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# Accounting Need-to-Knows for Small Business Owners

Essential financial tips tailored for local entrepreneurs

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# Why Accounting Matters to Small Business Owners



# Why Accounting Matters Beyond Compliance

## Accounting as decision tool

- Accounting helps owners assess profitability and growth potential and oversee upcoming financial obligations effectively.

## Beyond bank balance

- Healthy bank balance can be misleading; accounting reveals unpaid bills, tax liabilities, and true profitability.

## Reducing financial surprises

- Regular accounting review (based on proper up-front setup) uncovers upcoming tax liabilities and business expenses well before deadlines.

## Improving communication

- Accurate financial statements enable strategic conversations with advisors, lenders, and partners.





# Understanding Core Financial Statements





# Profit and Loss, Balance Sheet and Cash Flow Overview

## Profit and loss statement

Shows revenue, expenses, and net profit to evaluate business performance over a period of time.

## Balance sheet snapshot

Displays assets, liabilities, and equity providing a financial snapshot at a specific point in time.

## Cash flow overview

Illustrates how cash moves in and out, highlighting liquidity and timing over total profits.

## Financial insight importance

Connecting these statements helps owners make informed decisions beyond surface metrics.





# Cash Flow Management Essentials



# Why Cash Flow Drives Business Survival



## Importance of cash flow

Cash flow determines daily business survival more than profitability, ensuring operations remain funded.



## Common cash flow challenges

Small businesses often face difficulties from sales tax, payroll cycles, loans, and unexpected tax liabilities.



## Effective cash flow strategies

Separating tax collections, scheduling draws, and forecasting 60-90 days ahead improve cash control.



## Benefits of cash flow discipline

Strong cash flow discipline reduces stress and helps businesses facilitate growth and downturns effectively.





# Entity Choice and Accounting Implications



# How Entity Selection Affects Taxes and Reporting

## Entity choice and tax impact

Selecting the right business entity affects tax obligations, reporting, payroll requirements, and compliance costs significantly.

## Sole proprietorships and LLCs

Sole proprietorships and single-member LLCs offer simplicity and are the best place to start for most small businesses in Tennessee.

## Multi-member LLCs and S-Corporations

Multi-member LLCs require complex allocation and reporting; S-corporations offer payroll tax efficiencies but have entity-level taxes.

## Periodic entity evaluation

Business owners should periodically review entity choice to align structure with financial goals and compliance responsibilities.





# Tennessee Specific Tax Fundamentals



# Key State Taxes Affecting Small Businesses

## Business tax on gross receipts

Most Tennessee businesses pay a gross receipts tax regardless of profitability once thresholds are met. This tax is tied to the TN business license. Gross receipt below \$100k – no filing required. Note: businesses may be subject to additional municipality business licensing requirements.

## Franchise and excise taxes

Many LLCs and corporations pay excise tax on earnings and franchise tax based on net worth. Note: non-TN revenues are not subject.

## Tax payment deadlines and planning

Business & franchise/excise taxes are due annually by April 15, with no extension on payments, requiring accurate accounting and planning.

## Schedule B (personal property) taxes

Tennessee Schedule B reports your business equipment and furnishings so that the county of domicile can assess personal property tax.

## Sales taxes

Due monthly or quarterly for most businesses selling products (and in some cases, services). Not due on out-of-state sales.





# Practical Next Steps and Owner Responsibilities



# Applying Accounting Knowledge After the Session

## 1. Understand entity type

- Identify your business entity to oversee taxes, payroll, and compliance effectively in Tennessee.

## 2. Monthly financial reviews

- Commit to regularly reviewing financial statements and reconcile cash to maintain up-to-date financial awareness.

## 3. Separate tax and operating funds

- Keep tax money separate from operating cash to avoid accidental misuse and validate proper budgeting.

## 4. Seek professional guidance

- Recognize when accounting complexities exceed comfort and consult a trusted advisor proactively.



# *Thank you!*

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