



Every Successful Business has Good Accounting

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June 2009

Every successful business has two elements: good accounting and good people. For information on good people, check out our human resource article in this issue. This article will focus on good accounting.

What is good accounting?

Many businesses fall victim to the “garbage in-garbage out” principle of accounting, which means that messy, inaccurate bookkeeping leads to erroneous financial statements. Good accounting is creating accurate, timely financial statements that truly reflect where your business stands on a month-to-month basis. Without up-to-date accounting records, owners and managers are unable to make educated business decisions on a timely basis.

Why is good accounting so crucial to your business’s success?

Having accurate, timely monthly financial statements breeds many benefits. Here are a few:

- You will be able to evaluate your business’s statistics to the industry’s statistics.
- You can compare your business’s profitability to the budget, the prior year or month, and the overall goals of the company.
- Monthly financial statements remove the blindfold and show you whether your business is profitable. Too often owners and managers assume being busy equates to profitability.
- With monthly financial statements you can be proactive. You will see downturns coming before they hit, and you can plan accordingly. Three month old financial statements are not much of a management tool when it’s too late to head off a disaster.
- Financial statements allow you to monitor sales, costs and other trends in your business.
- Lenders will request financial statements to purchase large equipment, expand businesses operation and purchase other related businesses.

How do you get good accounting?

Whether or not you are good with numbers, having monthly financial statements is possible for every business owner, manager, president, etc.

If you produce your statements in-house, make sure you have a software system in place that meets the demands of your business. It should be able to handle the size of your company, the industry you are in, and the specific information you need to make effective business decisions. In addition, be sure you have a qualified staff in place. That means someone with an accounting education and/or years of experience is producing accurate financial statements. Finally, it is also important to have a trusted third party advisor involved with your internal accounting system. Third party advisors can look at the accounting system objectively. They can identify areas of improvement and suggest changes in the system to protect the owners from fraud or embezzlement.

You also have the option of outsourcing your accounting. There are many benefits to outsourcing. You work with experienced staff that has depth of knowledge in accounting and the resources to handle your financial recording needs. Your staff will be freed up to work on projects related to your core business, rather than being bogged down with financials. In almost every case, the benefits received from outsourcing far outweigh the fees.

When do you start?

Good accounting should be a top priority of every business that seeks success. So now is the best time to get back to the basics of good accounting. You will make more effective, relevant, and timely business decisions and have certainty at all times where your business stands.

If you would like more information on this topic, please contact Mike Welbes at 888-556-0123 or mwelbes@honkamp.com.

This article was published in the June 2009 issue of the Business Times, Dubuque, IA.