

10 TIPS

for Entrepreneurs About the Fundamentals of Accounting & Human Resources

Entrepreneurs and leaders of startups and fast-growing companies are often inundated with responsibilities. To create a solid foundation, the fundamentals of finance and human resources should be done right from the start. At Fine Point Consulting we are laser-focused on helping entrepreneurs and early-stage companies accomplish more, scale fast, and stay lean. To that end, we have compiled both the top 5 accounting tips and top 5 human resources tips that every leader or entrepreneur should be mindful of:



Accounting

- 1 Try it yourself** - you can manage your own bookkeeping if you're diligent about it. The most basic requirement: reconciling all bank, credit card, PayPal, etc., accounts every month using your software's reconciliation tool. If you are keeping up to date with this rule of thumb and can understand your balance sheet and profit & loss, save your money a little longer and keep doing it yourself. Keep in mind, don't wait until you're falling behind to call a professional.
- 2 Don't wait too long** - when startup accounting is done haphazardly or not at all, it becomes much more expensive to catch up and cleanup. It's also hard to remember what those expenses were actually for! We see this a lot while onboarding our new clients. In the beginning, they find the process daunting, and then are pleasantly surprised with how easy it can be to manage.
- 3 Don't cut corners** - it may be tempting, but don't choose to hire contractors instead of employees to save money on payroll taxes. The IRS, states, and unemployment agencies all have explicit rules for how to determine whether someone is a contractor or an employee. If you're giving your contractor company equipment, a company email address, and a company phone number, that's not a contractor. Educate yourself on how to meet the requirements to avoid steep penalties and back taxes.
- 4 Understand how cash flows through your company** - Do you have to pay employees before getting paid by your customers? By definition, that means you'll need to increase your cash reserves every time you grow. It's easy for business owners to use credit cards for everything, but if you have one or two vendors you use often and can set up a traditional account with them, negotiating slightly longer terms can be hugely beneficial.
- 5 Cash or accrual basis?** - Many small companies start on a cash basis, but can get much more insight from reviewing financial results on an accrual basis. Companies with debt or equity will be required to report on an accrual basis. "Accrual" basically means that each month, you'll see both the revenue you earned and all the expenses you incurred to generate that revenue. It's much more useful for understanding profit margins and helps you with forecasting properly as well.



Human Resources

- 1 Hire the right people** - don't settle because you need someone immediately. Take the time to find an employee that is passionate about the company's philosophy and a strong cultural fit. A bad hire in a small company is easy to spot and expensive. Make sure to have a solid interviewing team that can provide constructive feedback.
- 2 Offer Competitive Compensation & Benefits** - a competitive compensation and benefits package is important for attracting and retaining top talent. As a startup you may not have the most robust benefits package available. Be creative, consider what you can offer that might set you apart from the competition, such as unlimited PTO, flexible office hours, comfortable dress code, stock options, etc.
- 3 Cultivate Culture & Core Values** - identify and define the culture you want to foster within your company from the start, and then build your organization around it. Incorporate it into your hiring process to ensure a good fit, aligning your employee handbook and employment practices. The effort you put into this in the beginning will have a big payoff. After all, as the company grows the culture becomes the foundation of the organization.
- 4 Share your vision** - you want your employees to be as committed to your business as you are! The best way to do this is to help them see where you're going and the importance of the role they are playing in achieving this goal. Help them understand how what they do every day contributes to company success by defining goals and objectives tied directly to company goals.
- 5 Delegate, delegate, delegate!** If you've hired the right people, trust them to do their job. It's extremely difficult to "wear all the hats". Outsourcing is also an option that works well with many companies - experts in their field, no benefits to pay, and many outsourcing companies work on an a la carte basis. Find third party resources (such as accounting and HR) to free up your time.

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