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# Don't THESE make 5 MISTAKES

Small business owners face numerous everyday challenges, and they usually conquer them with their entrepreneurial strength. Unfortunately, keeping the books on their growing business is not a skill someone can simply persevere through and get it right.

And the potential consequences of messing up on the accounting functions can have serious consequences when it comes to the success or failure of a business. The founders of the cloud accounting system [Freshbooks](#) have come up with the top five accounting mistakes that small business owners face, and how to avoid them

## **Not staying on top of receivables**

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payments from anywhere. Software like FreshBooks, for example, allows you to even automate most of the billing process, including sending out late payment reminders and enabling your clients to pay you online.

## **Not keeping expense receipts**

How many times have you scanned your bank account statement trying to figure out what a charge was for — was it supplies for your office or was it an expense related to a client's project? Not only is this frustrating, but not having copies of your receipts can land you in trouble at tax time. If you're unable to accurately report your expenses, you might find yourself getting nailed with costly penalties.

Best practices for keeping organized include:

- Using only your business credit or debit card to cover business related expenses
- Keeping copies of your receipts in one place and reviewing these at least weekly or monthly while they're fresh in your memory

For freelancers, SMBs or consultants looking to save time, FreshBooks has a feature that allows you to snap a pic of your receipt while you're on the go so you'll always have a digital copy when you need it. You can also sync your business bank account or credit card so expenses are automatically imported.

## **Mixing personal/business finances**

When starting your own business, a first step should be to open a separate bank account where you deposit your income and pay your business expenses from. A second step should be getting a credit card that you will only use for this business. These are important signals to the IRS that you're running a business vs. a hobby. If you're mixing your finances, the IRS might not grant this important distinction.

Mixing your expenses also prevents you from really knowing how much money

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bank fees are tax deductible, or that they can claim that professional development course they took a few months back.

Secondly, working with a professional on your taxes means they can help resolve any discrepancies or confusions resulting from guesswork (ex. incorrect tax categories, deductions) that might have otherwise lead to an audit, saving you potentially thousands of dollars in penalties.

### **Not getting on the same wavelength as your accountant**

Your CPA can be an ally to you and your business, since they have the skills and training to help guide important business decisions you might face. Is it time to hire your first employee? When's the right time to make a big purchase for your business, like upgrading your software or buying a new computer? All too often however, creative professionals are uncomfortable with accounting jargon and might be embarrassed or intimidated when trying to communicate with their accountant, resulting in them not asking the questions they have.

It's important that when you don't understand, that you ask your accountant to explain things in plain language. Or if you continue to find this tricky, consider finding an accountant who is more on your wavelength and communicates in the style that works best for you. There are more free-lancer friendly accountants than ever before.

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