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Financials for Small Business ©

By

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In almost 15 years as a consultant, it is rare to meet a business owner who truly understands their own Balance Sheet, Operating Statement (P&L), or other financial reports available to their business. And worse, they don't know what they should ask for, what they should monitor and subsequently what to do with the data and information.

The standard accounting processes small businesses rely on are inherently ineffectual because the reporting is not timely, often taking more than a month to have in hand. Any data (i.e. sales, margins, labor budget reports, plan vs. actual analysis, etc.), that is more than 72 hours old is not reliable for use in management decisions needed to response to a myriad of business activity.

Listed here are the primary essentials of business financial reports:

1. **Deviation Analysis:** Assuming there is a business plan in place, management must have ‘real-time’ reports on ‘deviation to plan’ on all plan line items. This report provides the imperative data required to react to any deviation.
2. **Cash Flow Analysis and Planning Report:** It is the pre-tax net profit dollars which are dedicated to the liability load on the Balance Sheet. No profit means the business will be borrowing money to make payments on borrowed money, i.e. Line of Credit, Mortgages, etc.

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