



Realizing Profitable Potential through Change

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Cutting Expenses Key To Profitability, But How? Some Tips

It may seem like a no-brainer - cut expenses to make more money - but many small changes can result in significant savings.

It looks like the economy may finally be looking up. Still, this is no time to loosen the purse strings in terms of your business expenses. Rather, why not re-double your efforts to cut costs and boost your profitability?

Excessive expenses cause debt, which in itself can be very costly. So any money-saving actions you take will be doubly rewarding.

More Effective Money Management

To cut expenses significantly, poke into every corner of your company's finances. Inventory is a good place to start. If you sell multiple units of the same item and reorder regularly, you should be using QuickBooks' inventory-tracking tools. Go to **Edit | Preferences | Items & Inventory | Company Preferences**.

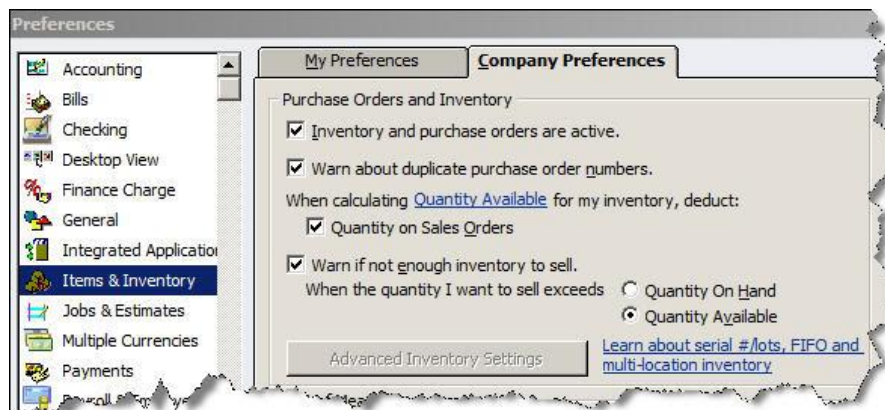


Figure 1; Make sure that these settings are correct. If you need advanced features like FIFO costing, serial number and lot-tracking or inventory management at multiple locations, contact us about upgrading to Enterprise Solutions.

You should be stocking your inventory to match the pace of sales. You don't want to be caught short, nor do you want to be sitting on too much and tying up money unnecessarily. QuickBooks can help, but you'll need to calculate the sweet spot for each item. Several built-in reports can help, including:

- Inventory Valuation Summary. Displays the current asset and retail value of each item and inventory as a whole
- Inventory Valuation Detail. Shows how individual transactions have affected the value of your inventory
- Inventory Stock Status By Item. Helps you set up smart reordering procedures
- Open Purchase Orders
- Outlines each purchase order and its expected delivery date

Type	Date	Name	Num	Deliv Date	Amount	Open Balance
Purchase Order	10/22/2016	Perry Windows & ...	6219	12/20/2016	3,530.00	2,243.00
Purchase Order	11/28/2016	Timberloft Lumber	6226	12/18/2016	6,075.00	6,075.00
Purchase Order	12/01/2016	Larson Flooring	6230	12/16/2016	341.20	341.20
Purchase Order	12/03/2016	Larson Flooring	6231	12/15/2016	4,750.00	4,750.00
Purchase Order	12/07/2016	Daigle Lighting	6232	12/21/2016	163.25	163.25
Purchase Order	12/09/2016	Wheeler's Tile Etc.	6233	12/15/2016	188.40	188.40
Purchase Order	12/10/2016	Wheeler's Tile Etc.	6234	12/20/2016	712.80	712.80
Purchase Order	12/12/2016	Low Plumbing	6235	12/16/2016	403.40	403.40
Purchase Order	12/15/2016	Daigle Lighting	6236	12/19/2016	65.00	65.00
Purchase Order	12/15/2016	A Cheu...	6237	12/19/2016	500.00	500.00

Figure 2: To maintain profitable inventory levels and minimize expenses, you'll need to study QuickBooks' related reports regularly. When you're making buying decisions, consider factors like reorder turnaround time and seasonal sales upticks.

Ratio reports, like profit over sales, can also be very telling. QuickBooks does not supply these, but we can help you create them in Excel.

Using Available Tools

The efforts you make toward reducing expenses in other ways can result in more savings than you might think. Here are some actions you can take that will accelerate your cash flow:

Use QuickBooks' budgeting tools

This doesn't need to be as onerous as you might expect - you can start by pulling in your real data from the previous year as a base. Build in line items for ongoing accounting support like QuickBooks maintenance. Click on **Company | Planning & Budgeting | Set Up Budgets**

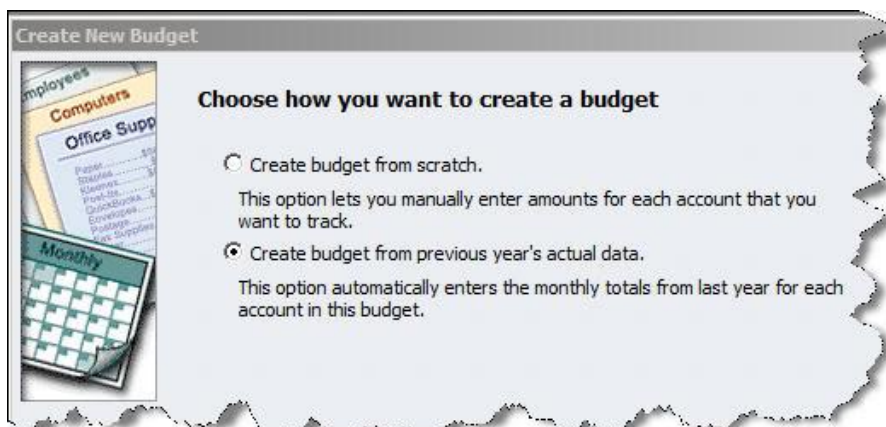
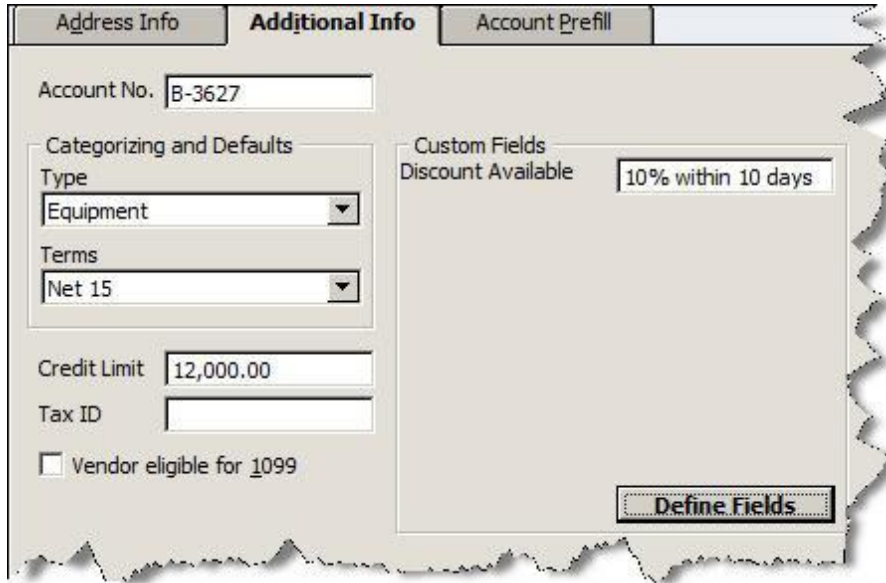


Figure 3: Selecting this option simplifies your task.

Minimize your April 15 obligation with year-round tax planning. Work with us throughout the year on the next year's taxes to, for example, make smarter quarterly payments, and we'll help you reduce your tax bill by making better decisions every day.

Get discounts by paying invoices early. Set up a custom field in vendor records to track this.



The screenshot shows a software interface for managing vendor records. It has three tabs: 'Address Info', 'Additional Info' (which is selected), and 'Account Prefill'. Under 'Additional Info', there are several input fields and dropdown menus. 'Account No.' is 'B-3627'. 'Categorizing and Defaults' includes 'Type' (Equipment) and 'Terms' (Net 15). 'Credit Limit' is '12,000.00'. 'Tax ID' is empty. There is a checkbox for 'Vendor eligible for 1099' which is unchecked. A 'Custom Fields' section contains a field for 'Discount Available' with the value '10% within 10 days'. A 'Define Fields' button is located at the bottom right of the Custom Fields section.

Figure 4: Get to know which vendors offer early discounts - and take advantage of them.

Analyze the cost-effectiveness of your transportation. Can you replace some in-person sales calls with web-based communication? Make sure that your delivery routes and sales call paths are efficient.

Change product/service prices to build in your own cost increases. Do it across the board, in small increments. It may not even be that noticeable to customers.

Talk to us about establishing a line of credit. We'll help you determine if this is a viable option for emergencies. It's cheaper than using credit cards.

Cross-train employees. Have employees train each other on their tasks where it makes sense. You can avoid costly temp help and relieve overworked departments.

Don't try to change everything at once. Establishing these new procedures will require some extra work. And you may not notice a reduction in expenses immediately. But over time, you *will* see a positive change - one that will give you extra dollars and hours to invest in making your company flourish.

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