

## 9 Structural Watchouts That Signal an Unclean Balance Sheet

*A diagnostic checklist for small business owners*

These watchouts are not bookkeeping quirks. They are structural indicators that the business is not aligned with reality. Each one points to deeper issues that affect cash flow, decision-making, and operational stability.

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### 1. Negative Cash Balances

A bank account showing a negative balance (outside of an approved overdraft) signals:

- unreconciled transactions
- duplicate entries
- timing mismatches
- misapplied transfers

This is one of the strongest early warnings that the foundation isn't clean.

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### 2. Credit Cards With Positive Balances

A credit card should almost always show a negative (liability) balance. A positive balance often means:

- payments recorded incorrectly
- charges miscategorized
- unreconciled activity

This is a small-looking issue with large structural impact.

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### 3. Loan Accounts That Never Change

A loan balance that stays the same month after month usually means:

- principal isn't being recorded
- payments booked entirely to expense
- the loan wasn't set up correctly

This distorts both liabilities and cash flow.

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### 4. Owner's Equity That Moves Every Month

Equity should not behave like an operating account. Frequent swings often indicate:

- draws recorded as expenses
- contributions recorded as income
- inconsistent categorization

This is one of the biggest sources of "Why does my cash feel off?"

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### 5. Accounts Payable or Receivable That Don't Match Reality

If A/P or A/R balances don't reflect what the owner knows they owe or are owed, it may be due to:

- duplicate bills
- unclosed invoices
- payments recorded incorrectly
- timing gaps

This is where operational truth and accounting truth drift apart.

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## **6. Asset Accounts That Never Depreciate or Change**

Fixed assets that sit untouched for years often mean:

- assets were expensed instead of capitalized
- depreciation wasn't recorded
- the asset register was never maintained

This creates a false picture of long-term structure.

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## **7. Suspense or “Ask My Accountant” Accounts With Balances**

These accounts should clear to zero every cycle. If they don't, it signals:

- parked transactions
- skipped categorization decisions
- unresolved questions in the system

This is one of the most reliable indicators of hidden friction.

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## **8. Inter-Company Balances That Drift Without Explanation**

For multi-entity operators, drifting balances often mean:

- undocumented transfers
- misapplied payments
- operational behavior not captured cleanly

This is where structural risk quietly accumulates.

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## **9. Sales Tax or Payroll Liabilities That Don't Match Filings**

If the liability account doesn't match what was remitted, it often reflects:

- incorrect mapping
- missing adjustments
- timing errors

This is both a compliance risk and a cash-flow risk.

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