

A PRACTICAL SELF-ASSESSMENT FOR SMALL BUSINESS OWNERS

The Business Owner's Financial Clarity Checklist

25 questions to help you determine
whether you can trust your books

Financial clarity is not about having perfect books.

It is about knowing your numbers are complete, current, and consistent enough to guide your next decision with confidence.

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Rooted in accuracy, providing clarity.

BEFORE YOU BEGIN

Can you rely on the numbers in front of you?

I created this checklist because many business owners can open a profit and loss statement, see a number at the bottom, and still wonder whether it tells the whole story. That uncertainty makes every decision harder - from setting prices and managing cash to hiring help and preparing for taxes.

After more than 25 years in accounting and finance, I know that trustworthy books are not built by chasing perfection. They are built through a few dependable habits: recording everything, reconciling consistently, reviewing the right reports, and following up when something does not make sense.

A quick note from me

Answer based on what you know today. Choosing 'Not sure' is not a failure - it simply identifies something worth confirming. The goal is to leave this checklist with a clearer picture of what is working and what deserves your attention next.

How to use this checklist

1. Read each question and choose Yes, Not sure, or No.
2. Give yourself 2 points for Yes, 1 point for Not sure, and 0 points for No.
3. Add each section score, then use the scoring guide at the end.
4. Choose your three most important follow-up items. You do not have to fix everything at once.

Your scoring key

YES = 2 POINTS | NOT SURE = 1 POINT | NO = 0 POINTS

SECTION 1 OF 5

A strong bookkeeping foundation

Start with the structure underneath your reports. If the setup is incomplete or inconsistent, even carefully entered transactions can produce misleading results.

1. Do you know whether your books use the cash or accrual method - and why that method fits your business?

Why it matters: The method controls when income and expenses appear. Without that context, profit and tax numbers can be easy to misread.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

2. Is your chart of accounts organized around the way your business actually earns and spends money?

Why it matters: A clean chart of accounts makes reports meaningful. Too many duplicate, vague, or unused accounts can hide the story your numbers should tell.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

3. Are your business and personal finances completely separated?

Why it matters: Mixed activity creates extra work, weakens reporting, and makes it harder to identify true business expenses and owner activity.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

4. Is every bank account, credit card, loan, payment processor, and line of credit included in your books?

Why it matters: Missing accounts mean missing transactions, incomplete liabilities, and reports that cannot show the full financial picture.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

5. Were your opening balances and prior-year balances entered or carried forward correctly?

Why it matters: If the starting point is wrong, current reports may remain wrong even when this month's activity is recorded accurately.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

SECTION 1 SCORE: _____ / 10

SECTION 2 OF 5

Accuracy and reconciliations

Reconciliation is one of the clearest tests of whether your books are complete. It confirms that what is recorded agrees with what actually happened in your financial accounts.

6. Are all bank and credit card accounts reconciled through the most recent statement?

Why it matters: Regular reconciliation catches missing, duplicated, or incorrectly dated transactions before they become larger problems.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

7. Can the balances in your books be tied to statements without unexplained differences?

Why it matters: A difference that cannot be explained is a warning that activity may be missing, duplicated, or posted to the wrong account.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

8. Are old uncleared checks, deposits, and other transactions reviewed and resolved?

Why it matters: Stale items can overstate or understate cash and may point to duplicates, voided payments, or entries that never reached the bank.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

9. Are transfers between accounts recorded as transfers rather than income or expenses?

Why it matters: Incorrect transfers can inflate both revenue and spending, making the business look more active or profitable than it truly is.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

10. Are loan payments separated between principal and interest, with loan balances matching lender statements?

Why it matters: Posting the full payment as an expense understates liabilities and distorts both profit and the balance sheet.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

SECTION 2 SCORE: _____ / 10

SECTION 3 OF 5

Income, expenses, and amounts owed

This section looks at whether routine business activity is being captured in the right amounts and categories - including the pieces that are easy to overlook.

11. Does the income in your books agree with invoices, deposits, and payment processor reports?

Why it matters: A deposit is not always the same as revenue. Fees, refunds, transfers, and timing differences need to be accounted for correctly.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

12. Are sales tax, merchant fees, discounts, and customer refunds recorded separately from sales?

Why it matters: Recording only the net deposit can understate revenue and hide expenses or tax obligations.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

13. Are expenses categorized consistently and supported by receipts or other documentation?

Why it matters: Consistent categories make reports comparable, while documentation supports tax preparation and helps answer questions later.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

14. Are owner contributions, draws, and personal purchases kept separate from business income and expenses?

Why it matters: Owner activity affects equity, not ordinary profit. Mixing the two can distort performance and create confusion at tax time.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

15. Are accounts receivable and accounts payable current, accurate, and regularly reviewed?

Why it matters: Old customer or vendor balances may signal missed collections, duplicate bills, unapplied payments, or items that should be written off.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

SECTION 3 SCORE: _____ / 10

SECTION 4 OF 5

Payroll, taxes, and documentation

Some bookkeeping gaps are inconvenient; others can become expensive. Payroll, tax balances, and documentation deserve prompt attention because they can carry filing deadlines and penalties.

16. Does each payroll report tie to the payroll activity recorded in your books?

Why it matters: Wages, employer taxes, employee withholdings, benefits, and payroll fees should be recorded separately and agree with payroll reports.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

17. Are contractor payments tracked, and are completed W-9 forms collected before year-end?

Why it matters: Good records make 1099 preparation easier and reduce the last-minute scramble to obtain missing information.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

18. Do your sales tax balances agree with filed returns and the amount actually owed?

Why it matters: Sales tax collected belongs to the taxing authority. An incorrect balance can lead to underpayment, overpayment, or missed filings.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

19. Are payroll and other tax liability accounts reconciled instead of simply carried forward each month?

Why it matters: Old balances can conceal missed payments, duplicate entries, or filings that were recorded incorrectly.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

20. Are statements, receipts, payroll reports, tax filings, and other records stored in an organized and secure location?

Why it matters: Accessible documentation saves time, supports the numbers in your books, and makes tax or audit questions much easier to answer.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

SECTION 4 SCORE: _____ / 10

SECTION 5 OF 5

Reports you can use to make decisions

Clean books should do more than satisfy a filing requirement. They should help you understand performance, protect cash, and make decisions before small issues become costly ones.

21. Do you review your profit and loss statement regularly and understand the major changes from month to month?

Why it matters: Trends matter more than a single bottom-line number. Regular review helps you catch changes in sales, margins, and spending early.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

22. Does your balance sheet make sense, without unusual negative balances or accounts you cannot explain?

Why it matters: The balance sheet shows what the business owns, owes, and has accumulated. Strange balances often point to setup or posting errors.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

23. Can you explain why your bank balance may be different from the profit shown on your income statement?

Why it matters: Profit and cash are not the same. Loan payments, equipment purchases, owner draws, unpaid invoices, and timing all affect the difference.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

24. Are your financial reports completed on a consistent schedule soon enough to be useful?

Why it matters: Reports that arrive months late may be historically accurate but cannot help you make timely decisions.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

25. Would you feel confident using your books today to make a pricing, hiring, spending, borrowing, or tax decision?

Why it matters: This is the ultimate test. Trustworthy books should reduce uncertainty and help you move forward with a clear view of the tradeoffs.

☐ YES - 2 ☐ NOT SURE - 1 ☐ NO - 0

SECTION 5 SCORE: _____ / 10

YOUR RESULTS

What does your score tell you?

Add your five section scores below. Your total is a starting point for a conversation, not an audit or a guarantee that every balance is correct.

Section 1 - A strong bookkeeping foundation	____ / 10
Section 2 - Accuracy and reconciliations	____ / 10
Section 3 - Income, expenses, and amounts owed	____ / 10
Section 4 - Payroll, taxes, and documentation	____ / 10
Section 5 - Reports you can use to make decisions	____ / 10
TOTAL SCORE	____ / 50

43-50 | Clear and dependable

Your books appear to have a strong foundation. Keep the routine consistent, review reports monthly, and investigate anything unusual promptly.

32-42 | Mostly solid, with gaps to close

You likely have useful books, but a few unanswered questions could affect decisions. Focus first on reconciliation, liabilities, payroll, and taxes.

20-31 | Use caution

Several gaps may be limiting the reliability of your reports. A focused review or cleanup plan can help you establish a dependable starting point.

0-19 | Do not rely on the reports yet

Your books may be incomplete or significantly behind. Address urgent tax and payroll items first, then rebuild accuracy in a practical order.

YOUR NEXT STEP

Turn what you learned into a simple plan

You do not need to correct every item this week. Start with the questions that create the most risk or uncertainty, then work toward a repeatable monthly routine.

Start here if you answered No or Not sure

- ☐ Bank and credit card accounts are not reconciled through the latest statement.
- ☐ Payroll, sales tax, or other tax balances do not agree with filed returns or payments.
- ☐ Loans, credit cards, or bank accounts show balances that do not make sense.
- ☐ Business and personal activity is mixed together.
- ☐ Your reports are months behind or do not agree with outside records.

My three priorities

1. _____
2. _____
3. _____

Want a second set of eyes?

If this checklist raised questions, I would be happy to help you sort through them. During a free consultation, we can talk about what is working, what feels unclear, and the most practical next step for your business. No pressure and no judgment - just a clearer path forward.

Schedule your free consultation

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LINDEN & LEDGER BOOKKEEPING

Rooted in accuracy, providing clarity.

This checklist is for general educational purposes and is not tax, legal, or financial advice. Results do not constitute an audit or verification of your accounting records.