



# **MANAGING YOUR NEW BUSINESS**

- 1. Manage Your Finances**
- 2. Hire and Manage Employees**
- 3. Paying Taxes**
- 4. Stay Legally Compliant**
- 5. Buying Assets and Equipment**
- 6. Marketing and Sales**
- 7. Cyber Security**

# 1. MANAGE YOUR FINANCES



## Create a Balance Sheet

The balance sheet is the foundation of managing your finances. It operates as a snapshot of your business financials. It helps you keep track of your capital and provide a cash flow projection for future years.

Financials you should track:

- Costs like employees and supplies
- Assets
- Liabilities
- Equity

## Pick a Method of Accounting

Accrual		Cash	
Pros	Cons	Pros	Cons
<ul style="list-style-type: none"> <li>• Creates immediate snapshot.</li> <li>• Can reduce tax burden.</li> </ul>	<ul style="list-style-type: none"> <li>• More complex to manage.</li> <li>• Potentially deceiving figures.</li> </ul>	<ul style="list-style-type: none"> <li>• Shows cash flow clearly.</li> <li>• Easier to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Limits predictive value.</li> <li>• Less long-term clarity.</li> </ul>

Businesses often use either the **accrual** or **cash** methods of recording purchases. The accrual method puts transactions on the books **immediately** upon completing the sale. The cash method only records this once payment has been **received**.

## Cost-Benefit Analysis

A CBA is a method to make decisions in a simple way. It simply involves **adding** money in benefits and money in costs over a specified time period, before **subtracting** costs from benefits to determine **success** in terms of dollars.

Looking closely at **money-in** and **money-out** helps maintain a sustainable balance between **profit** and **loss**. From development and operations to recurring and nonrecurring costs, it's important to **categorize expenses** in your balance sheet. Then, you can use a cost-benefit analysis, or a process that helps **weigh the strengths and weaknesses** of a business decision, and put potential recurring benefits and cost reductions in context.

## Managing Business Credit



### STEP 1

Determine whether you have business credit on file with Dun & Bradstreet.



### STEP 2

Establish a business credit history by using lines of credit associated with your business.



### STEP 3

Pay bills on time and understand other factors that influence your credit rating.



### STEP 4

Keep your credit files current and monitor for ratings changes.



### STEP 5

Know your customers' and vendors' credit standing.

# 2.

# HIRE & MANAGE EMPLOYEES

## Steps to Setup Payroll:

**1** Get an Employer Identification Number (EIN)

**2** Find out if you need State or Local Tax IDs

**3** Decide if you want an independent contractor or an employee

**4** Have employees fill out a W-4 form.

**5** Schedule Pay periods for tax withholding for the IRS

**6** Create a compensation plan for sick days, holidays and leave

**7** Choose an in-house or external service for administering payroll.

**8** Decide who will manage your payroll system

**9** Know which records must stay on file and for how long

**10** Report payroll taxes as needed on quarterly and annual basis.



## Employee Benefits:

- **Social Security Taxes:** Employers must pay Social Security taxes at the same rate as their employees
- **Worker's Compensation:** Required through a commercial carrier, self-insured basis, or state Workers' Compensation Program.
- **Disability Insurance:** Disability pay is required in California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico.
- **Leave benefits:** Most leave benefits are optional outside those stipulated in the Family and Medical Leave Act (FMLA).
- **Unemployment insurance:** Varies by state, and you may need to register with your state workforce agency.

## Employee Incentive Programs:

Employee incentive programs can boost morale and create more draw for open positions. Common incentives include stock options, flex time, wellness programs, corporate memberships, and company events.

## Employee or Independent Contractor?

### Employee

Under common-law rules, anyone who performs services for you is your employee if you can control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed.

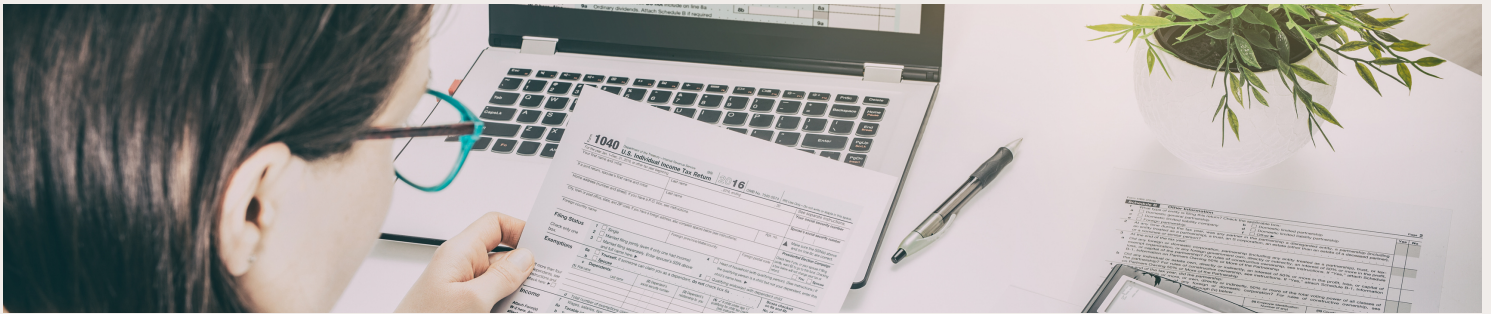
### Independent Contractor

The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. The earnings of a person who is working as an independent contractor are subject to Self-Employment Tax.

Generally, you must withhold income taxes, withhold and pay Social Security and Medicare taxes, and pay unemployment tax on wages paid to an employee. You do not generally have to withhold or pay any taxes on payments to independent contractors.

# 3.

# PAYING TAXES



## Choose Your Tax Year:

Most businesses choose their **tax year** to be the same as the **calendar year**. You select your tax year the first time you file for taxes, but you can change it later with permission from the IRS.

- If you don't have special accounting needs for your business, choose a calendar tax year.
- If you want your 12-month accounting cycle to end in a month that isn't December, choose a fiscal tax year.
- If your business wasn't in existence for an entire tax year, or you changed your accounting period, choose a short tax year.

If your business doesn't have much reporting or bookkeeping, you might be required to use a calendar tax year. Check with the IRS for detailed rules about tax years. It is also advised to hire a CPA and talk about this with them, especially if you have just started a new business or if you lack experience with taxes and accounting.

## Federal Tax Obligations:

Your **business structure** determines what federal taxes you must pay and how you pay them. Some of the taxes require payment throughout the year, so it's important to know your tax obligations before the end of your tax year.

There are five general types of business taxes:

- **Income tax**
- **Self-employment tax**
- **Estimated tax**
- **Employer tax**
- **Excise tax**

Each category of business tax might have special rules, qualifications, or IRS forms you need to file. Check with the IRS to see which business taxes apply to you.

If your business has **employees**, you might be required to **withhold taxes** from their paychecks. Federal employment taxes include **income, Social Security and Medicare, unemployment, and self-employment taxes**. Check with the IRS to see which taxes you need to withhold.

## State Tax Obligations

Your business might need to pay state and local taxes. Tax laws vary by **location** and **business structure**, so you'll need to check with state and local governments to know your business' tax obligations.

The two most common types of state and local tax requirements for small business are **income taxes** and **employment taxes**.

Your state income tax obligations are determined by your **business structure**. For example, corporations are taxed separately from the owners, while sole proprietors report their personal and business income taxes using the same form.

If your business has **employees**, you'll be responsible for paying **state employment taxes**. These vary by state, but often include **workers' compensation insurance, unemployment insurance taxes, and temporary disability insurance**. You might also be responsible for withholding **employee income tax**. Check with your state tax authority to find out how much you need to withhold and when you need to send it to the state.



# 4. STAY LEGALLY COMPLIANT

## Internal Requirements:

**Corporations** have the strictest internal requirements. Corporations should hold initial and annual director and shareholder meetings, record their meeting minutes, adopt and maintain bylaws, issue stock to shareholders, and record all stock transfers.

**LLCs** have less strict internal requirements. However, they are generally advised to maintain an updated operating agreement, issue membership shares, record all membership interest transfers, and hold annual meetings.

Other business structures have few, if any internal requirements. However, it's rarely a bad idea to document important decisions with your business.



## Ongoing State Filing Requirements:

- **Annual report or biennial statement.** Most states require one or the other. Some states set the due date on the anniversary of the business formation date, and other states pick a specific day for all businesses.
- **Statement filing fees.** Fees normally accompany the annual report or biennial statement, which can exceed \$300.00.
- **Franchise tax.** Some states charge franchise taxes for corporations or LLCs that operate with their border. Formulas vary by state.
- **Initial reports.** Some states require initial reports and fees shortly after incorporation.
- **Articles of Amendment.** If you've made important changes to your company — like address, name, new shares, or membership — report it with articles of amendment.
- Most businesses won't have **federal requirements** beyond paying federal taxes and complying with the Affordable Care Act. Make sure that you meet all federal tax obligations, including income and employer taxes

## Licenses, Permits and Re-Certification:

The documents for staying legally compliant vary based on your **industry** and **location**.

Maintain any **licenses, permits, or certificates** your business received from your **state, city, or county**. Renewal requirements vary, so it's best to check with local business licensing offices.

For federal licenses, permits, and certificates, check with the issuing institution to confirm renewal requirements for your business. **Here's a list of some common federal agencies and departments that small businesses register with:**

- U.S. Department of Agriculture (USDA)
- Alcohol and Tobacco Tax and Trade Bureau (TTB)
- Federal Aviation Administration
- Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
- U.S. Fish and Wildlife Service
- National Oceanic and Atmospheric Administration
- The Federal Communications Commission

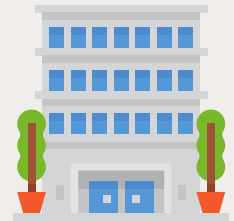
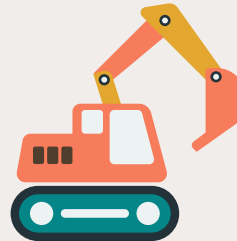


# 5. BUYING ASSETS AND EQUIPMENT

## 3 Kinds of Assets and Equipment:

### 1. Tangible Assets

Things like **buildings, vehicles, and equipment** are used for regular business activity and lose value over time. Things like **printer paper**, which get used up, typically **don't** get counted as assets. When managing your finances, you can count tangible assets on your balance sheet as **property or equipment**.



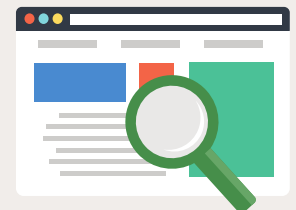
### 2. Intangible Assets

Your business **reputation, brand, or business partner's influential network** are intangible assets or things you can't touch. You **don't** list these on your balance sheet and it's often difficult or impossible to sell them for cash. But they can still contribute to the overall value of your business.



### 3. Intellectual Property

A type of intangible asset that includes **trademarks, patents, logos, websites, domain names, and software**. Intellectual property is often protected by copyright or trademark protection.



## Lease or Buy?

#### Leasing Benefits

- Needs **less cash or credit upfront**
- Short-term leases let you test out the equipment
- Maintenance is sometimes included at no extra cost
- Lease payments for business assets are typically **tax deductible**

#### Leasing Disadvantages

- The lifetime cost is normally higher than buying
- Replacing it when the lease is up could be expensive
- Depreciation of leased assets typically isn't tax deductible

#### Buying Benefits

- You can claim **depreciation** on your taxes
- The lifetime cost to buy is usually less than leasing
- You can count it as an **asset** on your balance sheet

#### Buying Disadvantages

- Needs **more cash or credit upfront**
- Less opportunity to **"test out"** the asset
- You could be fully liable for maintenance and replacement

# 6.

# MARKETING AND SALES

## Assembling Your Marketing Plan:



Describe your **audience** in detail. Look at the market's size, **demographics**, unique traits, and **trends** that relate to demand for your business.



Describe what gives your product or service an **advantage over the competition**. It might be a **better product**, a **lower price**, or an **excellent customer experience**. Sometimes, an environmentally friendly certification or "made in the USA" on your label can be an important factor for customers.

Describe how you'll literally sell your service or product to your customers. List the **sales methods** you'll use, like **retail**, **wholesale**, or your own **online store**. Explain each step your customer takes once they decide to buy.



Describe your marketing and sales goals for the next year. Common marketing and sales goals are to **increase email subscribers**, **grow market share**, or **increase sales by a certain percent**.



Describe how you'll achieve your marketing and sales goals. List **marketing channels** you'll use, like **online advertising**, **radio ads**, or **billboards**. Explain your **pricing strategy** and how you'll use **promotions**. Talk about the **customer support** that happens after the sale. The federal government regulates advertising and labeling for a number of consumer products, so make sure your advertising is legally compliant.

Include a complete breakdown of the **costs** of your marketing plan. Try to be as accurate as possible. You'll want to keep tracking your costs once you put your plan into action.



# 7.

# CYBERSECURITY

## Common Threats:

### Malware

Malware (malicious software) is an umbrella term that refers to software intentionally designed to cause damage to a computer, server, client, or computer network. Malware can include viruses and ransomware.

### Ransomware

Ransomware is a specific type of malware that infects and restricts access to a computer until a ransom is paid. Ransomware is usually delivered through phishing emails and exploits unpatched vulnerabilities in software.

### Phishing

Phishing is a type of cyber-attack that uses email or a malicious website to infect your machine with malware or collect your sensitive information. Phishing emails appear as though they've been sent from a legitimate organization or known individual. These emails often entice users to click on a link or open an attachment containing malicious code. After the code is run, your computer may become infected with malware.

### Hackers

Malicious people who attempt to steal information or infiltrate a network online.

### Viruses

Viruses are harmful programs intended to spread from computer to computer (and other connected devices). Viruses are intended to give cybercriminals access to your system.



## Cybersecurity Best Practices:

#### Train Your Employees



Training topics to cover include: Spotting a phishing email, Using good browsing practices, Avoiding suspicious downloads, Creating strong passwords, Protecting sensitive customer and vendor information, Maintaining good cyber hygiene

#### Use Anti-Virus Software



Make sure each of your business's computers is equipped with antivirus software and antispyware and updated regularly. Such software is readily available online from a variety of vendors.

#### Protect Sensitive Data



Critical data includes word processing documents, electronic spreadsheets, databases, financial files, human resources files, and accounts receivable/payable files. Back up data automatically if possible, or at least weekly, and store the copies either offsite or on the cloud.

#### Multifactor Authentication



Multifactor authentication requires additional information (e.g., a security code sent to your phone) to log in. Check with your vendors that handle sensitive data, especially financial institutions, to see if they offer multifactor authentication for your account.