

9 Benefits

Of Small Business Financial Reporting



SALT LAKE CITY
BOOKKEEPING

9 Benefits of Small Business Financial Reporting

#1 Real time analysis of your business

Financial Reporting is a crucial part of any business. Utilizing your Profit & Loss will allow you to monitor your revenue, costs of goods sold, and expenses for any given date range. Having an accurate Balance Sheet will let you know the status of your assets, liabilities, and equity. These are two of the most important reports for a sustainable business.

#2 Increase your Revenue

An increase in revenue is usually on top of each business owner's list when asked about upcoming goals. As you drill down on your profit, you want to have to support for knowing how your business arrived at the revenue associated with this amount. How many potential customers turned into actual customers? What measures were put in place to get them in front of you? What measures are put in place to keep putting potential customers in front of you that will result in relevant revenue? All of this is easily attainable if the proper bookkeeping system is put in place and the use of financials are utilized to the max.

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#3

Use Profit & Loss Comparisons

When closing out a month, it makes sense to do some month to month comparisons before the month is officially labeled close. Importing credit card transactions can lead to double entries if mishandled and they may go unnoticed if a prior month compare for your Profit & Loss isn't performed. Finding fluctuations in expenses month to month lead to research and research leads to a better grasp of your books, even if errors aren't obvious.

#4

Accurate Financials = Peace of Mind

If a business owner isn't focused or trained on the proper way to handle their financials then how do they know their books are accurate? Bookkeeping sometimes takes the back burner when a business gets busy. When these tasks get put on hold, then the business can greatly suffer from a lack of financial reporting.

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#5 Be Prepared for Increases in Demand and Inventory

Demand for a service or product may vary depending on the time of year. Some businesses can make all of their revenue for the entire year during a certain time of year such as Black Friday or the Christmas holiday season. Having an inventory ready for these seasons gives piece of mind. Knowing how much inventory to have and when can easily be pulled from financial reporting.

#6 Be prepared for Cash Flow fluctuations

A low bank balance does not necessarily mean the business isn't posting a profit. A business can be lowering their liabilities while still posting a profit. Paying off loans, lines of credits, credit card balances, and other liabilities can make a cash flow positive business operate as a cash flow negative business if large balances are being paid off. Cash Flow analysis can help ease this burden.

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#7 Forecast Using Verified Historical Data

Being able to look at your business's past and predicting the future might be easier than it sounds. Knowing that the historical data is 100% accurate, forecasting the upcoming month, quarter, or year can be done with a few clicks of a mouse. Patterns, budget changes, and growth are just a few of the variables that can be used in the calculation for your business's financial forecast.

#8 Utilize Financial Reports not your bank statement

Talking with business owners that base decisions solely on their bank statement is a scary thing. The mindset that the business is profitable if money is in the bank may be misleading and can end up ruining the business in the long run. It would be a sound business decision to develop a customized bookkeeping system tailored to your business.

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#9 Identify Financial Patterns and Create a Budget

It's very beneficial to know your monthly averages when it comes to expenses and revenue. It may be even more beneficial to know the highs and lows so you can plan and budget accordingly. Being prepared to increase or decrease expenses based on historical revenue trends can ensure your bottom line is preserved. Putting restrictions and controls on your expenses is a great way to get your budget set up. Once set up, seeing if your business is able to meet these goals is a different story. Comparing actual vs. budget is crucial to review each month or quarter. These timely comparisons will lead to stronger budgeting in the future.