

BUSINESS LINE

ISSUE 1, VOLUME 5

To Your Success

IS YOUR BILLING SYSTEM HOLDING YOU BACK?

By Annabel Pedemonti, Accounting Software Services

The purpose of a billing system is obvious to all business owners. It is to bill clients for payment for the services or product that you have provided to them.

However, your invoices have a major impact that many businesses do not adequately consider, and that may be holding back the growth of your business. The invoice reflects how professional you are and how serious you are about your business. It is as much a part of your image as the services and products you offer. The invoice should be a regular monthly way of demonstrating your professionalism, but it can become a barrier between you and your clients.

Here are five secrets to underscoring your professionalism:

1. Personalize your letterhead or logo
2. Do not use the generic 'vanilla' default invoice provided by your accounting system
3. Do not print fields that contain no data
4. Show detailed information about the charges that you are billing
5. Do not let the data text run across the lines on the invoice

Your clients are more likely to regard you as the kind of professional to whom they entrust their business if your invoices project your professionalism. When this happens your clients are less likely to question your bill and delay their payment.

Another way your billing system may be holding you back is if you fail to use the available technology. When a business owner uses a word processing program to



create invoices, and then data enters them into the accounting software program, not only is the job being done twice (we all know that time = money), but there is a high probability of errors during the copy process. Instead of using technology to make his/her life easier he is creating extra work and problems.

For a business to grow, it is clear that its billing system must produce professional looking and informative invoices. Failure to do so will result in an amateur image, as well as cash flow problems due to invoices being questioned and paid on a slow schedule. It is more cost effective to make the investment initially to develop the billing system you need, in order to save time and money in the future. For a minimum cost, any modern accounting software can generate uniquely customized invoices that provide all the information needed by your clients while projecting the image you wish to convey.

IN THIS ISSUE:

Valuable information for your business including:

- *How Your Billing System Impacts Your Business*
- *Why Small Businesses Need Financial Statements*
- *How You Can Become A Resource To The Press*
- *Legally Protecting Your Trade Secrets*

The contributors to this newsletter are independent professionals providing general information. Business owners should consult an experienced professional for assistance suited to their particular needs.

HOW FINANCIAL REPORTS CAN HELP YOU RUN THE BUSINESS

by Yvonne Bruno, CPA, Fulco, DiTommaso, McMahon & Co., PC

W

hen I visit a small business owner for the first time, it is not unusual to hear, "I don't need financial statements. I just need you to prepare my tax return at the end of the year." Too often, not enough attention is given to the information that can be learned from a company's financial statements. Two keys to running a successful business are: understanding the business cycle, and realizing that cash does not usually equal profit. The effective use of financial statement information can help in both of these areas.

Every business has a cycle. All companies either make or purchase products for resale or provide a service. These products or services are sold to customers for cash or credit. Payment is either collected immediately or invoiced. If invoiced, these receivables are collected. After payment is received, the company's bills for operations (including payroll) and product costs (if any) are paid. Any funds left over can be used to pay the owner, or contribute back into the business. This cycle constantly repeats itself. As long as sales are sufficient to cover costs plus desired profit, cash is collected timely, and bills are paid when due, a successful business results.

The problem occurs when one of the business cycle components fails to operate efficiently. If sales are down, less cash is collected. This leaves less money to pay bills or take in profit. If costs to produce a product for sale increase, a decrease in available funds also results, unless prices are raised. Using financial statements as a tool can help spot these problems before they become critical.

Most business owners focus their attention on profit and loss (income) statements. While it is



important to know that sales minus expenses equal profit, there are other reports that are just as critical. A balance sheet illustrates a company's net worth on a certain date. The format of a balance sheet is:

$$\text{Assets} - \text{Liabilities} = \text{Net Worth}$$

The relationship between the balance sheet and the income statement can be illustrated by a simple example. Assume that "A Company" has cash sales of \$25, charge sales of \$100, and incurred \$75 in expenses that have not been paid yet. No other transactions have occurred. An income statement and balance sheet would look like this:

<u>PROFIT & LOSS</u>		<u>BALANCE SHEET</u>	
Sales	\$ 125	<u>Assets</u>	
Expenses	(75)	Cash	\$ 25
Profit	\$ 50	Accounts Receivable	100
		Total Assets	\$ 125
		<u>Liabilities</u>	
		Accounts Payable	75
		Net Worth	\$ 50

(continued on page 4)

FACTS TRUMP FRIENDSHIPS WHEN DEALING WITH REPORTERS

By Andrea Obston, President, Andrea Obston Marketing Communications, LLC

If ever there was an outdated myth that will not die, it's the one about needing to make friends with reporters to get them to cover your business. The corollary to this fairy tale is that taking a reporter to lunch gets you a story in their paper.

It simply doesn't work that way today. I'm wondering if it ever did. But this myth is so ingrained in people's consciousness, that it keeps them from attempting to get publicity for their businesses.

The truth is that reporters have plenty of their own friends and do not need you to feed them. What they do need are resources who they can depend upon for the information to write news stories. Facts trump friendships and data is more nourishing than dinner.

Here's the bottom line: letting a reporter know that he or she can depend on you as a source of information is the best way to get ongoing (and productive) press coverage that can help drive business through your doors. Here are a few tips for doing that:

Expertise Letters – Make a list of all the topics related to your business that you can intelligently talk about. Put these in a letter with a paragraph about your qualifications. Mail it to every reporter and editor of the publications your target audience reads.

Breaking News – When a big story hits, reporters need experts to help them make sense of what's happening. And, they need those authorities quickly. Be there once for them and they'll come back to you over and over again. To let them know you're ready, willing and able, fax or e-mail them a quick note as soon as an important story breaks. The communication should give them a brief description of your expertise as it relates to the story. Follow-up with a very short phone call in case they missed your note. Often, when a big story hits, the last place you'll find a reporter or assignment editor is at a desk, so they may not have seen what you sent. Don't bug them. And, don't look for an attentive response. If it's a big story, they will be in "battleship mode" and that's not pretty. Be prepared for a brusque response. Don't argue with them if they say they don't need you. They'll know right off the bat. Many times, they are scrambling for someone to make sense of the story, so your offer will be welcomed. And, if you do a good job, you'll also be their first "go-to" resource the next time this kind of story comes along.



If you want reporters to know you have information, show off.

Feature stories – If you want reporters to know you have information, show off. Give them "free samples" of your knowledge by writing and distributing feature stories. These written demonstrations of your expertise may well get printed as they stand (if you write them as information-packed articles) or used as the basis of an interview with you. Either way, you can earn yourself a place on their radar, especially if you send them regularly. For many of our clients, we do these once a month. If you're doing your own p.r. (okay, I acknowledge that you may have a few other things to do) make a decision to send features at least once a quarter.

There's no question that these activities take effort and that they probably require you to move outside your usual business routine. You may very well resist them because they make you feel like you're blowing your own horn. That's the kind of attitude that will keep your business in its old familiar rut. Remember the quote from the great 12th century scholar, Rabbi Hillel "If I am not for myself, who will be for me? ...And if not now, when?" I sure wish I'd said that.

PROTECTING YOUR VALUABLE TRADE SECRETS

By Attorney Judy Gedge

At the end of the day when you leave your office, would you leave the door open enticing any passer-by to help himself to your valuables? Of course you wouldn't. Like any prudent business owner, you take appropriate steps to protect your business. When you come to work in the morning, you want to find everything the way you left it - the computers, files, inventory, checkbooks, everything. To ensure this, you'll be careful and lock the door at the end of each day.

But a locked door won't protect some of your most valuable assets, your intangible assets, from being stolen. These are your non-physical assets such as your customer list, business methods and other trade secrets. Perhaps you run a graphic design/printing business and you have a client base, gained over many years of hard work, that includes 50 clothing designers. Would you like this list to be made available to your competitors? Surely not. So how do you protect these intangible assets. Here are some tips -

Trade Secrets - Under State law, your business trade secrets are protected but only if the information truly is of a secret nature. If the information is readily available from other sources, then it will not be treated as a trade secret. Also, to be protected as a trade secret, you must have taken appropriate steps to keep

the information confidential. These include:

- Creating password-protected access to confidential information on your computer system
- Securing all hard copies of confidential files in locked cabinets with limited access
- Obtaining signed confidentiality agreements

Confidentiality Agreements - Obtain signed agreements from anyone who will have access to the information you are trying to keep secret. This includes your employees as well as any independent contractors who you'll be sharing this information with.

Non-Competition Agreements - You may also want to limit your employees' right to use your trade secrets once they leave your employment. Otherwise, your employee could take your client list and go to work for one of your competitors. When you hire new employees, you can require them to sign a Non-Competition Agreement. This will limit the employee's right to open his own competing business or go to work for one of your competitors. Be careful, though, as these Agreements will only be legally enforced if they are reasonable in scope.

Now is a good time to review your procedures for protecting your trade secrets to make sure you're well protected.

FINANCIAL REPORTS

(continued from page 2)

In this example, although Company A has profit of \$50, it will not have enough money to pay its bills unless the accounts receivable are collected. In addition, even though Company A has profit of \$50, there is only cash of \$25. The above illustration shows not only the relationship between the profit & loss and the balance sheet, it illustrates the importance of cash flow in the operations of a business. In order for this company to function effectively, it must collect the receivables before the payables become due.

Because good cash flow is critical to a company's success, it should be monitored constantly. The following reports should be used regularly (at least once a week) to assist the business owner in monitoring cash needs:

- Profit & Loss – shows what the company's sales and expenses are for a particular period. This can be compared to prior periods to determine trends.

- Balance Sheet – shows the big picture relationship of cash and accounts receivable (items which can be converted into cash) to accounts payable and other debt (items that must be paid in the short and long term).

- Accounts receivable aging report by customer – shows who owes the company, and how long the funds have been outstanding.

- Account payable aged report by vendor – shows which companies are owed money and how old the bill is.

- Cash requirements report – shows how much cash is needed to pay bills within a specific time period (i.e., the next week) by vendor and amount.

By using the information in the above reports as tools, a business owner will be able to monitor what cash is required and when it will become available. Mastering this process will enable the business owner to spot problem areas earlier, and ultimately be more successful.

EDITORIAL BOARD

BETSY ANGELONE
FleetBoston Financial
70 Farmington Ave.
Hartford, CT 06105
860-986-1040
elizabeth_b_flynn-angelone@fleet.com

YVONNE BRUNO, CPA
Fulco, DiTommaso, McMahon & Co., PC
365 Willard Avenue
Newington, CT 06111
860-667-0105
yb.fdm@consulting.org

JUDY GEDGE
The Small Business Lawyer
1001 Farmington Ave.
Suite 300
West Hartford, CT 06107
860-521-7184
jgedge@ntplx.net

ANDREA LAFLEUR
Lafleur Graphics
540 Hopmeadow St.
Simsbury, CT 06070
860-658-6846
lafleur.graphics@snet.net

ANDREA OBSTON
Andrea Obston Marketing Communications, LLC
3 Regency Drive
Bloomfield, CT 06002
860-243-1447
aobston@aomc.com

ANNABEL PEDEMONTI
Accounting Software Services
P.O. Box 371
South Windsor, CT 06074
860-289-7239
accountingsoftwareplus@yahoo.com

Please contact any of the members of the Editorial Board to obtain additional copies of this newsletter.

We welcome articles by guest contributors. To obtain our submission guidelines, please contact any member of the Editorial Board.