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Start Up then Grow Up

By Geoffrey Goudy, CPA

Two critical junctures of any small business is at inception and as the enterprise blossoms. Missteps at either point in time can jeopardize the future success of the business venture. Therefore, keep the following checklists in mind as your business enters each phase.

Right Start:

- Prepare business plan accompanied with financial projections
- Setup legal structure for entity (corporation, limited liability company or partnership)
- Draft buy-sell agreement for multi-owner ventures
- Obtain Federal EIN from Internal Revenue Service
- File Colorado Business Registration with Colorado Department of Revenue
- Apply for local sales & use tax license regardless of type of revenue stream(s)
- Open bank and credit card accounts separate from personal accounts
- Acquire adequate insurance necessary to protect assets and meet regulatory requirements
- Purchase accounting software, such as QuickBooks, Peachtree or MYOB
- Require Form W-9 to be completed and returned by all independent contractors

Growing Pains:

- Review business plan, update accordingly
- Revisit legal structure for entity, reorganize if appropriate

- Maintain corporate record book
- Expand and contract with a written plan
- Implement effective and efficient internal controls
- Outsource payroll processing as unrelated employee base swells
- Extend employee benefits, such as healthcare and retirement arrangements
- Consider space acquisition rather than lease renewal
- Understand components of financial position, results from operations and cash flows
- Require Form W-9 to be completed and returned by all independent contractors

Actively engage your financial and legal advisors as the business matures because it is generally less costly to be proactive than reactive. And never forget what a rather prominent American once coined, “A penny saved is a penny earned.”

Geoffrey Goudy, CPA has been in practice for 17 years and specializes in accounting, taxation and finance for small and medium-sized businesses.