try contacting every customer and offering a complementary product or service that they might need now. You could also try and determine when customers may have run out of product or need to re-order from you and contact them just before this happens.

6. Create a customer loyalty program.

You can use of your database of customers and clients and maintain regular contact through newsletters (physical or email), phone calls, personal visits, or attendance at conferences and trade fairs? Offer perks and rewards for frequent purchasers or volume buyers. Advise them of special offers or tell them about any products and services they have not previously bought?

7. This may seem obvious to you but reducing your debt will increase your profits. See if you can avoid late charges and interest charges. The less money you pay to someone else, the more you can keep.

8. If you have a physical location, can you downsize? Is there space being used for inventory that's not selling? Can you outsource some tasks, or have employees work from home? Can you make your business virtual? The average employee working from home saves up to \$4000 per year, the company up to \$10,000.

Chapter 6:

Why Your Numbers Are Critical



Business numbers give you clear insight into where you are and where you've been, so you are able to make knowledgeable decisions about how to move your business forward. It helps you determine what new products or services to add, when to move to a new method of selling, when to hire more employees, and other important decisions. Even family decision, like when to take a holiday, how much can you afford to spend on your home, car, college fund.

Most small business owners do not review their numbers on a regular basis or understand how to read them. They don't trust that their financial picture is accurate or don't know how to make decisions based on anything outside of their current bank balance.

Forty-seven percent of retail businesses fail in the first four years for a variety of reasons: emotional pricing, lack of planning, no knowledge of financing, no experience in record keeping or not paying taxes.

A study in 2015 showed that 97 percent of ecommerce businesses fail. That is a significant number and it comes down to businesses running as a business and constantly monitoring the business, not just the ecommerce site or marketing on the front end, but the business aspects and finances of the business.

“The most common mistake I see is that people believe it’s ‘easy’. And in some ways it is. It’s VERY easy to set up a basic transactional website, I could build you one myself in a couple of hours and I am no techy.”

“Most E-commerce businesses fail because they do exactly that; build a website and not an E-commerce business.”

You may think e-commerce or retail businesses are different than yours so no need to worry about business failure. As of 2019, startup failure rates look like this;

- 21.5% of startups fail in the first year,
- 30% in the second year,
- 50% in the fifth year,
- 70% in their 10th year.

Don't be a statistic, with some new habits you can be part of the 10% that will still be around in 10 years.

Other than a gut feeling, do you know how your business is doing? Are you only monitoring the balance in your checking account? Could you go on Shark Tank in an hour and answer questions about your business?

What questions will the sharks have about your business?

- Are you profitable?
- How much cash do you have to buy inventory?
- How much do you owe for the annual income tax payments?
- Is your business up to date with: sales tax, filing, notices?

- Are you growing? How fast?
- What are your most profitable products and worst profitable?
- When can you afford to outsource parts of your business?

Knowing your numbers and having the right business processes will enable you to have this information when you need it.

There are key decisions every business needs to make on a daily or weekly basis, so you need to know where to get the information to make smart, informed decisions.

You are a small business owner, you love your business, and you want what's best for it. A lot of money and time goes into your business to make sure that you are up to date on the latest information.

If you need help with getting hold of your numbers and other questions go here: <https://wowzer.tech/>

Thank you for investing the time to read this information, I know your time is precious and appreciate your commitment. Please let us know if this helped you get a grasp on your numbers or if we can do more to help you feel confident and relaxed about your business.

Yours sincerely,

Vince Schembri

