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SMALL BUSINESS

What Are the Biggest Accounting Challenges Small Businesses Face?

Mar. 19, 2015



Small business owners and managers face daily challenges on many fronts, from customer happiness and inventory, to marketing and technology. One of the biggest, they say, is their accounting functions.

According to the latest [Small Business Accounting Report](#) survey, only 42 percent of small businesses have a CFO or controller. This drops to 25 percent among companies with only 11-25 employees. To further expand on this staffing constraint,

only 40 percent of small business owners feel they are extremely or very knowledgeable on accounting/finance.

The report, commissioned by small business productivity provider [Wasp Barcode Technologies](#), identifies the state of small business accounting with a specific focus on accounting challenges, staffing, and taxes. The findings are collected from nearly 400 small business owners across a variety of industries including nonprofit, retail, agriculture, banking/financial, education, energy, healthcare, hospitality, service providers, IT and professional services, manufacturing, military and warehouse.

Small businesses report their top accounting challenges are:

1. Accounts receivable/collections
2. Cash flow
3. Managing paperwork
4. Closing the books each month
5. Managing payroll

The report also found that at least 71 percent of small businesses outsource at least one accounting function. The top complaints about their accountants include being more reactive than proactive, timelines and lack of guidance.

“Some of the biggest pain points small businesses have fall under the financial umbrella,” said Brian Sutter, director of marketing, Wasp Barcode Technologies. “For example, many business leaders want help from third party accountants, but don’t believe the firms share the same level of investment compared to an internal employee. This report points out improvements for in-house practices, but also identifies outsourcing opportunities to help SMBs better manage their finances.”

Key Findings:

- 74 percent don’t understand how ghost assets impact their books and inflate taxes, insurance or money owed
- Only 17 percent of small businesses use an asset management system that allows auditing
- Accountants ranked among the top professionals in order of importance to small businesses; and, 88 percent of small businesses are very or somewhat satisfied with their accountants
- Small businesses report their top accounting challenges are:

- accounts receivable/collections,
 - cash flow,
 - managing paperwork,
 - closing the books each month,
 - managing payroll
-
- 71 percent of small business outsource at least one accounting function

The full Small Business Accounting Report is at www.waspbarcode.com/small-business-report-accounting.

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