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## **Financial Management**

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When an entrepreneur starts a business, he is hopeful that his product or service will sell. For many entrepreneurs, they gauge their success by the cash available in their bank account. This may or may not be a good measure. The best measure is usually some comparison of actual business results compared to those budgeted through a cash flow projection or operating budget report. Very often these cash flow projections or budget reports are developed as part of the Business Plan for a new business venture.

The cash flow projection or budgeting process should be an ongoing process that does not end upon its original formation. It is the lifeblood of the cash management process and should be a “living and breathing” process that is constantly tweaked or adjusted to reflect the outcome of actual results in the sales and vendor transactions incurred. Regular monitoring of actual business results is something that most business owners develop what I call a “dashboard report” to assist in doing so. This report includes key indicators based upon the business model including sales volume, cash collections, accounts receivables, cash disbursements, accounts payable product cost and payroll costs.

The value of the budget report is comparing actual results to those anticipated in the business model and adjusting the model accordingly to reflect changes. These adjustments normally have a direct impact on cash flow and will determine the business’s viability in the future. The comparison of budgeted to actual results will also provide the business owner with valuable data in order to evaluate borrowing needs that the business may have to support long-term equipment purchases, short-term working capital needs or other long-term cash flow needs.

In utilizing one additional tool to measure financial results, business owners often review their monthly financial statements with a key focus on the Income Statement as a measure of financial profitability. I find the Statement of Cash Flows to actually be a great tool that links not only profitability reflected on the Income Statement, but also the utilization of assets and liabilities to achieve profitability that are found on the Balance Sheet. The Statement of Cash Flows helps the business owner to decipher the cumulative results of his operating activities and whether cash flow is actually being generated by profit, by additional debt proceeds or by investment on the part of owners.

A financial budget is the best road map an entrepreneur can use to make sure that his business is staying on track to become profitable and viable in the future! To begin your financial budget, please contact the experts at Zinner & Co. LLP.

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