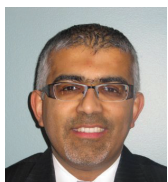


# MONEY & FINANCE



## ***Year-End Tax Tips For Small Business Owners***

*By Ali Raza Jaffer, CGA*

**HAVE YOU EVER WONDERED** why a profit and loss statement may be positive, but the business is still struggling to meet its cash flow obligations? The answer lies in the bank statement of any business. Month-end procedures result in a few accounting adjustments, but often overlooked are items in the balance sheet and income statement that can make it or break it for a small to medium sized enterprise (SME).

Cash flow is defined as the money coming in (inflows) less the money going out (outflows). A simple way to analyze the cash flow in a business is by reviewing accounts receivable collection period (in days), inventory turnover, monthly budget variances and headcount overages. This can be accomplished via a simple spreadsheet or larger enterprise accounting applications.

### ***Here are some tips on how to overcome some of these cash flow issues:***

- 1. Receivables:** ensure procedures are in place to collect receivables on a timely basis.
- 2. Payables:** take advantage of all discounts from vendors and do not make payments earlier than required.
- 3. Prepare monthly and annual budgets** and forecasts and measure the variances to actual.
- 4. Review controllable expenses** such as supplies, utility plans and postage or courier costs.
- 5. Develop a monthly key driver dashboard.** This will identify any changes to key indicators for the business immediately.
- 6. Inventory levels should be at moderate levels.** A business should not have too high or too low inventory levels.
- 7. Invest excess cash within the corporation.** There are many investment options available to ensure lower tax rates are maintained and most investment vehicles will pay higher returns than a typical bank account.
- 8. Seek three quotes on every purchase.** Comparing different quotes will ensure certain items are not overlooked on any purchase.
- 9. Set short-term and long-term goals** ensuring they are realistic and achievable.

And most importantly:

- 10. Ensure you are taking advantage of all tax deductions** and often overlooked credits available for entrepreneurs.

One may wonder why simplifying the monthly cash flow cycle can ensure long term success of any SME. These are only a few of the ideas. The key is ensuring a conservative but realistic approach in measuring the cash flow of the business.

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