

How you can improve your finance and accounting practices, today!



With the beginning of the new tax year taking place this month, what better time is there to evaluate and make improvements to how you manage your finance and accounting practices?

For small businesses managing your financial information may be a challenge and we understand that time is very precious, therefore we bring you some top tips on how you can improve your financial and accounting practices, starting today!

Finance is the backbone of any business, so following these business accounting tips and tricks are essential to business success...

What's the importance?

With the uncertain economic conditions we are all experiencing, increasing pressure is on businesses to make the right decisions first time, and for that, businesses need financial management systems which give accurate and timely information which is fit for purpose.

Any business needs to make sure it is recording the correct accounting information, whether for statutory and/or tax reasons or for improved financial control and better-informed decision making. And whilst there is no legal requirement to prepare management accounts, it is almost impossible to find a successful business which does not produce regular management accounts.

An effective management accounting process will help businesses to:

- Compare actuals with forecasts
- Manage resources better

- Identify trends
- Monitor profitability
- Evaluate the financial impact of strategies and plans

Recording accurate accounting information helps companies drive growth by improving financial control and providing tools for better-informed decision-making. This would be the role of a Finance Director in larger organisations, yet very few smaller companies have senior level financial expertise within their management teams. As small businesses grow, owner-managers often find themselves in a position where they wear many hats to fulfil all the day to day operational functions of the business but they have less time to think about the longer term future of the business.

Our top tips for improving your processes...

A solid accounting system is an essential aspect of running any business. No matter how small your business is, accounts should be updated, accurate, and readily available, as it provides you with crucial information on your business' financial standing. However, many small businesses are often simply trying to cope with the day to day operational challenges as they come to them.

But small businesses should take the time to structure accounting categories and procedures that allow for easy analysis, trend spotting, and business planning, in addition to simple tax compliance. The benefits of making time to create a more robust accounting infrastructure will return benefits, allowing easy scalability and growth. Here are some of our top tips on how you can start to improve your systems, today...

1. Plan Ahead...

A realistic business plan is an essential component of your business. It will help you maintain your focus on the bigger picture, on what you are trying to achieve in the longer term, whilst managing the day to day operational activities that place increasing demands on your time.



Your business plan should set out your overall objectives, what strategies are needed to help you achieve those objectives and the financial forecasts and projections to deliver those objectives. It is important that time is invested in business planning as it is a critical part of any attempt to secure funding for your business.

2. Cash is king, but information is a close second...

A core principle of management accounts is to ensure that data and information recorded and reported is relevant, accurate, insightful and actionable – management accounts help you make better decisions about the future of your businesses.

Identifying critical business drivers is key to success – what do you need to measure, to help you plan your business more effectively? Develop management accounts which focus on those key elements and not on collecting data which is irrelevant and time wasting.

Management information is not limited to financial data. Production volumes, labour productivity, and machine efficiency can all form part of your management reporting cycle, ensuring your management accounting process works seamlessly with your production data.

3. Stop putting it off...

Analysing monthly data can help you see which areas of your business are increasing, which are decreasing, and areas for potential improvement. If your bookkeeping is constantly behind, it becomes increasingly difficult to make strategic decisions when you need to most. Failing to dedicate time to this task each month could mean you are missing opportunities.

Dedicate time each month to update your paperwork and accounts. Don't let receipts and invoices pile up. This can save you a lot of time, stress and money in the long run by avoiding the last-minute rush and costly mistakes at the end of the tax year.



If you wait too long to do your bookkeeping you may forget what some transactions were for, which complicates the process. Setting a scheduled time each month will help ensure the process is efficient, painless and as accurate as possible. So, although it may be the last thing you feel like doing after a long hard day on the fields, avoid getting in to the routine of 'putting it off', just think of the headache you will be saving yourself further down the line.

4. Record accurate information...

Seek expert advice to fully understand your VAT position, this can change over a rolling 12 month period. Different businesses will have different treatments of VAT and therefore the information used within management accounts will be incorrect if not correctly accounted for.

To make life easier for yourself, set up a separate bank account and credit card for your business, so when you're going through your invoices and receipts, you will know that all the expenditure is business-related, helping you to speed up the process.

Label and categorize each expense and track your cash flow. Store digital copies of receipts and invoices that you've paid. Correct any mistakes as soon as you find them, otherwise the problem could become more difficult to resolve.

Remember to separate business and personal expenses. In general, you cannot deduct personal expenses on a business tax return, however if you use property both for business and personal use, such as a car or home office, then the portion of time you use the property for business is deductible. Otherwise, deducting personal expenses on a business tax return is not allowed. More information can be found here: <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim47825>

5. Decide what you are good at...

Whilst you know your own business better than anyone else, you may not have the time or the experience to look at your accountancy systems and understand what the figures are telling you.



Is it time to employ a bookkeeper or accountant? Hiring a professional bookkeeper or accountant, even for just a few hours per week or month, can make a big difference. The work of a bookkeeper and accountant are similar, although fees will be significantly different between the two. A bookkeeper is mainly concerned with recording and classifying income and expenditure to ensure up to date and orderly records. An accountant will provide strategic planning and advanced knowledge of legal requirements and tax advice.

6. Embrace technology...

There are many different ways of recording and maintaining management information, ranging from paper-based journals to spreadsheets, off the shelf packages to bespoke computer-based systems.

Accounting software is a great tool for virtually any small business. Cloud accounting software enables yourself, your bookkeeper and your accountant to access the information anywhere. There are several options now available at reasonable prices, where bank accounts and credit cards can be directly linked to your accounting software to ensure all transactions are accounted for. The software will then track your income and expenditure, categorize them, allow you to send and pay invoices, and generate reports. Do your research online or ask your network for recommendations to help you find a system which works for you.

Applications bring real-time reporting to small business owners and automates much of the tedious bookkeeping tasks, but always remember the saying “rubbish in” equals “rubbish out”.

7. Expect the unexpected...

Don't let unexpected expenditure take you by surprise. No matter how much time and effort you put in to planning and forecasting your expenditure, unexpected costs will almost always crop up. But you can anticipate this and avoid the extra cost taking you by surprise.

Having a rainy-day fund or plan to access quick capital can help. For example, if you have equipment which is critical to your ability to do business, you will need

funds to quickly replace or fix any breakdowns. Or it could be the cost of growth, if hiring new employees becomes critical you may need new supplies or training, or it could even be the cost of an unexpected opportunity which comes your way.

In order to plan how much to set a side, you can start by asking some simple questions. How old is your equipment? Are you likely to be employing new staff in the next few years? Is there upcoming technology which may add value to my business? Hope for the best, plan for the worst.

8. Invest time in learning...

Even if you hire a bookkeeper or accountant, as a business owner it is vital that you have a basic understanding of financial jargon. Take time out of your business to learn the basics and understand how company accounts are put together. Increased understanding will add value to your business.

An understanding of basic accounting should include bookkeeping principles, accounts schedules and accounting software. . Understanding accounting to a higher level would include the knowledge of management accounting techniques, business modelling, forecasting, fixed and variable costs, and product costing methods.

It is vital that you demystify your accounts, so they become a vital aid to decision making rather than a chore. Understand how to interpret and present financial management information is key to understanding what the figures are telling you.

The bottom line...

No matter how busy we are, its important to remember that you can't build and grow a sustainable business without robust and structured accounting practices. Taking time our of your day to day business to learn, develop and plan for improvements to your systems will not only save you time and money in the long term but will also provide you with the information you need to grow as a business.



Supporting Welsh growers...

As a result of the training needs identified through our newly launched Skills and Training Diagnostic Tool, Tyfu Cymru has been busy providing Financial Awareness training to a select number of horticulture business across Wales. Modules have included:

- Development of a business models which build a clear financial picture of the business, giving a 5 year projection of growth, highlighting any constraints and funding requirements. The support included standard accounting schedules of profit and loss, balance sheet and cash flow, which are essential for any funding or grant applications.
- Detailed business plans which can support funding application, including the classic analysis of the business, its desires and prospects covering the market, operations and financials.
- Tailored accounts training to ensure that the business has reliable information from its accounts package to facilitate good management practices.
- The identification of sources of potential funding and the correct approach in targeting these sources.

The support and training have placed the companies in an improved position to achieve their desired growth and provided a clear plan for investment requirements.

One horticulture business who has received the tailored training said,

'The opportunity to have the attention of a business consultant was an excellent one, it was brilliant to have a business expert at my disposal'

Alun Lewis, a qualified accountant of many years, having worked at all levels of seniority including the Main Board of a FTSE 250 company, who delivered the training through Tyfu Cymru said:

“Through Tyfu Cymru Welsh commercial horticulture growers have an excellent opportunity to improve their finance and accounting process to support the growth of their business. We have worked with multiple growers on a range of different issues, but many have common themes, such as the need to streamline their accounting practices to save time and ensure that they are getting the information they need from their management accounts. We have provided bespoke one to one training on topics including, planning for growth, implementing new accounting software, understanding management accounts and basic financial management practices. This is a great opportunity, and one all horticulture businesses in Wales should consider to support their growth”

Where can I find more information?

If you're interested in improving the financial skills in your horticulture business, please email tyfucymru@lantra.co.uk for more information on the Tyfu Cymru Business Review Tool.