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NEWSLETTER

Carter Tax Incorporated Newsletter March 2009

The Importance of Accountants: Beyond Debits and Credits

Can Your Accountant Make Your Business More Successful?

When the highly esteemed American economist, Theodore Levitt, redefined the "corporate purpose" to creating and keeping customers, he invited a deeper meaning for business creation, transcending the old belief which said business existed only to make money. Ultimately in order to create and keep customers, business owners must always think "growth," even before the first dime is registered.

Growth means creating unique products or services while looking to improve existing products or services. It means partnering with other businesses or associations that can introduce those products or services to larger market segments. And it also means forging key business relationships that will help grow your small business into a medium-size business, and potentially grow your medium-size business into a large business. One of those key business relationships is the one you create with an accountant, the one person who could mean the difference between growth, stagnation or failure.

One of the biggest mistakes small business owners make is not having a big enough vision for their economic potential. 'Why do I need an accountant now? I'm getting along just fine without one,' many of them think. It is at the start-up phase of a business where an accountant can offer the most valuable advice and service. Most business owners aren't savvy when it comes to bookkeeping. An accountant has the specialized knowledge to set-up the



chart of accounts for recording transactions, which will later be organized into financial statements that will tell the story of your strategic success or failure.

A good accountant can guide you through monthly financial statements, helping you understand what the numbers mean, and how to use them to make strategic decisions. And what about having to decide how your business will be set-up? After consulting with another key business association, your lawyer, an accountant can explain the advantages and disadvantages of forming a sole proprietorship, C

Corporation or S Corporation relative to your situation.

Do you know what you can deduct and what you cannot? An accountant is there if you have questions about what business expenses are deductible. You want to maximize all deductions that you are entitled, while avoiding penalties for deducting expenses that you are not entitled. While deductions are extremely important for businesses, it is also a complicated process as the rules and regulations continuously change, often varying by state.

Benjamin Franklin said, "In this world nothing can be said to be certain, except death and taxes." Tax issues have certainly been the death of many start-up businesses. Technical situations such as filing W2s and 1099 forms have caused businesses thousands of dollars in penalties.

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A good accountant will know what taxes to pay and when to send out the forms. In the case of 1099s, he will advise if individuals who work for you are truly independent contractors, or should be registered as employees. Making a mistake here could result in hefty penalties, potentially crippling a young business.

What's critical is that business owners truly understand the importance of developing a relationship with an accountant, instead of just thinking, 'Okay, I'll get one because I guess I have to.' This is where business owners miss it. They should be thinking about this relationship as they would any strategic planning issue. Accountants have the ability to directly affect your business success, or its failure. Good accountants will have knowledge of the industry you're in and recommend a course of action you may not have thought of, since they may have experience dealing with similar situations. The relationship with your accountant is so important that when your business stumbles, your accountant will be there to help position it back on track.

A good accountant can save you money by providing expert and timely advice, which often translates into business growth. Remember, it's not enough to just make money. It's about continuously creating new customers and holding on to them.

Oftentimes whenever a business owner is trying to break through that next level of revenue stream, an accountant knows exactly what to do and can steer a business away from any potholes. They can share their wealth of knowledge as in the case of knowing what lending institutions are more likely to lend to a particular business model.

What should you do when looking for investors to help get your business off the ground? Do you just pick up the yellow pages, walk to the local bank or do you look for someone who knows how to maneuver within this space, and can offer critical, time- and money-saving advice?

For example, if you own an Internet technology business, your accountant could advise you of which venture capital firms invest in Internet technology business models; you're not wasting time searching out venture groups that are more amenable to lending to brick-and-mortar businesses. Most of the time, this kind of information can only be obtained through having the right accounting relationship. The right accountant may even have direct contacts in the very organizations that will fund your business.

At the end of the day, finding the right accountant may be the answer to creating true growth and success.

Unless your business provides professional accounting services to your clients, you may inadvertently overlook the importance of an experienced and skilled accountant. Today's ever-changing business climate requires business owners to be proactive rather than reactive and the need for accurate and timely information has never been more important. Carter Financial Group can provide a wide variety of accounting solutions from full outsource, co-source staffing solutions to an interim CFO.

To learn how Carter Financial Group can assist your business in achieving its goals, please contact us at: (907) 561-3871 or visit our website at <http://www.carterusa.us>

