

4 Reasons I had to Track Small Expenses



As a prior owner/operator of a small design firm, my main focus has always been providing excellent customer service. With a “can do” and “will do” attitude, I built a diverse client base that had continuously increasing needs, which in turn, kept me extremely busy. At this time, an accountant was a luxury I couldn’t afford so I managed clients, projects and expenses from a spreadsheet. It worked initially until I could no longer count my clients on one hand!

Meeting in person over coffee or a meal has always been beneficial, especially when finalizing “the deal”. When it came down to proper expense tracking, I didn’t pay attention to the small expenses for the following reasons:

“I can write it off!”

I used my business card for all client meals and when the bills averaged \$60, I rarely kept the receipt. Why would I? I had my credit card statement to refer back to.

“It’s part of doing business”

I would always cover the bill as a “thank you for doing business with us”. Once again I could write it off!

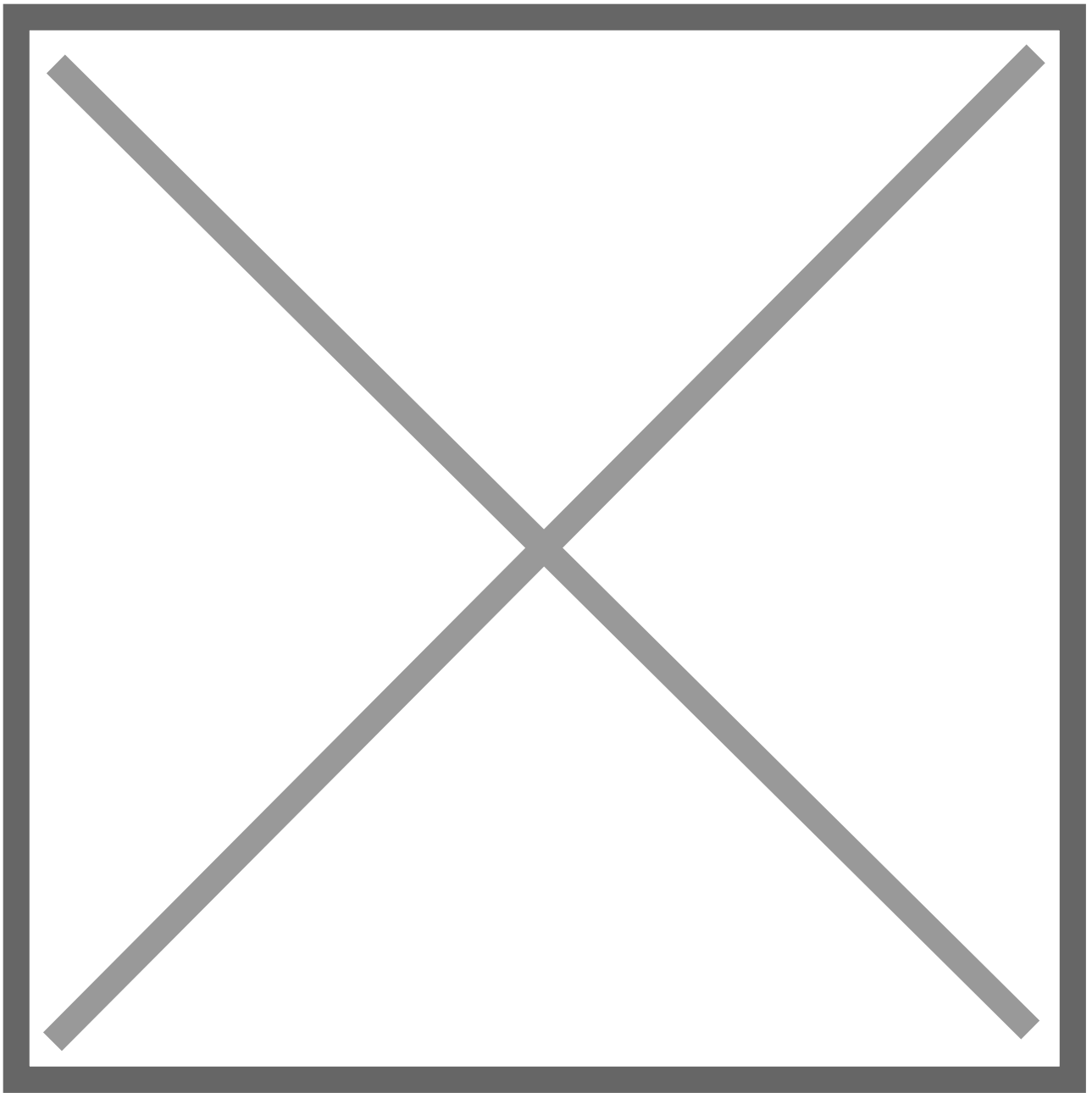
“I can average my profit margins”

To get an overall snapshot of client profitability, spreadsheets worked great.

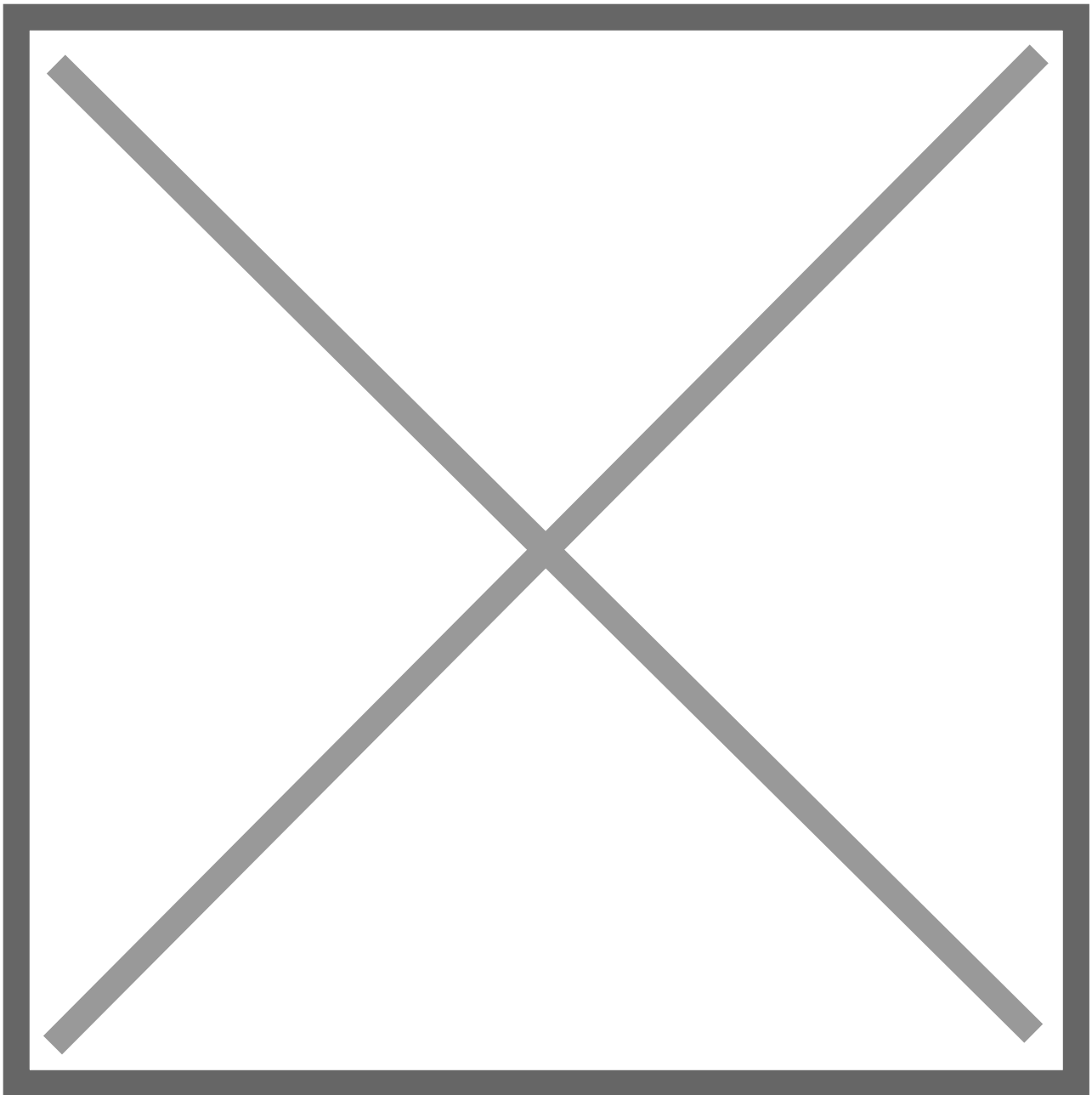
Client onboarding was vital if I ever wanted to be my own boss; I found as the business grew so did my social spending. This provoked the realization that my accounting habits had to change. I could no longer afford the end of month rush to gather expense receipts, apply them to each client, and only hope to remember which project it was for.

Going way back through my records, I found my first thoroughly tracked project. This is an example of why I had to track the small expenses.

1-The little purchases add up faster than you think



For this particular project, the client was brand new and we had our shot at a long, lucrative relationship. To take it a step further I wrote start and end times on the back of each receipt to be accurate.



With all said, I spent \$403 and an extra 11.75 hours on a project with time allotments of 3.5 hours for planning and 18 hours for production. To stay profitable I would need to complete 18 hours' worth of work in 4 hours. Well, I did the math and if I kept up with those habits, I would be working for free by the year end.

2- Know your habits by knowing your expenses

Meeting in person is the way I work best. However to offer competitive pricing and maintain my target profit margin, I had to cut back on my spending and incorporate an equal mix of email, phone and in-person communication.

3- Know your client's habits by knowing your expenses

We love our clients and all their endearing quirks! By knowing my client's behavior I became a project management pro and could precisely estimate the time needed, depending on the size of the project.

4- Proper pricing - the numbers don't lie

No one likes going back to their client with a price increase; I actually fear it and would eat the difference. By knowing what the time and monetary expense could be at the project level, I was able to price it right the first time.

Final thoughts: If you don't already, track your time and expenses even if you won't bill for them. This will provide good insight into the true profitability of each client and project.

For more information on this subject:

[Expense Tracking – Staying organized without the clutter of receipts](#)

[Time Tracking – The simple and effective system](#)

[Project Management – Beyond Time Tracking](#)

[Client Management – Everything in one place](#)

To tie it all together:

[Real-Time Reports – Assess your business to increase your productivity](#)