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Small businesses face many financial hurdles. Whether due to an industry that is seasonal in nature, or because of aging accounts receivables, businesses can find themselves facing problems with cashflow, debt, profitability or vendor relationships.

A well-managed business that maintains proper financial books and has proper controls can weather these financial storms. But there may also be major underlying issues that need to be addressed if the business has any chance at surviving. The following are signs that a business may be facing more than just a temporary slowdown:

1. Cash Flow Problems

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2. Trouble Paying Taxes

Businesses pay numerous taxes throughout the year, depending on the regulations where they are located, as well as where they conduct business. In the U.S., these include federal and state taxes on business income, which are often paid as in estimated quarterly remittances. Additionally, most retail businesses also collect and pay sales taxes on either a monthly or quarterly basis, and are responsible for withholding and paying payroll taxes for their employees. Businesses that fall behind on any of these obligations can quickly find themselves mired in additional fees and even potential criminal investigation. Those conducting business internationally may also be responsible for VAT or other taxes.

3. Customer Complaints/Delays

If a business' finances are in trouble, its managers may be skimping on service or on the products they sell. As a result, customer satisfaction will certainly reflect this, which can also result in longer waits for customers to pay their invoices. And this only compounds the financial difficulties. Negative customer experiences frequently are mirrored in the experiences of the business' workers, who may start to lose respect for the business, as well.

4. Deteriorating Assets

Almost all businesses rely on some form of physical assets to provide their service or product to their customers. Whether it's a retailer with a storefront that requires maintenance and regular cleaning, a contractor with business vehicles, or a manufacturer with equipment, all of these businesses must invest in routine upkeep of these assets. When a business starts cutting corners on maintenance and production assets, it can decrease customer perception of the business, or can lead to less efficient production processes. Either of which can make the financial situation worse.

5. Poor Bookkeeping

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6. Overdrafts

Just as an individual's bank accounts can be thrown into disarray when a few overdraft charges are applied, the same can happen to a business. Depending on the volume of transactions that a business has coming in and out of their bank accounts, overdrafts and payments their bank declined to make can have rippling effects, causing other payments to be missed (or accrue additional charges), and also causing dissatisfaction with vendors.

7. Disappearing Owners

When the going gets tough, sometimes the owners are hard to find. When a business is consistently facing financial issues, complaints from vendors for nonpayment, increasing penalties for late bills or missed tax payments, disreputable or overwhelmed business owners or managers may not be as easy to find. This can have disastrous effects on employee morale, as well as continued deterioration of the underlying financial problems.

8. Bad Relationships with Creditors/Vendors

Just as the small business can feel a crunch when its customer don't pay on time, so too does the business' vendors when it doesn't get paid properly, or payments are returned insufficient. This can lead to a fractured relationship with these vendors, resulting in higher costs or fees for their products or services, or even the severing of the business relationship. If the business continues to alienate its vendors and creditors, it will also have a negative impact on its business credit scores. [[LINK to guide on business credit.](#)]

9. Failing to Pay Employees

Often the final “nail in the coffin” of a business is when they fail to pay their

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issues, it will likely face legal issues. These range from creditors and vendors suing for nonpayment, lenders seeking repossession of property, loss of collateral, or lawsuits relating to nonpayment of employees. Failure to pay taxes, or deliberate mismanagement of withheld taxes, can also result in criminal penalties.

Conclusion

It is normal for most businesses to occasionally feel a financial crunch, but responsible business owners know that it isn't prudent to hide the problems or to move money from one side to the other. It is essential that the business take real steps to alleviate the underlying financial issues, whether through cutting overhead, finding a way to increase profit margin, or increasing prices. An experienced business accountant can help find the problems, and develop a plan to overcome it, helping the business become sustainable and profitable.

Financial Planning • Small Business

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