

How to Use Financial Reports for Growth Planning

Financial reports provide the information needed to determine growth goals by looking at where have you been or you are now, you can determine your future path.

There are four types of reports which I will cover today.

Number One: Cash Flow Planning - Review your cash flow. Creating cash flow forecasts will help you identify where you have cash shortages or cash excess in the future. Once you know your liabilities are covered, any excess cash can be put back into the business for capital requirements needed to expand current, new products, or services.

Number Two: Sales Forecasts - Sales forecast should be projected out for three to five years and provide sales by month, quarter, and year. The details should include prices, unit sales, and unit costs. These reports allow you to determine where you may need to cut costs or increase prices. They may also show products or services with low sales and might need to be eliminated to make room for new offerings.

Number Three: Break Even Analysis - Break even analysis showed how much you need to sell to cover your expenses, create profits using the data collected to determine which prices are too low based on the cost and the marketplace. You also understand which costs are too high, necessitating a price increase or perhaps a shift in product offering. Another benefit of a detailed break-even analysis is showcasing which products or services have a low-cost basis that could be candidates for price increases.

Number Four: Ratio Comparisons - Financial analysis includes generating a set of ratios comparing those ratios over time, to determine areas that are working well or where improvements that may be needed. Your benchmark ratios should be chosen based on your industry and specific business needs. Ratios are quick indicators of the health of your business. They're an easy way to measure your company against your peers and industry standards.

Accurate financial reports are critical to making informed decisions by identifying trends and patterns, you can make adjustments in real time. Work with an experienced advisor who understands your industry and business needs. Thank you.

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