

5 Costly Bookkeeping Mistakes SMEs Make

And How to Avoid Them

Bookkeeping might seem like a simple admin task, but the smallest errors can cost your business thousands. Whether you manage your books in-house or work with a provider, knowing where things go wrong is the first step to financial clarity and control.

Here are the top FIVE mistakes we see, and how to stay clear.

1. Mixing Personal and Business Transactions

Problem: Leads to confusion, inaccurate reporting, and tax issues.

Solution: Use separate bank accounts and company cards. Track director loans clearly.

2. Falling Behind on Reconciliations

Problem: Errors go unnoticed, and cash flow becomes unclear.

Solution: Reconcile weekly or monthly. Use tools like Xero with bank feeds.

3. Misclassifying Expenses

Problem: Skews your P&L, messes with tax and forecasting.

Solution: Use a consistent chart of accounts and train whoever enters the data.

4. Missing VAT Deadlines

Problem: HMRC fines and interest.

Solution: Use automated reminders. Know your VAT scheme and submit on time.

5. Relying Only on the Bank Balance

Problem: The bank shows cash, not liabilities or future commitments.

Solution: Use financial reports to understand the proper position, not just the bank app.

Bonus Tips:

- Do not wait until year-end. Monthly bookkeeping helps you stay in control, make better decisions, and avoid nasty surprises.
- Know your VAT scheme. Are you on a cash or accrual scheme? Knowing the benefits and differences could make a huge difference to your cash flow.

Want help getting it right?

We offer a free 30-minute Bookkeeping Health Check to help you spot any red flags before they become costly.

Book your free session now. Call Emma on 07940 922990 or email Emma.williams@purpleriver.co.uk.