



FINANCIAL MANAGEMENT FOR SMALL BUSINESSES: AN OWNER'S MANUAL

REBECCA BERNECK

Founder and CEO of Officeheads
Record Holding Motorcycle Racer





Officeheads is a financial management firm with boundless admiration for the qualities of the entrepreneurial spirit. We are focused foremost on developing and analyzing financial data, followed by shaping prosperity strategies that energize, inspire, and reward our entrepreneurial clients with the security that planning and profitability bring.

We are known for the meaningful partnerships and easy rapport that we enjoy with our clients. We believe in the immeasurable value of process and planning, the financial strength that comes from strategy, and the precedence that profit must take for any business to grow and thrive.

THIS USER'S MANUAL WAS DESIGNED JUST FOR YOU

Please refer to this book often.

It is intended to be kept within arm's reach as you navigate the bumpy terrain of running your business and maintaining your financial health.

In the following pages, you will find the very basics...the 101, if you will... to your financial strategy. It's a high-level How and What and Why.

If you need more help.

More analysis. More strategy. More profit.

Call us anytime.

officeheads

847 866 8877



REBECCA BERNECK

PUT THE PEDAL TO THE METAL

We love the pure spirit of the American entrepreneur. The vision. The gamble. The guts. The unwavering perseverance.

Our inspiration and dedication is fueled by our clients' dreams, aspirations, and curiosity. Our entrepreneurial clients give everything that they've got to their growing business, and we meet them every day with a matched sense of urgency, spirit, and 100% pure mettle.

Operating a small company is like racing a motorcycle.

We believe that you need to build a great bike, maintain it with precision, and then race it to win!



YOUR FINANCIAL TEAM

WHETHER YOUR TEAM IS A STAFF OF 10 OR JUST YOU WEARING ALL THE HATS, THESE ARE THE ROLES AND THE CORRELATING TASKS THAT MUST BE ADDRESSED AS A PART OF YOUR FINANCIAL MANAGEMENT PLAN.

THE BOOKKEEPER ACCOMPLISHES FINANCIAL TASKS

Process all incoming mail, pay bills, generate invoices, make bank deposits, implement collection efforts, process payroll, generate 1099s, and close the books.

THE ACCOUNTANT ENSURES ACCURACY OF REPORTS

Classify all transactions, make adjusting journal entries, reconcile accounts, generate reports, and create the annual budget.

THE CFO OR ANALYST MANAGES CASH FLOW

Monitor bank balances, analyze weekly A/R and A/P reports, analyze monthly and quarterly reports, recommend actions to adjust operating expenses, reduce debt, and generate quarterly distributions.

THE CEO OR STRATEGIST MAINTAINS THE FINANCIAL HEALTH OF THE ORGANIZATION AND CULTIVATES GROWTH

Set short- and long-term goals using financial data.

THE CPA OR TAX AGENT MANAGES AND REPORTS TAX LIABILITIES

Recommend quarterly adjustments to mitigate unexpected tax liabilities, and file tax returns.



APPLICATIONS AND TOOLS

MANAGE YOUR FINANCIAL SYSTEMS EFFICIENTLY AND ACCURATELY.

- **A BANK WITH FEATURE-RICH ONLINE SERVICES**

Officeheads recommendation: Chase bank for its top notch bill payment, free ACH transfers, QuickPay, mobile deposits, data download in .QBO format, account manager to grant members of your professional team limited access, and ability to see corporate and personal accounts with one login.

- **AN ACCOUNTING APPLICATION THAT IS CUSTOMIZABLE TO PRODUCE USABLE REPORTS**

Officeheads recommendation: Up-to-date version of QuickBooks Pro or Premier for Windows.

- **A TIME AND EXPENSE SYSTEM TO ACCURATELY TRACK STAFF (AND CONTRACTOR) INFORMATION**

Officeheads recommendation: GetHarvest for its ease of use and administration, at-a-glance reporting to track revenue, Chrome plugin for quick access, integrated invoicing with one-click payment options, and timesheet approval.

- **A ROBUST SPREADSHEET PROGRAM FOR ANALYSIS AND REPORTING**

Officeheads recommendation: Microsoft Excel 2010 or greater.

- **A HIGH-SPEED SCANNER TO DIGITIZE RECEIPTS**

Officeheads recommendation: Fujitsu ScanSnap ix500 for its sturdy construction, speed, duplex scanning, and ability to scan to a wide variety of locations (mobile devices, Shoeboxed, Word, Excel, Evernote, Google Docs™, Salesforce CRM, Dropbox, and SharePoint).

- **A STURDY SHREDDER TO DESTROY CONFIDENTIAL DOCUMENTS**

Officeheads recommendation: Top Pick: Staples SPL-TXC24A for its ability to destroy paper, credit cards, and compact discs, 24-sheet feeder capacity, 8-gallon waste capacity, difficulty to jam, casters for mobility, lighted waste-bin area, and great value. Runner-Up: Swingline Stack-and-Shred 100X for high-volume shredding with a 100-sheet auto feeder tray.

- **AN EASY-TO-USE FILE MANAGEMENT SYSTEM TO SECURELY STORE AND BACK UP DIGITAL DOCUMENTS**

Officeheads recommendation: Top Pick: SharePoint via Office365. Runner-Up: Dropbox.

- **AN ENCRYPTED APPLICATION TO STORE CONFIDENTIAL USER NAMES AND PASSWORDS**

Officeheads recommendation: Keeper Security, Inc. for its ease of use, world-class encryption technology and security, cross-platform usability, and seamless data sharing.

- **AN UP-TO-DATE KNOWLEDGE REPOSITORY TO DOCUMENT IMPORTANT PROCESSES TO OPERATE YOUR SYSTEM**

Officeheads recommendation: Top Pick: SharePoint via Office365. Runner-Up: OneNote.

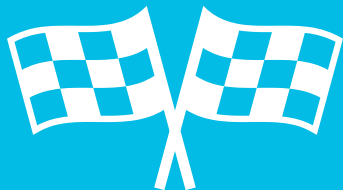
YOUR TASK LIST

You've got the team.

You've got the tools.

You've got the systems.

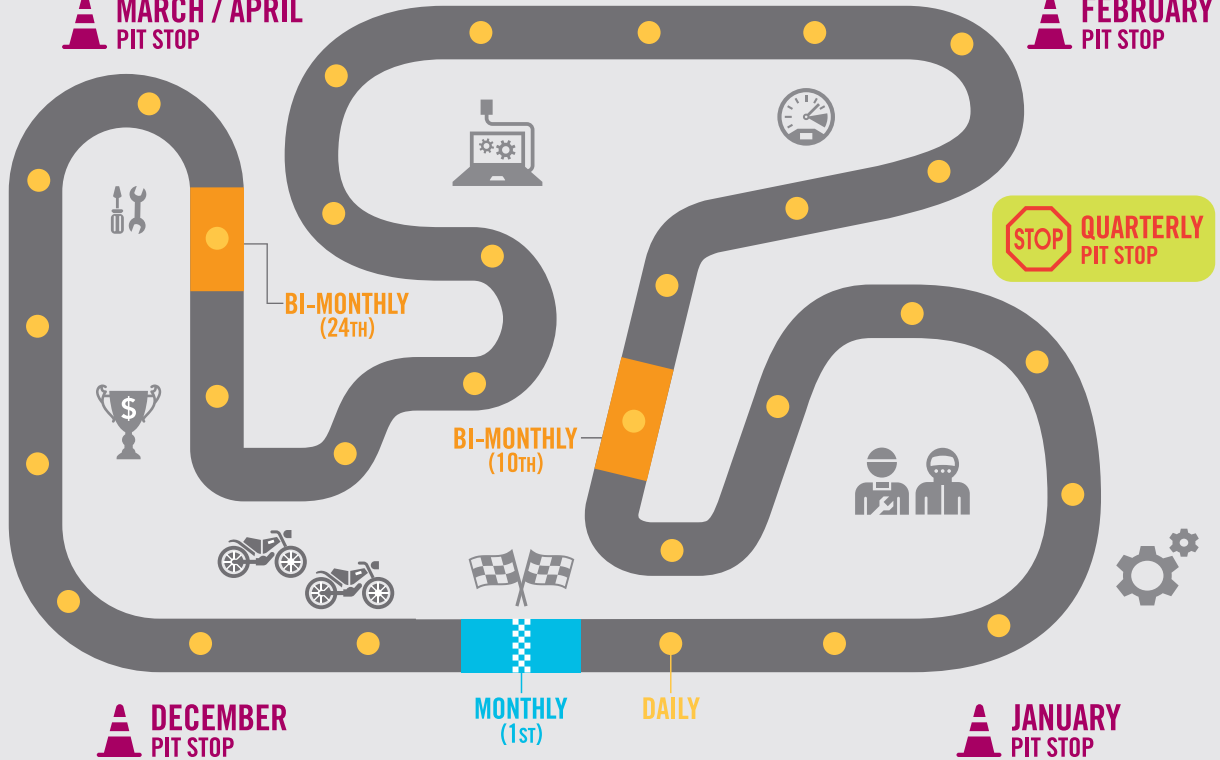
Let's hit the track!



MONTHLY TRACK

 **MARCH / APRIL**
PIT STOP

 **FEBRUARY**
PIT STOP



 **DECEMBER**
PIT STOP

 **JANUARY**
PIT STOP

MONTHLY
(1ST)

DAILY

 **QUARTERLY**
PIT STOP

DAILY

- Gather & sort mail
- Record incoming cash in the form of invoice payments or sales receipts
- Physically make bank deposits

BI-MONTHLY (10TH & 24TH)

- Enter bill detail into QuickBooks
- Gather payroll information
- Classify transactions
- Make *Profit First* bank transfers
- Analyze balance sheet, A/P & A/R reports
- Process payroll
- Pay bills using online features
- Submit sales tax returns (24th)
- Make collection efforts, as needed
- Make adjusting journal entries

MONTHLY (1ST)

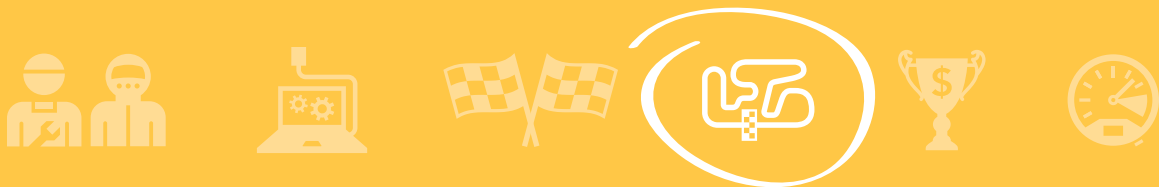
- Reconcile accounts
- Review time and expense sheets
- Generate invoices
- Generate & analyze monthly reports

QUARTERLY PIT STOPS

- Review 1099 vendor documentation
- Generate and analyze quarterly reports
- Measure and set quarterly goals
- Participate in tax planning sessions
- Distribute profits

ANNUAL PIT STOPS

- Generate and distribute 1099s (January)
- Submit CPA tax package (February)
- Prepare and file tax returns (March-April)
- Create annual budget (November-December)



BEST PRACTICES

FOLLOW THESE RECOMMENDATIONS FOR THE ULTIMATE PERFORMANCE.

ACCOUNTS PAYABLE: MONEY OUT

- Take the steps to have all bills sent to a separate email address to avoid misplacement and eliminate the need for scanning and filing.
- Enter bills into your accounting program on the 10th and 24th of each month to ensure the accurate and timely tracking of payables and the management of cash flow.
- Use bank bill pay and other automatic systems to efficiently process payables on time by eliminating the need for check signing and snail mail.
- On-the-fly expenses must be paid with a company debit or credit card—never with personal funds and only with cash when necessary.
- When sales tax is collected, it is reported on and paid according to state-mandated deadlines.

ACCOUNTS RECEIVABLES: MONEY IN

- Accurately track time and expenses for internal staff, external vendors, and members of organizations, then transfer all data onto invoices.
- Prepare and distribute invoices on a regular schedule.
- Manage collections on a 30-45-60 day schedule to regulate cash flow.
- Ensure petty cash protocols are followed to reduce risk of theft.
- Always make bank deposits within 24 hours of receiving payment, and document thoroughly to allow for detailed auditing.
- Review merchant bank vendor regularly to ensure accuracy and monitor fees.
- Configure POS systems to accurately calculate and collect sales tax.
- Ensure that POS systems generate easy-to-understand reports to enter or sync into accounting program.

PAYROLL

- Contract with a reputable vendor to process payroll for W2 employees.
- Process payroll tax returns and payments according to IRS and state guidelines.
- Determine owner compensation by the job that is performed at least 80% of the time and include in regular payroll schedule.
- Escrow quarterly estimated tax payments as revenue is received.
- Meet with CPA quarterly to mitigate surprise year-end tax liabilities.
- Include quarterly profit distributions in the cash flow plan.
- Put a qualified plan in place to maximize contributions for key employees.
- Review qualified plan and communicate annually to all employees to encourage participation.

CLASSIFICATION & RECONCILIATION

- Electronically transfer transactional data into the accounting program from financial institutions on the 10th and 24th of each month to eliminate data entry errors and manage work flow.
- Classify transactions to the Chart of Accounts on the 10th and 24th of each month to avoid head scratching and second guessing about what you purchased and why.
- Review entries into the accounting program monthly (at least) to ensure accuracy.
- Reconcile all financial institution accounts on a monthly basis to ensure the accuracy of deposits and withdrawals—including merchant banks such as PayPal and Square.

REPORTING & ANALYSIS

- Design standard and custom financial reports around your specific business needs to provide meaningful information to operate your company.
- Review these reports on a regular basis.
 - P&Ls each week to understand daily cash flow.
 - A/P, A/R, and balance sheet reports on the 10th and 24th and make decisions on which bills to pay and whom to contact to collect overdue invoices.
 - P&Ls each month to understand monthly cash flow.
 - P&Ls each quarter to understand profitability.
- Create an annual budget every December based on the previous 12 months of actual data, then tweak with strategic goals that impact income and expenses.

STRATEGY

- Do not let the lack of time be an excuse to be thoughtless—pause each quarter to:
 - Do Some Tax Planning
 - Meet with your tax preparer to understand tax liability changes, then tweak your compensation plan to mitigate year-end surprises.
 - Set Attainable Goals
 - Assess your client roster—distinguish the difficult clients from the ones who can't live without you.
 - Analyze your product or service—implement changes to further WOW the clients who love you to make them love you more.
 - Document your decisions as attainable goals that can be conquered in the next three months, complete with the who, what, why, and when, including all areas of internal management such as HR, technology, facilities, etc.

STRATEGY (CONT.)

- Distribute Your Profits
 - Cut a check to yourself for 50% of your profit that you saved FIRST.
 - Pay your estimated quarterly taxes.
 - Make thoughtful decisions to allocate the remaining 50% of your profit to debt reduction, rainy-day savings, or special projects that will grow your company.



PROFIT FIRST

THE *PROFIT FIRST* CASH MANAGEMENT SYSTEM

Based on a book by Mike Michalowicz, *Profit First* Cash Management is a system that ensures any business will become permanently profitable, providing a shift in thought process to operate lean companies that focus on profit.

PROFIT FIRST INSTANT ASSESSMENT

- SET ASIDE YOUR PROFIT FIRST
- COMPENSATE THE ENTREPRENEUR
- RETHINK WHAT YOU REALLY NEED
- TAKE BABY STEPS – SET GOALS

FIVE WAYS TO START LIVING THE *PROFIT FIRST* PHILOSOPHY

ON YOUR MARK:

- MAKE A COMMITMENT TO RUN A PROFITABLE BUSINESS STARTING NOW!
Don't wait another day and don't beat yourself up about where you are now.

GET SET:

- COMPLETE THE *PROFIT FIRST* INSTANT ASSESSMENT
Understand the health of your current finances.
- SET ATTAINABLE GOALS
Determine your Target Allocation Percentages based on your industry and other factors in your business.
- OPEN YOUR *PROFIT FIRST* BANK ACCOUNTS
Open four at your current bank, for Profit, Owner's Pay, Tax Escrow, and Operations, plus two at a hard-to-reach external bank for your no-temptation Profit and Tax accounts.

GO!

- DO THE WORK
Start applying the *Profit First* principles and don't stop—ever.
Find an Accountability Group, Profit Pod, or *Profit First* Professional to keep you accountable.



LONG-TERM MAINTENANCE AND CARE

ANALYZE YOUR SUCCESSES AND OPPORTUNITIES

AT 100,000 MILES (1 YEAR FROM NOW)

- Are you using the proper tools and techniques to effectively manage the finances of your company?
- Did you and your team follow the track map to ensure all financial tasks were accomplished on time and with great accuracy?
- Were you fully aware of your year-end tax liability?
- Have you increased your compensation?
- Have you reduced your debt?
- Have you eliminated unnecessary operational expenses?
- Have you increased your rainy-day savings?
- Were your quarterly goals attainable and aligned with long-term goals?

AT 200,000 MILES (2 YEARS FROM NOW)

- Did you increase your company's profitability?
- Are your products and services aligned with your client's needs?
- Is your compensation percent of revenue aligned with the effort you put forth?
- Have you eliminated debt?
- Is your rainy-day savings equal to or greater than three months' operating expenses?
- Are you frugal in your financial decision making?

AT 500,000 MILES (5 YEARS FROM NOW)

- Are you deferring compensation to save for retirement in the form of a customized qualified plan?
- Are you spending most of your time doing what you are passionate about?
- Do you enjoy a healthy work/life balance?
- Have you started a second business?



officeheads

officeheads.com

1570 Oak Avenue #103, Evanston, IL 60201

847 866 8877 P 847 866 8876 F

