

GOOD FINANCIAL INFORMATION....

A KEY TO BUSINESS SUCCESS

Over the years, our firm has seen too many businesses with good ideas fail because of their lack of attention to the financial reports. Today, financial reports are no longer just for big businesses; even the small sole proprietor needs to track the results of his efforts. Gone are the days when accounting was done only to file an income tax return. Now accounting and financial reports are a necessity for successful management largely due to the significant dollars involved in businesses today.

What can be gained by having timely financial reports for a business? A basic set of financial statements can answer questions such as, is the cost of inventory too high or too low compared to sales, are receivables out of line with sales, are salaries in a satisfactory proportion to sales, are profits sufficient to make reinvestments in the business, and are profits sufficient to pay the owners. With additional analysis, the following information can be generated: cash flows, trends, comparisons with similar industries and, of significant importance, and the status of income tax liabilities.

Financial reports kept timely have an important external use. Banks today seldom process loan applications without a history of the business which is both up to date and representing several prior years. A loan application program looks all the better if current financial information is available at the time of application.

There is no excuse today for bad management because of inaccurate or no financial information. The cost to have good financial reports is small compared to the return they give in aiding management decisions. Using computers to prepare financial reports further decreases the cost by saving time and increasing the degree of detail. Current computer programs can generate a wealth of reports to help in decision-making.

The most successful businesses we have seen are those whose management carefully reviews all financial data. We strongly believe a key to making money is to watch your numbers.