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FINANCE FUNDAMENTALS:

AN ENTREPRENEUR'S GUIDE TO BOOKKEEPING, BUDGETING & CASH FLOW

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Abstract

This practical guide is designed to help entrepreneurs confidently manage their business finances by focusing on the three pillars of financial success: bookkeeping, budgeting, and cash flow. It breaks down complex financial tasks into simple, actionable steps, making it easy for first-time business owners to stay organised, plan ahead, and make informed decisions. Whether you're launching a startup or looking to strengthen your financial processes, this guide equips you with the knowledge and tools to build a sustainable and financially healthy business.

Getting Started

Managing finances can feel overwhelming when you're launching or running a business for the first time. But understanding the basics—like how to keep accurate records, plan a workable budget, and maintain steady cash flow—is essential for long-term success.

This guide is designed to simplify those fundamentals. Whether you're a solo entrepreneur or managing a growing team, you'll find practical steps to help you stay on top of your numbers, avoid common pitfalls, and make smarter financial decisions.

You don’t need to be a finance expert—just a business owner who’s ready to build a solid financial foundation. Let’s get started.

1. Introduction To Key Financial Terms

A list of financial terms you might come across when running your business or dealing with accountants and financial services.

A

- Accounts payable – a record of all short-term (less than 12 months old) liabilities you need to pay. Some examples are invoices for goods or services, bills for utilities and tax payments.
- Accounts receivable – a record of all short-term (less than 12 months) accounts from customers that they still need to pay.
- Accounts receivable finance – see factoring.

- Accrual accounting – an accounting system that records transactions at the time they occur, rather than when payment occurs. See also cash accounting.
- Amortisation – the process of offsetting assets such as goodwill and intellectual property over a period of time. See also depreciation.
- Assets – things you own. Assets can be cash or something you can convert into cash, such as property, vehicles, equipment or inventory.
- Audit – a check by an auditor or tax official on your financial records. They will check that you account for everything correctly.

B

- Bad debts – money that is unlikely to be paid in the near future.
- Balance sheet – a snapshot of a business on a particular date. It lists all of your assets and liabilities and works out the net assets.
- Balloon payment – a final lump sum payment due on a loan agreement. Loans with a larger balloon payment have lower regular repayments over the term of the loan.
- Bank reconciliation – a cross-check that ensures the amounts in your cash book match the relevant bank statements.
- Bankrupt – a person is bankrupt when they can't pay their debts and aren't able to reach an agreement with their creditors.
- Bankruptcy – a process where an appointed trustee manages a bankrupt person's assets and financial affairs.
- Benchmark – a set of conditions you can measure a product or business against.
- Benchmarking – the process of comparing your business to similar businesses in your industry.
- Bill of sale – a legal document for the purchase of property or other assets. It details the purchase, where it took place and the price.
- Bookkeeping – the process of recording the financial transactions of a business.
- Bootstrapping – where a business funds its growth through personal finances and revenue from the business.
- Bottom line – see net profit.

- Break-even point – the point when a business's income equals its expenses.
- Budget – a listing of planned revenue and expenditure for a given period.

C

- Capital – wealth in the form of money or property owned by a business.
- Capital cost – a substantial one-off purchase of physical items such as plant, equipment, buildings or land.
- Capital gain – the amount you gain when you sell an asset above its original purchase price.
- Capital growth – an increase in the value of an asset.
- Cash – all the money you have available on demand. It includes bank notes and coins, petty cash, certain cheques, and money in savings or debit accounts.
- Cash accounting – an accounting system that records transactions at the time you actually receive payment. See also accrual accounting.
- Cash book – a daily record of all cash, credit or cheque transactions received and paid out by a business.
- Cash flow – the money flowing in and out of a business.
- Cash incoming – money flowing into the business.
- Cash outgoing – money flowing out of the business.
- Credit – a lending term for when a customer purchases a good or service with an agreement to pay at a later date. This could be an account with a supplier, a store credit card or a bank credit card.
- Crowdfunding – a way of financing your business idea through donations from the public. This usually occurs through a crowdfunding website.

D

- Debit – in double-entry bookkeeping, a debit is an entry made on the left-hand side of a journal or ledger representing an asset or expense.

- Debt – any amount that you owe, including bills, loan repayments and income tax.
- Debt finance – money provided by an external lender such as a bank.
- Debtor – a person or business that owes you money.
- Debtors finance – See factoring.
- Default – a failure to pay a loan or other debt obligation.
- Depreciation – the process of offsetting an asset over a period of time. You can depreciate an asset to spread the cost of the asset over its useful life.
- Disbursements – money that a business spends.
- Discount – a reduction applied to a full-priced good or service. See also mark down.

E

- Employee share schemes – where you give your employees the opportunity to buy shares in your company. Other terms include an 'employee share purchase plan' or an 'employee equity scheme'. Find out more on the ACCC's Moneysmart website.
- Encumbered – an encumbered asset is one that is currently put forward as security or collateral for a loan.
- Equity – the value of ownership interest in the business, calculated by deducting liabilities from assets. See also owner's equity.

F

- Facility – an arrangement offered to a business by a financial institution. This might be a bank account, a short-term loan or overdraft).
- Factoring – when a factor company buys a business's outstanding invoices at a discount and chases up the debtors. Factoring is a way to quickly get cash but can be quite expensive compared to traditional financing options. Factoring is also known as debtor’s finance and accounts receivable finance.
- Finance – money used to fund a business or high-value purchase.

- Financial year – a 12-month period used for tax and accounting purposes. In Australia the financial year runs from 1 July to 30 June.
- Financial statement – a summary of a business's financial position for a given period. Financial statements can include a profit and loss statement, balance sheet and cash flow statement.
- Fixed asset – a physical asset used in running a business.
- Fixed cost – a cost that is not part of producing a good or service.

G

- Goodwill – an intangible asset that represents the value of a business's reputation.
- Gross income – the total money earned by a business before you deduct expenses.
- Gross profit (also known as net sales) – the difference between sales and the direct cost of making the sales.
- Guarantor – a person who promises to repay a loan if the borrower cannot meet the repayments. The guarantor is legally responsible for the debt.

H

- Hire purchase – a type of contract to purchase an item. You pay an initial deposit, then rent the item and pay it off in instalments (plus interest). When you make the final payment, you own the item. See also rent to buy.

I

- Initial public offering (IPO) – when a company first offers shares on the stock market to the general public. Also known as floating on the stock market.
- Insolvent – a business or company is insolvent if they cannot pay their debts when they are due.
- Intangible assets – non-physical assets with no fixed value, such as goodwill and intellectual property rights.

- Interest – the cost to borrow money or the money earned on an interest-bearing account.
- Interest rate – a percentage used to calculate the interest on a loan or bank account. Rates vary between products and may be fixed or variable. Generally, the higher the risk of the loan, the higher the interest rate.
- Inventory – a list of goods or materials a business holds for sale.
- Investment – buying an asset (such as shares or property) for the purpose of earning money.
- Invoice – a document you give to a customer to request payment for a good or service.

L

- Liability – any financial expense or amount owed.
- Line of credit – an agreement that lets a borrower withdraw money from an account up to an approved limit.
- Liquidate – to quickly sell all the assets of a company and convert them into cash.

M

- Margin – the difference between the selling price of a good or service and the profit on the sale. Margin is generally shown as a gross margin percentage, which is the proportion of profit for each sales dollar.
- Margin call – when the value of a property or asset falls below a certain loan-to-value ratio (LVR). For higher risk loans such as margin loans, the lender will request further payment to bring the LVR back to the agreed percentage. See also loan-to-value ratio (LVR).

N

- Net assets – your total assets minus your total liabilities. Also known as net worth, owner's equity or shareholder's equity.

- Net income – the total money earned by a business after tax and other deductions.
- Net profit – your total gross profit minus all business expenses. Also known as your bottom line.
- Net worth – see net assets.

P

- Personal property – property someone can own, except for land, buildings and fixtures. Examples include goods, plant, equipment, cars, boats, planes and livestock.
- Personal Property Security Register (PPSR) – the PPSR is a government register of security interests in personal property.
- Principal – how much of the original amount is still owing on a loan (excluding the interest portion).
- Profit – the total revenue a business earns minus its total expenses. See also revenue.
- Profit and loss statement – a financial statement listing sales and expenses. You can use it to work out the gross and net profit of a business. Also known as an income statement.
- Profit margin – see margin.
- Projection – see forecast.

R

- R&D – stands for 'research and development'. Businesses conduct research and development to innovate, create new products and find better ways of doing things.
- Receipt – a document given to a customer to confirm a sale and payment for a good or service.
- Record keeping – the process of keeping or recording information that explains certain business transactions. Record keeping is a requirement under tax law.
- Return on investment (ROI) – a calculation showing how efficient a business is at generating profit from the original equity of owners and

shareholders. To calculate ROI, divide the net profit of the investment by the cost of the investment and convert it to a percentage.

- Revenue – the amount earned before expenses, tax and other deductions. Also known as turnover.

S

- Single-entry bookkeeping – a bookkeeping method in a cash accounting system that only records one side of each transaction.
- Scam – a deliberate and targeted deception to obtain money or information unlawfully.
- Security – property or assets a lender can take ownership of when a loan is not repaid. Also known as collateral.
- Shareholder's equity – see net assets.
- SMSF – stands for self-managed superannuation fund. Unlike other super funds, you manage an SMSF yourself, which means you're responsible for making sure it complies with super and tax laws. The ATO website has more information on SMSFs.
- Stock – the goods or materials a business currently has on hand.
- Stocktaking – physically counting your merchandise and supplies to verify stock records and accounts.
- Superannuation – money set aside for retirement that must go into a complying superannuation fund.

T

- Tax invoice – an invoice where the sale includes GST. You need a valid tax invoice when claiming GST credits. See also invoice.
- Turnover – See revenue.

V

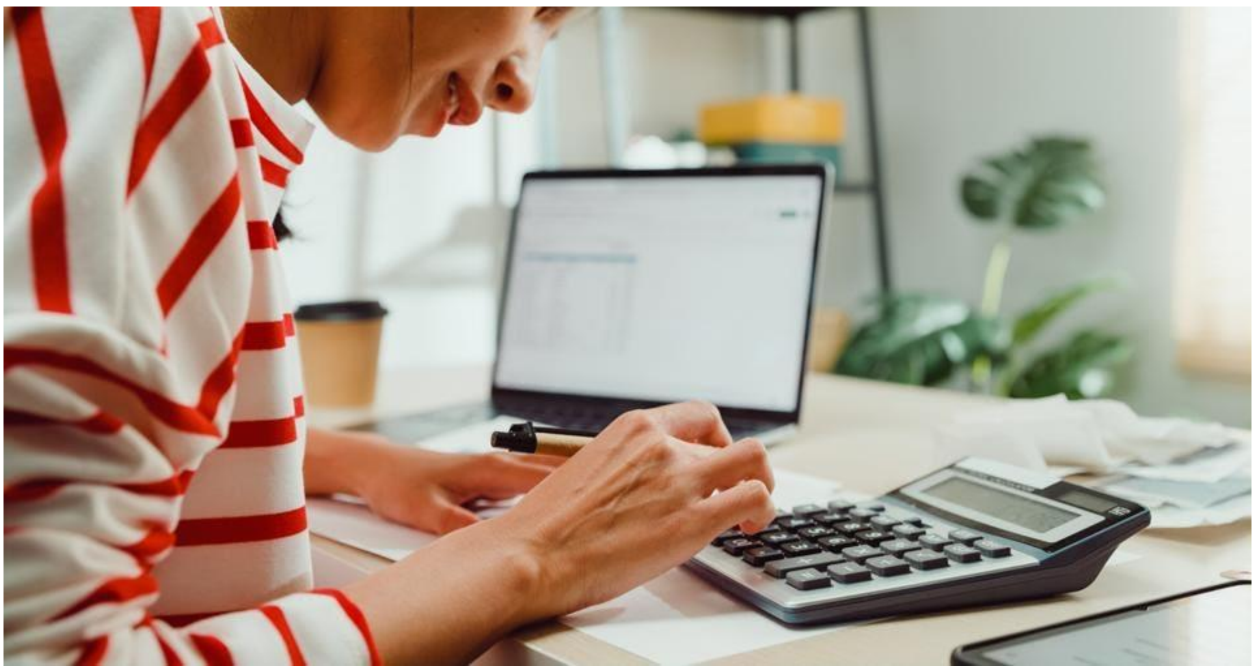
- Variable interest rate – when the interest rate of a loan changes with market conditions over the duration of the loan.
- Variable cost – a cost that changes depending on the number of goods produced or the demand for the products or service.

- Venture capital – an investment in a start-up business that doesn't have access to capital markets because it is a private company.

W

- Working capital – the cash available to a business for day-to-day expenses.

- **Financial Literacy Is Essential For New Entrepreneurs To Build A Solid Foundation**



According to Investopedia, financial literacy is "the knowledge of how to make smart decisions with money. This includes preparing a budget, knowing how much to save, deciding favorable loan terms, understanding impacts to credit, and distinguishing different vehicles used for retirement."

With financial literacy, creating wealth or generational wealth becomes easier. Wealth is the financial freedom that can last generationally. Wealth allows your children to do what they're passionate about and not what they must do to survive.

Financial literacy is especially important for new entrepreneurs because if they lack it, the money they make in their business may not benefit them long term. I've seen multiple business owners go from pocketing six figures or more in their company to having to get a job a few years later or struggle until their next business takes off.

Often this happens because the business owner missed a crucial part of financial literacy: investing. Investments pay you in the future, so you don't have to work for that money later. Many new entrepreneurs set out with the goal to replace active income from the business with passive income by investing in stocks or alternative investments.

Here are my tips for new entrepreneurs to create a solid financial foundation.

- **Pay close attention to your finances.**

Building a solid financial foundation begins with knowing your financial situation. If you don’t know where you are financially, you can’t devise a plan to get where you want to be. I check my accounts daily to know where my money is and where it's going. If you don’t know these two things, then it’ll be difficult to know how much you have to work with.

If you're new in your business and can't afford a bookkeeper, I recommend using resources like QuickBooks or Hurdlr. Both of those work well and will help you keep track of your yearly expenses.

Another tip I would give a new entrepreneur is to always keep a reserve account for their business in case unforeseen expenses or opportunities arise. Cash is king when you have an opportunity or an immediate expense that needs capital now. Net worth doesn't pay bills, and utilizing credit can be expensive, especially if the economy is like it is as of the date of writing.

- **Take care of debts.**

You also want to clear any bad debts because by doing so, you’ll likely be able to use leverage at better terms. It doesn’t make sense to pay more interest than you have to or deal with unfavorable terms.

I suggest new entrepreneurs generate revenue through sales to cover expenses instead of relying on debt to support the business. Another option is to rely on funding through raising capital in exchange for a percentage of the company.

In my experience, both these options are better than using debt to cover the expenses of starting your business. If you have already accumulated debt, I would recommend figuring out a way to consolidate it and pay it off with better terms.

- **Create a plan for your business.**

Once you know where you are financially, you should create a plan for your business to get where you want to be, and write it down on paper. You want to also add it to your notes on your phone and other apps that allow you to track it.

For the entrepreneurs who are interested in investing, I think a good first goal is to be able to generate $100,000 after tax as take-home pay in their business. This isn't required, but it can make things simpler for you long term. In reality, $200,000 a year for two years is necessary to be considered accredited, which can open up the door to invest in any investment you would like for the most part.

- **Understand the importance of delayed gratification.**

Decision making is huge in wealth creation, starting in the beginning. What you do financially today will affect you—and your business—tomorrow. Delayed gratification is your friend. Too often, people get extra money, and their first thought is to spend it as a “reward” on things that aren't necessary. I’m all for people enjoying their life but not at the expense of their financial future.

When I first started in real estate, I would take the extra money I made and reinvest it in my company. This led to me getting more opportunities and creating more money, but I was missing something.

I didn’t invest the additional money I was getting into investments that would pay me passive income, which led to me being in real estate for three years and not owning one real asset. I was on a path to ending up as the person who made a lot of money in their youth but is fearful of the following month in old age because they didn't think to create passive income.

- **Continue learning about financial literacy.**

I was blessed to open my eyes and find the right path because of the books I read, like The Psychology of Money by Morgan Housel and The Almanack of Naval Ravikant by Eric Jorgenson. A great business book I recommend to new entrepreneurs is How To Be Rich by J. Paul Getty.

I recommend reading books like the ones I mentioned above and taking courses. You can also watch YouTube channels that teach finance or financial literacy. Most importantly, though, you want to apply what you learn when you read these books, watch the YouTube channels, or pay for the courses. Knowledge not used is wasted knowledge.

You don't know what you don't know, which is fine, but it is imperative to implement the knowledge as soon as possible when you do know. Without a solid financial foundation, you will not have the money to take advantage of the opportunities presented.

2. Bookkeeping Essentials

Definition, Types And Importance Of Bookkeeping

Bookkeeping is a common term used by business owners while dealing with the finances of their organisation. It involves recording all the transactions taking place in the company and managing the cash flow. It is an expert task that can be effectively performed by qualified professionals with experience in the field. Without bookkeeping, managing the financial data and tracking the incomings and outgoings is impossible.

Every small and big business needs a specialised bookkeeper to ensure the working capital is used correctly and not wasted. Since entrepreneurs have little knowledge of maintaining ledgers and books accurately, they must become financially literate to understand the basics of this task.

Let us help you learn about the definition, types and importance of bookkeeping for a deeper insight into this activity. It will help you recognise the significance of keeping the books up-to-date and following the regulations for compliance.

What Is Bookkeeping?

Bookkeeping is an ongoing activity that involves recording all business transactions methodically to maintain correct records and prepare precise financial reports. It helps to gather all the financial data in a structured format for easy comprehension and decision-making. Recordkeeping gives an insight into the financial health of the business, which allows the business owner to spend capital in the right manner.

Most entrepreneurs hire an experienced bookkeeper Melbourne, who holds expertise in managing finances for businesses in the same industry. Some start-up founders take up the responsibility on their shoulders. However, they soon realise that managing the task may not be possible because it requires significant time and effort. Also, it does not make sense to delegate the task to an inexperienced employee to save the cost of hiring a professional. They will make mistakes because of their inexperience, which can lead to losses and non-compliance issues.

Types of Bookkeeping

Bookkeeping has two types that differ on the basis of the method of recording the transactions. They are as follows:

- **Single-Entry System of Bookkeeping**

As the name suggests, single-entry bookkeeping is recording every transaction only once in the books. It is the simplest way of recordkeeping used by small businesses with minimum employees because it is more affordable. Melbourne bookkeepers maintain these logs in Excel sheets with the cataloguing of each transaction.

It is easy to manage because the transactions are limited, and the business does not offer credit transactions. The balance on the system is the capital available to the business. Thus, entrepreneurs can make informed decisions and check their income and expenses.

- **Double-Entry System of Bookkeeping**

Double-entry bookkeeping involves recording each transaction in two accounts. These can be managed by professional bookkeepers Melbourne because of their complex nature. The two records are made as debit and credit, and the balance of both accounts must be the same. It uses a chart of accounts comprising 5 accounts – assets, liabilities, equity, income and expenses.

The double-entry bookkeeping system is more insightful and offers a clear picture of the financial health of the business. It helps prevent fraud and maintain accurate records for a business with a large workforce and clients. It provides precise financial information and reduces errors.

- **Why Is Bookkeeping Important?**

Bookkeeping is an indispensable part of running a business. Here is what makes it crucial.

- **Measure Business Performance**

Looking at the financial reports generated from the records maintained by bookkeepers helps to identify the return on investment of various activities and projects. If it generates the desired revenue, it must be continued. However, if it leads to losses, it must be immediately discontinued. Thus, the entrepreneur can make business improvements with this information.

- **Comply With Government Regulations**

Data related to the tax and superannuation amount of the business must be recorded efficiently to lodge tax returns and reports to the ATO. These records must be kept safely for five years and should be provided to the ATO whenever asked. Most professional bookkeepers in Melbourne suggest using accounting software to keep the data protected and error-free. Thus, the business complies with the regulations and avoids penalties.

- **Financial Planning and Budgeting**

Bookkeeping allows the entrepreneur to prepare a financial plan for the next few quarters and the year. It is a projection of the expected income and expenses that the business will incur. Thus, business owners can use the information to secure the required funds for paying bills and generating the desired income for business growth and development. It helps them decide whether they can afford to make an investment or should wait for a better time. Thus, bookkeeping helps navigate business challenges without causing upheavals.

- **Secure Funding for the Business**

Most businesses need to secure financing to grow their entities. It increases the availability of capital to buy equipment, enter new markets or hire experienced employees. Banks and moneylenders will check the financial records and history of the business before approving the loan. Thus, if the entity does not have accurate records, it cannot get funding.

- **Maintaining Transparency**

Up-to-date financial records of the business are also needed by the stakeholders. They need to ascertain how their money is being utilised. The financial reports give them the information they need on time. Bookkeeping software helps them access the information anytime and from anywhere.

Bookkeeping is the first thing that comes to mind when discussing business transactions. Entrepreneurs must understand its importance and types to leverage its benefits.

3. Understand Basic Bookkeeping Principles

Manage your own finances so you can monitor the financial health of your business

Many business owners do their own bookkeeping as a way to save money and monitor the financial health of their business firsthand. If you do it properly and regularly, you can keep your finances organised and manage problems as they arise.

When managing your books, the most important financial reports are:

- profit and loss statement (P&L)
- cash flow statement
- balance sheet

Our financial statements template has examples to help you do each of these reports.

- **What is a profit and loss statement (P&L)?**

The P&L or income statement is a summary of your business's income and expenses over a period of time. It's prepared at regular intervals – usually monthly and at the end of the financial year.

Your P&L allows you to:

- ✓ analyse all income and expense categories
- ✓ spot areas that need more analysis
- ✓ take action before small problems become big problems

For example, you might notice an increase in business expenses that forces you to re-price your goods to keep making a profit.

A P&L is also often used by banks in decisions about extending finance.

Use our financial statement template to create a P&L. Add as many categories into the spreadsheet as you need, particularly in the sales revenue and expenses area. Try to do a monthly report so you can better understand your income and costs and stay ahead of potential losses.

- **How to calculate profit and loss**

Your business's profit (or loss) is the difference between your income and your expenses. Our guide can help you calculate this amount in a profit and loss statement (P&L), and give you tips on increasing sales and minimising your business expenses.

- **What is a cash flow statement?**

A cash flow statement is a summary of money coming into and going out of the business for a set time period. It's prepared monthly and at the end of the financial year.

Use the financial statement template to prepare a cash flow statement.

- **What is net operating cash flow?**

Net operating cash flow is the amount of cash that a business has after paying its bills. Overdue bills don't affect the cash flow statement until they're paid in cash.

A cash flow forecast will help you measure and monitor how the business is operating.

- **What affects your cash flow?**

Cash inflow and outflow can come from many different activities, including:

- ✓ operating
- ✓ investing
- ✓ financing

- **Cash flow from operating activities**

Operating activities are the day-to-day results of buying and selling goods and services. They usually include:

- ✓ receipts from income
- ✓ payment for expenses and employees
- ✓ funding of debtors
- ✓ funding to and from suppliers
- ✓ stock movements

➢ Cash flow from investing activities

Investing activities include investments in future business activities – for example, buying and selling fixed assets. This type of cash flow can include items such as:

- ✓ payment for purchase of plant, equipment and property
- ✓ proceeds from selling the above
- ✓ payment for a new investment
- ✓ proceeds from selling an investment

➢ Cash flow from financing activities

Financing activities are how a business finances itself. They include:

- ✓ extra money the owners inject into the business
- ✓ money the business borrows
- ✓ money others borrowed from the business that they pay back
- ✓ money the owners take out of the business

➢ How to tell if you have bad cash flow

The cash flow statement can provide helpful warning signals to avoid future financial troubles. Some potential warning signs are when:

- cash receipts are less than cash payments – you're running out of money
- net operating cash flow is an outflow – your cash flow is negative
- net operating cash flow is less than profit after tax – you're spending more than you earn

What is a balance sheet?

The balance sheet is a general snapshot of the financial health of a business on a given day. You would normally complete a balance sheet at the end of a month or financial year.

Once you have a profit and loss statement and cash flow statement, you can complete a balance sheet. A balance sheet includes:

- ✓ assets such as cash, stock, land, buildings, equipment, money others owe the business
- ✓ liabilities such as money owed to suppliers or the tax department, loans, credit card debt
- ✓ net worth, which is the value of the business after deducting what the business owes (also known as the balance sheet equation or equity)

- ➢ **Help creating a balance sheet**

You can prepare a balance sheet in the following ways:

- ✓ Use the example in our financial statement template to create your own.
- ✓ Ask an accountant to prepare one for you.
- ✓ Generate a balance sheet report using your accounting package software.

4. Managing Your Business Finances

Pay your staff on time, maintain cash flow and meet all your tax obligations.

Stay in control of your business finances and avoid losing money on sales. Use our templates to know your:

- break even point
- cash flow forecast
- financial position
- profit and loss

Bookkeeping and budgeting basics

Running a business includes keeping up with your bookkeeping and financial reporting.

To do this:

- ✓ Set up a bookkeeping system – this can be as simple as a record keeping book from the newsagents, or purpose-built accounting software, such as Quicken or MYOB. Keep your entries up-to-date to know the exact state of your finances.
- ✓ Use the checklist on business records (see the financial policies and procedures manuals template) and how long to keep them – including financial and employment records.
- ✓ Find out if you need to register, report and pay GST.
- ✓ Talk to your accountant regularly – an accountant who regularly checks your finances will help detect potential problems and provide suggestions for ways to improve your business.
- ✓ Use the financial policies and procedures manual template above and modify it to suit your business.
- ✓ Budget and refinance your business if your reporting shows you're continually reliant on overdraft or other financing facilities. Use the financial statement template above to produce your cash flow statement.
- ✓ Have a projected cash flow for the next 12 months to work out if your business is tracking for growth, or losing money – anticipating when and how much money is coming in and going out is critical to maintaining a positive cash flow.

- ✓ Create a budget to enable the planned financial operation of the business to be measured against the forecast.
- ✓ Increase your income by planning more strategically to grow your business.

Stock, supplier and customer basics

Maintaining your cash flow and growing your profits requires you to manage customer orders and supplier payments.

To do this:

- ✓ Keep up with your supplier payments. Owing other businesses and the tax office money is one of the first signs your business does not have a strong cash flow.
- ✓ Manage your cash flow by completing a cash flow forecast statement to make sure you have money to pay your suppliers on time.
- ✓ Manage your customer debt – if your customers owe you money, do you know how much is owed and how overdue the payments are? If your customers owe you money outside of your credit terms, you need to act swiftly to collect this money.
- ✓ Know your break even point, gross profit and profit margin figures to price your goods and services to cover your total cost of producing a product or service. These figures are essential to charge enough to cover costs and make a reasonable profit. Calculate these figures by using our financial statements template.
- ✓ Review and then increase or decrease product and service costs – your cost structure should not be set in concrete. Profitable businesses have regular reviews and make allowance for rising costs or sales dips.

Sales and marketing basics

To promote your business to new and existing customers:

- ✓ Don't just compete on price – use promotions and offers other than sales and discounts. If you have many competitors and your point of difference is being one of the cheapest, your margins will always be slim and eventually someone will undercut you. Work on creating value-added points of difference that you can advertise.

- ✓ Benchmark your business against competitors to help you plan and implement changes to boost your business performance.
- ✓ Find out how to improve your sales by having a good understanding of your customers.
- ✓ Assess your marketing campaign by conducting market research to find out where your sales techniques and market reach can be improved.

Staffing and wage basics

Sole trader wages

To pay yourself wages as a sole trader, it should come from the sales revenue you've made after you've taken out all your expenses.

Calculate your net margin (which is the sales dollars left after subtracting both the cost of goods sold and the overhead expenses) and gross margin (sales dollars left after subtracting the cost of the goods sold from net sales).

5. Avoid These 10 Mistakes Entrepreneurs Make with Money

Despite the challenging statistic that only 5% of startups survive beyond five years, common financial pitfalls often contribute to their failure. Through personal observation, I've identified the prevalent financial mistakes made by entrepreneurs.

When you start your journey as an entrepreneur, you're also signing up for an adventure that 80% relies on chances or luck. You burn the boats and decide to take over the island with your brilliant idea — definitely an exhilarating feeling.

You've got the vision to create and grow something special, exactly how you've always wanted to. Yet, within five years, 85% of your business will be dead. It sounds harsh, but it's the reality of business.

Let's talk about the 10 most common financial mistakes entrepreneurs make and how you can avoid them.

1. Undercapitalization

2. Overly optimistic financial forecasting

3. Mixing business with personal finances

4. Overspending on startup costs

5. Neglecting financial metrics

6. Building your safety net

7. Falling into big debt without a plan

8. Ignoring tax obligations

9. Lack of investment in human capital

10. Not reinvesting in your business

Final Words

Mastering the basics of finance doesn't have to be complicated. With a solid understanding of bookkeeping, budgeting, and cash flow, you'll be better equipped to make smart decisions, avoid costly mistakes, and guide your business toward long-term success. As you grow, continue refining your financial habits, seek guidance when needed, and stay consistent with your financial practices. The more confident you become with your numbers, the more control you'll have over your business's future.

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