FREE GUIDE

3 Financial Mistakes Costing Businesses $100K+

The most expensive accounting errors we see — and exactly how to fix each one.

Big losses rarely come from one dramatic event. They come from small, quiet problems that compound month after month. These three show up again and again in growing businesses.

Mistake #1: A chart of accounts that hides the truth

When direct costs are lumped in with overhead — or revenue isn't split by service line — you can't see which parts of the business make money. Owners end up pushing their least profitable work and underpricing what they're best at.

What it can cost

Consider a $3M business that believes its overall gross margin is 35%. After restructuring the chart of accounts, it discovers one service line runs at 15% while the others average 45%. Repricing or exiting the low-margin line can add $100K or more to annual profit.

The fix

1. Separate cost of sales (direct labor, subcontractors, materials) from operating expenses.
2. Track revenue and direct costs by service line, product, or customer using accounts or classes.
3. Review gross margin by line every month and price accordingly.

Mistake #2: No forward view of cash

Most owners manage cash by looking at today's bank balance. But payroll, quarterly taxes, annual insurance, and loan payments arrive on their own schedule. Without a forecast, cash crunches come as surprises — forcing expensive credit-line draws, late fees, or missed opportunities.

What it can cost

Emergency borrowing at high rates, early-payment discounts you couldn't take, penalties for late tax payments, and growth you had to turn down. For a growing business, these costs can easily reach six figures over a few years.

The fix

1. Build a 13-week cash flow forecast: expected receipts and disbursements, week by week.
2. Set a minimum cash balance and flag weeks that fall below it.
3. Update it every week — replace the oldest week with actuals and add a new one.

> **TIP** Our free 13-Week Cash Flow template includes a minimum-cash alert and a scenario adjustment for slow-paying customers.

Mistake #3: Ignoring days sales outstanding (DSO)

DSO measures how long it takes to collect from customers. When it creeps from 35 days to 60, nothing feels wrong — revenue still looks great. But a big chunk of your profit is now sitting in other companies' bank accounts.

What it can cost

Annual revenue	DSO 35 days	DSO 60 days	Cash tied up by slower collections
$2,000,000	~ $192K in AR	~ $329K in AR	~ $137K
$5,000,000	~ $479K in AR	~ $822K in AR	~ $343K

That's cash you're financing for your customers — often while paying interest on your own line of credit. Older invoices also become harder to collect.

The fix

1. Invoice immediately when work is done — not at month-end.
2. Make paying easy: online card/ACH links on every invoice.
3. Follow a consistent collections cadence (reminder before due, then 7, 15, 30, 45, 60 days).
4. Track DSO monthly and review the AR aging weekly.
5. Consider deposits or progress billing for large projects.

The common thread

All three mistakes share a root cause: **financial information that's accurate but not useful**. The books may be technically correct, yet they don't tell the owner what to do next. Fixing that — through better structure, forecasting, and a few key metrics — is where real money is found.

NEXT STEP Want to know if any of these are costing you? Request a free financial control assessment — we'll review your books and identify the biggest opportunities.

This guide is general information for small business owners and is not tax, legal, or accounting advice. Rules, rates, and deadlines change — confirm specifics with your CPA or the relevant agency.