

How using a business credit card can help manage spending

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Business credit cards can be highly useful, efficient and versatile tools for many small business owners, as long as they are used in a prudent way. What are the benefits of using business credit cards? How should you select one? What best practices should be employed?

Smart Business spoke with **California Bank & Trust** Senior Vice President and Corporate Marketing Director Steven Borg to discuss how entrepreneurs can best use business credit cards to improve financial management processes and streamline cash flow.

Why should small business owners use a business credit card instead of a personal card for company expenses?

Using a business credit card instead of a personal card lets you more easily track your spending, keeping business and personal expenses separate. Most card issuers provide highly detailed reports categorizing your expenses, which can be very useful for accounting and tax purposes. Like personal cards, business credit cards may come with various rewards programs, such as cash back or additional savings on business expenses. Using a business credit card also may provide public relations value to your business by making a good impression when you're purchasing goods and services, or entertaining clients.

What are the advantages of using a dedicated business credit card?

Using a dedicated business credit card allows you to control spending, streamline your operations, view your transactions efficiently and provide your business with fraud protection.

Business credit cards typically permit multiple users to have individual spending limits, giving you the ability to control your company's spending while still allowing your entire team to move forward with their business needs. Additionally, having your employees use their respective business credit cards eliminates the need for your company to reimburse them for expenses. This saves on paperwork, streamlines processes and gives you more precise control over your team's spending.

Most business credit cards come with enhanced reporting features, allowing your management team to watch expenses closely, categorize the transactions and make strategic decisions based on the complete spending patterns of your company — an excellent cash flow management tool.

Putting all of your expenses on a business credit card also offers you a certain level of protection against fraud. Like personal credit cards, the card issuer may be able to resolve problems with any products or services you've purchased with the card.

What are some of the pitfalls of using business credit cards?

Like any other credit card, interest builds if you let balances grow too high. In some cases, a 'penalty rate' is imposed for late payments, which can seriously impact your credit rating and be costly for your company, so pay off your balances regularly.

Although business credit cards allow for improved efficiencies, it is important that managers and owners continue to monitor their team's transactions, control their expenses and pay off their balances monthly. Additionally, if your company decides to allow for multiple users, there is potential for misuse. Setting strong boundaries, creating specific spending limits and monitoring transactions monthly will reduce the risk in this area.



Steven Borg, senior vice president,
corporate marketing director, California
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What should a small business owner do before applying for a business credit card?

Sit down with a business banker who understands your business and industry to help you choose the right product for your specific business needs. Review terms such as rate, grace period, any rewards programs, and perhaps most importantly, the type of information and functionality available in the monthly reporting. It's also important to find out how credit limits are set and how you can control your employees' use to minimize risk.

Above all, remember that while the use of a business credit card may very well be a smart business practice, it certainly does not replace astute management.

Steven Borg is senior vice president and corporate marketing director at California Bank & Trust.

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