



## The Basics of Business Finances

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February 2, 2021

Managing a company is no easy feat. While there is the potential for great rewards, those rewards are gated behind years of hard work and dedication. Nowhere is this better exemplified than in your business's finances. The goal of a business is to generate profit, but doing so will require an intimate knowledge of your company's inner workings and a balancing act of epic proportions. Here's what you need to know in order to master business finances.

### Accounting

Before you can min/max your finances, you'll first need to understand the current state of affairs. This means that you'll need to invest in accurate recordkeeping. Step one is to [study accounting for small business](#) in order to get a lay of the land. However, accounting is a full time job, so you'll need to hire an accountant in order to give your financial records the attention that they need and deserve. While it's important to understand the basics for the purposes of oversight, it's also crucial that you have a dedicated employee for the role. This is in part because it creates the ideal conditions for accuracy and completion, but there's more to the story.

An accountant will be your first line of defense against legal penalties. Federal regulations surrounding business finances are not exactly intuitive, so you need someone who's formally educated on these matters to keep your company in line. Failing to provide accurate records can result in IRS investigations in order to eliminate the possibility of fraud, for example. On the other hand, you'll also need someone to compile all of your receipts in order to first establish your company's spending and then include those expenses in your tax return. Business expenses are typically [deductible](#) when it comes time to file your taxes, and an accountant can make sure you get all of the deductions for which you qualify.

### Budgeting

Accounting makes up one piece of the puzzle of business finances. Budgeting is superficially similar, because both entail keeping records of earnings and

spending. However, budgeting is what happens when you take your financial records and use them as a set of guidelines for how to improve your financial standing. By first observing your revenue and expenses, you can start to make structural changes within your business model that can create the largest possible profit margin. This is done by either reducing the costs of doing business or increasing your income. Ideally, both approaches will be applied together in order to attack the problem from both angles simultaneously.

You can cut costs in a variety of ways, although it may not seem like it at first glance. While many of your expenses are necessary evils, there are also some expenses that businesses accept unwittingly but are nonetheless optional. A great example of this is printing. More and more businesses are [going paperless](#) in an attempt to garner some positive PR all while saving money. Printing expenses can be deceptive, because they consist almost entirely of small, repeat costs that add up over time. This problem can be remedied by opting out entirely and switching to a paperless model that customers and employees almost universally prefer.

Increasing your business's income is another story, because it serves as the central conflict of any commercial endeavor. The best way to bring in more money is to increase your sales figures, but doing so entails both investing in marketing and improving the quality and variety of available products. Both of these methods entail additional business expenses, meaning that they can easily be part of your problem if they're implemented poorly. Running your own company will be the greatest challenge in your life so far. It will require immense dedication, because it will necessarily entail doing a lot of research into the best methods available and the hard work of executing those strategies. These tips will give you a strong place to start, but there's always more to learn.