

# **The Business Owner's Accounting and Tax Survival Guide**

**Fifth Edition**

**The information you absolutely must have  
about accounting and taxes  
to run your business**

**Michael Chase**  
MBA, MS Taxation

[www.PIA365.com](http://www.PIA365.com)

[Support@PIA365.com](mailto:Support@PIA365.com)

Copyright © 2003, 2010, 2014, 2021, 2022 Michael Chase All rights reserved.

## Contents

Introduction	page 1
Legal form of your business	1
Separate your company's financial information from your personal financial information	2
Taxes	2
Tax planning	2
Business advisor	3
Your accountant and accounting	4
The money question	5
Employees and payroll	5
Files	6
Document destruction	7
Cheating	8
One more thing: Hold on to cash	8
Conclusion	9

## Introduction

I wrote this ***Survival Guide*** to give business owners – and people who are thinking about starting a business – the information they absolutely must have about accounting and taxes to avoid many common – and often costly – mistakes.

The first thing you should know is that **your company PROBABLY DOES NOT NEED an accounting system.**

I explain why in the “Your accountant and accounting” and “The money question” sections on pages 4 and 5.

## Legal form of your business

The 3 most common legal forms of business are:

- Sole Proprietorship
- Partnership
- Corporation

There are others.

The decision about which legal form is right for your company is complex – I recommend that you talk to a business attorney before you decide which form to use.

## Separate your company's financial information from your personal financial information

Keep your company's financial information separate from your personal financial information:

- Have a checking account that is only for your company.
- If you need a credit card for business, have one you only use for business.

## Taxes

From your point of view there are 2 kinds of taxes:

- Taxes someone else will prepare the returns for  
Your company's income tax returns, which your accountant will prepare – and, if you have employees, payroll tax returns, which your payroll service will prepare.
- Taxes you can prepare the returns for  
Sales tax and other business tax returns.  
Or you may choose to have your accountant prepare some, or all, of these tax returns.

## Tax planning

Talk to your accountant about tax planning before the end of the year – the earlier the better. Ask them if there are any tax planning issues you should be aware of, and what options you have with each issue.

Among the issue you should talk about are:

- Car and truck expenses
- Travel expenses
- Meal expenses
- The section 179 deduction
- The home office deduction
- Retirement plans

Ask your accountant if there are any other issues you should deal with.

## Business advisor

Do you need a business advisor?

***Absolutely!***

When you have a question, you need an independent advisor with years of business experience to help you answer it.

Your business advisor is that person.

Your business advisor should be:

- A **Piazza Rosso** Business Advisor

Our Business Advisors have years of experience helping business owners with business and financial issues.

- Someone you trust and are comfortable working with

You'll have a hard time taking advice from someone you're not sure you trust or are not comfortable working with.

## Your accountant and accounting

Your accountant should be a CPA – a Certified Public Accountant.

In the Introduction I said I'd explain why **your company PROBABLY DOES NOT NEED an accounting system.**

The reason is that the most important function of an accounting systems at almost all small companies is to give your accountant the information he or she needs to prepare your company's tax returns.

You don't need an accounting system – or a bookkeeper – to do this. There are easier and cheaper ways to put this information together.

What is the "easier and cheaper" way we recommend? **Piazza Rosso's** Fast Track Accounting – that prepares your company's financial information for your accountant when you need it – **WHICH IS ONLY ONCE A YEAR** – from information on your company's bank statements, credit card statements, payroll tax returns, and other documents.

If your company does need an accounting system, it's probably to handle a specific function – most commonly to keep track of:

- How much money customers owe your company (accounts receivable – needed by consulting, professional services, wholesale, and freelance businesses)
- How much money your company owes its vendors (accounts payable – needed by retail and wholesale businesses).

A **Piazza Rosso** Business Advisor can help you set up an accounting system to meet these – or other – functions.

### The money question

Small companies – particularly new companies – probably do not need an accounting system – but they do need a way to answer one critically important question:

#### The money question

**Does my company have enough money today –  
and will it have enough money in the future –  
to pay its bills and stay in business?**

(A suggestion: You may want to put this on a sign over your desk.)

You have to answer this question – because if your company runs out of money, it's out of business.

And this happens at far too many companies: More than half of new companies fail within 5 years – and the reason they fail is almost always **because they run out of money**.

This does not have to happen at your company.

**Piazza Rosso** has developed a simple and easy-to-use – yet very powerful – tool that will help you make sure your company does not run out of money. Talk to a **Piazza Rosso** Business Advisor to find out about this tool.

### Employees and payroll

If you have employees, have a payroll service:

- Prepare your payroll and pay your employees
- Pay your payroll taxes
- File your payroll tax returns

It takes an expert to do these things right – because:

- Every time your company writes a payroll check it has to keep track of 6 federal payroll taxes, plus any state payroll taxes – and this does not include any employee deductions for health insurance, retirement plans, etc.
- Your company will make 12 – or more – federal payroll tax payments each year, plus any state payroll tax payments it's required to make.
- And it will file 5 federal payroll tax returns each year, plus any state payroll tax returns it's required to file.

Payroll services are experts at doing these – and they do them cheaper than you can.

A payroll service can also help you meet the legal requirements your company becomes subject to when you hire employees, like reporting new employees to your state's employment tax authority.

## Files

All of your company's financial transactions are created or supported by information on one or more documents. You need a place to keep all these documents – you need files.

You need at least the following files:

### Vendor files

Make a file for each vendor and put everything relating to the vendor in their file.

Your vendors include your bank, your credit card companies, your lenders, and your payroll service.



### **Customer files** (retailers generally don't need customer files)

Make a file for each customer and put everything relating to the customer in their file.

### **Employee files** (if you have employees)

Make a file for each employee and put everything relating to the employee in their file.

### **Tax return files**

Make a file for each tax return your company files and put its tax returns and all supporting and related documents in their file.

Keep every document that creates or supports a financial transaction – every bill, every receipt, every bank statement, every credit card statement, every employee timecard or timesheet – every document. When there's a question about a financial transaction – and these questions come up all the time – a document in your files will provide the answer.

Make a new set of vendor, customer, and tax return files each year. Store old files until you can destroy them (see "Document destruction" below).

You do not need to make a new set of employee files each year.

Your company may need other files – talk to your business advisor.

## **Document destruction**

You have to keep some documents forever – others you can destroy after a number of years. Get a document destruction schedule from your accountant.

## Cheating

My advice: **Don't**.

There are a number of problems with cheating:

First and most important, it wastes your most precious and limited resource – your time.

Second, it diverts your attention from doing the things you need to do to help your company survive and prosper.

Third, if you cheat and you have employees, your employees are probably going to find out. If it's OK for you to cheat, then it's OK for them. **Who are they going to cheat? You, of course.** They'll steal from you, and then they'll waste time figuring out how to make sure you don't find out.

Fourth, your financial information will be wrong – which means you will not have the information you need to make business decisions.

Fifth, when it comes time to sell your company, the information you have will not accurately reflect what it's done, and that will lower the price you can sell it for.

In short, **don't cheat** – and don't tolerate it in other people.

## One more thing: Hold on to cash

**If you run out of cash, YOU'RE OUT OF BUSINESS!**

Do everything you can to hold on to cash. If your company ever has more cash than it needs, hold on to it – I guarantee the day will come when it will need the cash.

## Conclusion

### *That's it.*

That's the information you absolutely must have about accounting and taxes to run your business.

Follow the suggestions in this ***Survival Guide*** and you'll help your company survive.

Now all you have to do is all the other things that ensure it not only survives – but prospers: **innovation, marketing, operations**.

You've got a lot of work to do.

**Piazza Rosso** can help you.

Talk to a **Piazza Rosso** Business Advisor:

Support@PIA365.com