Modern Expense Tracking

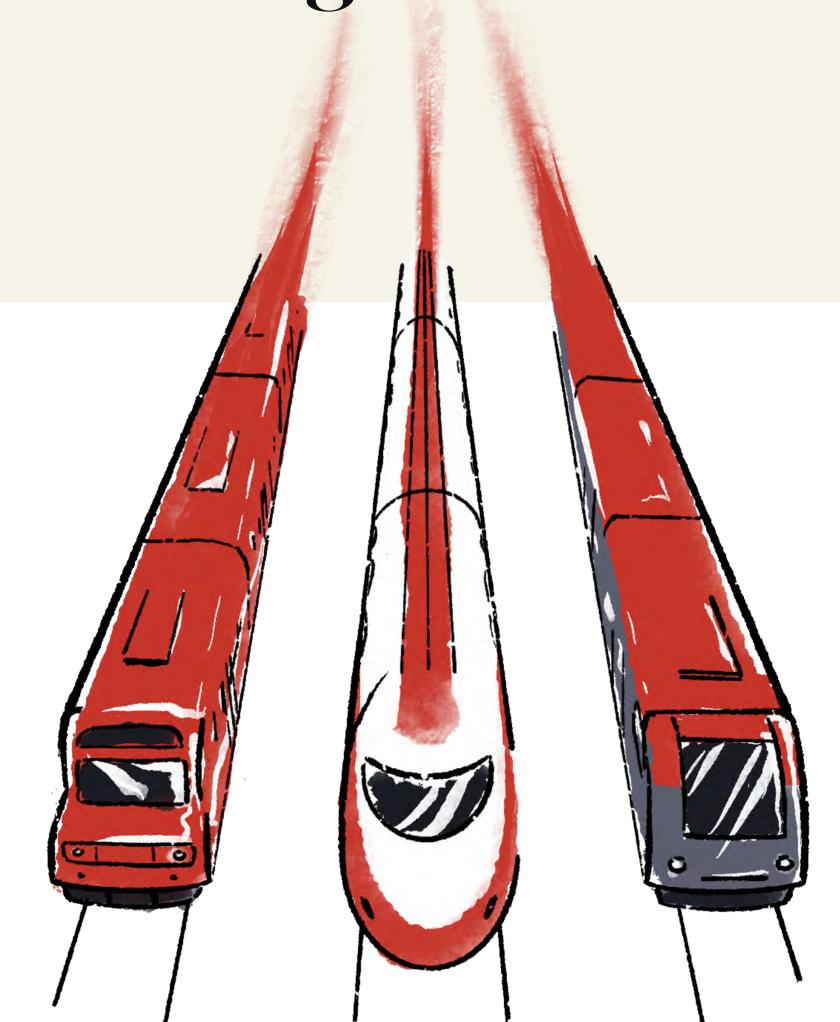# Modern Expense Tracking

Divvy

Get real-time insights into cash flow and budgets.

Int. Expense tracking that informs business strategy

Your business needs expense tracking if you ever wish to meet your financial goals.

Your business expenses are the key to understanding what it takes to run your business and maintain profitability. You need to manage and track your business expenses in order to:

1. Keep the lights on—literally and figuratively

2. Establish a healthy business credit score

3. Determine profits after revenue

Tracking your business expenses is so much more than just making sure you can cover your accounts payable or finding receipts when tax season arrives. Tracking your business expenses in an intuitive way unlocks the door to total financial control.

Business expenses are all of the purchases necessary to operate your business (sometimes referred to as operating expenses or OPEX)

01 Separate business spending

Track business expenses separately with business bank accounts and credit cards.

With a few small shifts in how you spend, you can dramatically increase your visibility into company finances. Business bank accounts, business credit cards, and smart expense reporting software will do much of the legwork for you by accumulating and storing expenses right from the point of spend.

A 2017 study by TD Bank found that more than 27% of business owners use the same bank account for personal and business purposes.

Often, founders who bootstrap their companies start by pulling from their own funds. However, as time goes on, it becomes more and more critical to separate personal and business finances—to protect both.

As soon as your business has dedicated expenses, you should open accounts that are specifically and exclusively used for your business. Business bank accounts and business credit cards offer unique benefits to your expense management.
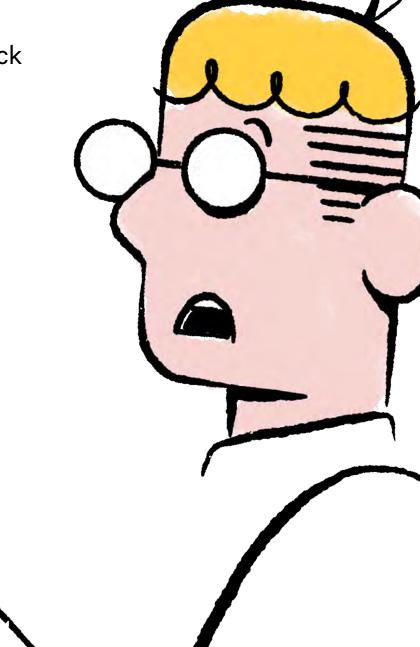
Benefits of Business Bank Accounts	SOLUTION
• Secure client transactions	• Separates business & personal credit, protecting both
• Increased professionalism & trust	• Builds business credit
• Ability to access a line of credit or loans	• Fast, accessible capital
• Strengthening credit history	• Business-specific rewards
• Ability to take full advantage of tax deductions	• Accessible spending for many employees
• Business-specific incentive like easier ACH payroll payments or higher interest yields	• Use of virtual cards for online or subscription spending
• Non-business expenses	
• Fictitious or inflated expenses	

When all business expenses are in the same place, without the complications of non-business transactions, it's far easier to track and manage your expenses in a holistic way.

02 Categorize expenses strategically

Use categories to sort and visualize spend so you can see exactly where you're headed.

Proper categorization of your business expenses can prepare you for a future of growth and savvy financial management. Each and every business expense needs to be documented in a way that allows you to quickly assess your finances and maximize tax deductions.

Common expense categories

When your expenses are properly categorized, it's much easier to see where your spend is happening and quickly find the data you need to make strategic decisions about budgets and cutting costs.

Payroll

Salary and wages for all employees

Benefits

Non-wage perks such as insurance, child care, allowances for food or gym memberships

Rent & utilities

Rent or mortgage, electricity, gas, sewage, internet, phone bills

Marketing/Advertising

Expenses related to advertising and promotion such as internet ads and social media campaigns

Office supplies

Items purchased for day-to-day activity such as computers, printers, paper products, furniture, a stocked kitchen

Meals & entertainment

Meals for employees and customers, entertainment for company events or clients.

Travel

Any expenses that take place outside of your workplace, such as airfare, mileage, lodging, food, etc.

Business vehicles

Costs associated with company vehicles like lease or loan payments, maintenance, registration, insurance, and gas.

Additional services

Paying other companies for services such as accounting, legal, counsel, clearing, security, landscaping, etc.
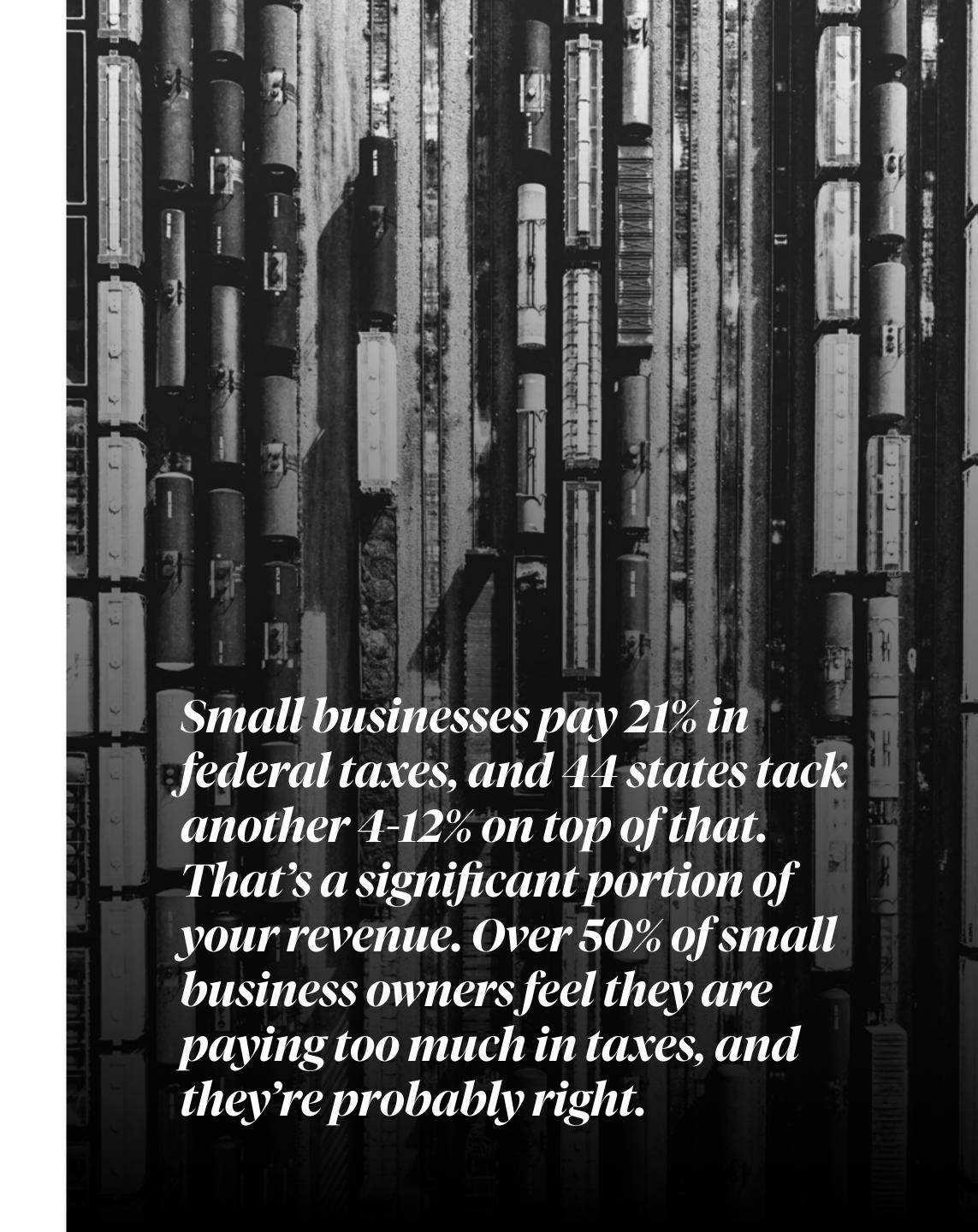
Deductible expenses

Within the range of business costs, you will have deductible expenses–expenses which are eligible for tax deductions. It is essential for all businesses to carefully track their deductible expenses for tax purposes, but it's even more critical for small businesses. Taking advantage of established deductible business expenses can save your business thousands or even tens of thousands of dollars every single year.

The IRS allows businesses to deduct costs incurred throughout the year which are ordinary and necessary to the business. As you can imagine, your small business expenses are mostly ordinary and necessary for your industry, so the amount of your deductible expenses is quite high.

Seven of the most common deductible business expenses are:

• Mileage and vehicle expenses

• Entertainment expenses—up to 50%

• Rent and utilities

• Marketing expenses—100% deductible

• Employee pay and benefits

• Gifts—up to $25 per person

• Miscellaneous or general office expenses—up to $1 million

Categorizing your expenses allows you to quickly itemize these lists and provide totals that you need to file at the conclusion of your tax year, and claim every tax deduction to which you're entitled. Maximizing your tax return is well worth the effort.

Small businesses pay 21% in federal taxes, and 44 states tack another 4-12% on top of that. That's a significant portion of your revenue. Over 50% of small business owners feel they are paying too much in taxes, and they're probably right.

03 *Automate your expense management*

Automation can save you time and money by making expenses track themselves.

The best way to keep track of your expense management is to make your expenses keep track of themselves. Many businesses feel trapped in their current system because they worry about the cost to change: the cost of new software, the cost of implementation, or the cost of deploying resources to manage the project. But odds are, you're losing more from your current expense management system than you realize.

How much manual expense reports cost

According to a GBTA survey of 533 travel managers who use manual expense management and reimbursements surveyed, on average:

20 mins
to complete one expense report

$58
cost to process one expense reprots

19%
of reports contain errors

18 mins
to correct one expense report and costs an additional $52

In other words, the return of investing in a more efficient spend management system can add up to saved money, time, and effort.

Fortunately, deploying an automated solution to manage and report expenses easily simplifies the process while eliminating error. Let's break down the benefits of automating expense management.

7 reasons to automate expense management

1. Cost efficiency

Reduce the cost of processing expense claims by as much as 78% per transaction by pre-populating all claims. Eliminate the time wasted on information-gathering and reporting once you have your data in one location.

2. Visibility into spend

Improve your expense policies, identify areas to save, spot trends, and catch redundancies with more visible expense management. Greater transparency gives managers the ability to recognize and eliminate areas of inefficiency, improving the overall budgeting and spending process.

3. Manage risk & fraud

Automated expense reporting removes the messy part of the process that is prone to error and temptation. Employees don't have to save receipts and budget managers don't have to worry about falsified or misinterpreted information. When fraud does occur—you'll catch it.

4. Ensure compliance

Automated expense management systems virtually eliminate the risks around regulatory compliance by managing the relevant tax data for your business.

5. Flexibility & scalability

Immediately scalable, cloud-based software will support and inform business growth. Roll out the platform when required, supporting external regulations, VAT, and per diem rates.

6. Easier business travel

Mobile expense management allows employees to submit expenses on the road and managers the ability to approve on the move.

7. Reinforce company policies

The best systems flag any out of policy spending for further investigation. By integrating policies directly into the expense management system, compliance becomes mandatory.

So now you know the benefits of automating expense management, but how do you actually do that? The easiest way is by syncing your bank connection with your accounting software.

04 **Bring your accounting up-to-date**

See your budgets in real time so you always know where you stand.

Budget strategies are often built around "dead" data: the outdated numbers in a static spreadsheet. Executive teams may review the shared file once a quarter (or once a month at best), but if managers aren't timely about entering transaction data or filing expense reports, your business will be way behind the curve.

What does this look like for your company? At the end of the month when you're finally running the expense reports you can make some unpleasant discoveries. Your sales team took some clients to lunch and you didn't know they spent $300 on sushi. You didn't realize that your software subscriptions were renewing this month. Your procurement team ordered materials for the entire year in one transaction. And suddenly, you're well over budget without even knowing those transactions occurred.

Tools like Divvy make it possible for everyone to see spend happening in real-time. Rather than waiting for the spreadsheet to be updated, executives can feel confident in daily financial decision-making, knowing they have the most current data.

How Divvy does it:

• Locked budgets
• Transparent budget owners and spenders
• Instant expense reporting
• Visual budget analysis

Immediate accounting of expenses (ideally as they occur) can help you stay in line with your business strategy and keep you under budget. Identifying the areas of your process that are slowing down the road between expense and accounting can make the difference between a biopsy and an autopsy for your business plan.

Our survey of 175+ CFOs & VPs of Finance uncovered major pain points

20% said lack of real-time visibility into spending

20% said unapproved employee spending

In a McKinsey & Company survey

57% of senior executives were dissatisfied with spend visibility

25% of company spend is not aligned with business strategy

"Operating a global business in a fast-changing world, you have to be grounded real-time in the external environment, have complete transparency, be fact-based, and working with a great, collaborative team."

- Bob Shanks, former CFO of Ford

05 Solutions to your expense tracking woes

Common expense tracking challenges and how you can solve them

Your business expenses might crack the code to your success, but there are certainly obstacles to tracking expenses in a meaningful way so that you can begin to strategize. Do any of the following sound familiar?

CHALLENGE	SOLUTION
Manually tracking expenses	Automate expense reporting
Cutting costs	Categorize expenses strategically for analysis
Multiple expense systems	Consolidate expense SaaS
Employees overspending	Enforceable budgets
Remote employee spending	Corporate cards for every employee
Spending not linked to budgets	Visible budgets for every employee & manager
Non-business expenses	Instant approval required
Fictitious or inflated expenses	All spend through smart cards with automatic expense reporting

Solutions exist for each of these commonly reported expense management problems, and the return on investment can be immense. Not only will you finally have the visibility and control of expenses that you need—you'll begin saving right away.

See how Divvy works

Divvy is dedicated to expense management that is smarter. We solve all of your expense problems in one seamless and free software package. From smart cards to visual analysis of your budgets, we put the control back in your hands.

getdivvy.com/demo