

NJ Cannabis Insider

May 10, 2018



Q: What are the best practices for operating a leaf-touching business in the above-ground market?

A: Keeping proper and accurate records so you're aware of the revenue stream that's coming from the leaf-touching business and the ancillary services. There should be a clear distinction and allocation. I would even go so far as to put them in separate bank accounts if you have a bank that will allow you to bank cannabis-related revenue.

Q: How can a good bookkeeper or accountant streamline the operation and management of a cannabis business?

A: First and foremost, they've got to set up a proper chart of accounts. It's essentially a roadmap that an accountant or any financial professional would use to set up a general ledger and ultimately a financial statement. What they should also do is have policies and procedures in place that are communicated to employees through management so everybody is aware of the methodology in which they operate.

Q: Leaf-touching businesses are capital intensive and financing options are limited. What steps do business operators and investors need to take when it comes to financing a start-up?

A: Friends and family are always a good start, but there are a number of other entities and individuals looking to get into the cannabis space. But in order to do that, the individual operating the business should have clear financial goals, a business plan and some type of forecast and projections.

Q: Besides not touching the leaf, are there any strategies for mitigating the risk of an audit for a business in the cannabis sector, or is that just a way of life?

A: Unfortunately, I think it's such a new and uncharted area that we don't know. That's why it's so important to maintain a chart of accounts, to have the proper procedures in place so that if an audit does occur you're well prepared.

Q: How about for ancillary services?

A: It's just as important for the ancillary side to have proper procedures in place as it is for leaf-touching businesses. Auditors might look at macro sales to prove whether they're separate or if they really complement each other.

—Contributed by Justin Zaremba