

# Mastery

## Monthly Financial Statements Review

Reviewing your business financial statements should not be an activity you undertake just before you file your taxes. You cannot become a successful business owner with your head in the sand for the rest of the year.

Knowledge and information gives you power and control. Get in the habit of reviewing your financial statements on a monthly basis, and you'll be in a good place to make significant decisions about your business.

### ASK YOUR BOOKKEEPER...

### TO PREPARE THE FOLLOWING MONTHLY STATEMENTS:

- A profit and loss statement by month (ask for revenue to be separated by offering, eg, coaching packages, workshops).
- A listing of all the profit and loss transactions in the last month.
- A balance sheet for the current and prior month.
- A statement of your drawings / distributions / salary for the month and year to date, ie, your total compensation.
- A statement of why your cash position has changed over the month (eg, it has increased by \$xk due to \$xk of profits, less \$xk of drawings)
- An aged receivables report.
- An actual profit versus budgeted profit variance report.\*
- An updated budget for the rest of the year, including new expectations for your revenue and expenses, as well as updates incorporating the closing balance sheet for the month just gone, and estimated taxes on the year to date profits.

\* This assumes you prepared a budget by month for the current financial year.

## HOW TO REVIEW YOUR MONTHLY FINANCIAL STATEMENTS

### CHECK THE REPORTS LOOK REASONABLE

- Review the listing of the profit and loss transactions to make sure they're coded correctly and ask your bookkeeper to adjust as necessary.
- Double check the month end bank balances on the Balance Sheet report agree to your bank statements. (This would include Paypal, Wise and any merchant accounts such as Stripe.)
- Double check the credit card balances on the Balance Sheet report agree to your credit card statements. (Unfortunately most statements are not dated at the end of the month, so you may need to use an approximation.)
- Double check any loan balances on the Balance Sheet to make sure the balances are reasonable compared to what you're expecting.
- Ask your bookkeeper to explain any other items on your Balance Sheet.
- Review the aged receivables report and make sure you agree that the customer invoices listed are indeed unpaid. If you're unsure, double check with your bookkeeper. Chase up any invoices that are overdue for payment or write off any invoices that will never be paid.

### ANALYZE YOUR PROFIT

#### REVENUE

- Revenue for the month was \_\_\_\_\_, which is up/down from \_\_\_\_\_ last month.
- It is higher/lower than the average for the year to date of \_\_\_\_\_ per month.
- Year to date revenue is \_\_\_\_\_.
- Extrapolating this for the full year, gives estimated full year revenue of \_\_\_\_\_.

# Coaching *Evolved*

How does this compare to what I was expecting?

How is revenue trending on a monthly basis?

What actions need to be taken (if any)?

## EXPENSES

- Expenses for the month were \_\_\_\_\_, which is up/down from \_\_\_\_\_ last month.
- It is higher/lower than the average for the year to date of \_\_\_\_\_ per month.
- Year to date expenses are \_\_\_\_\_.

How does this compare to what I was expecting?

How is expenses trending on a monthly basis?

What actions need to be taken (if any)?

## NET PROFIT

- Net profit for the month was \_\_\_\_\_, which is up/down from \_\_\_\_\_ last month.
- It is higher/lower than the average for the year to date of \_\_\_\_\_ per month.
- Year to date revenue is \_\_\_\_\_.

How does this compare to what I was expecting?

How is net profit trending on a monthly basis?

What actions need to be taken (if any)?

## CHECK IN WITH YOUR CASH POSITION

Review the information received from your bookkeeper detailing why your cash position has changed over the month.

How does this compare to what I was expecting?

What actions need to be taken (if any)?

## SET ASIDE FOR YOUR TAXES EACH MONTH

- Estimated taxes on the year to date net profit at \_\_\_ % are \_\_\_\_\_.
- I have paid \_\_\_\_\_ taxes on account already this year.
- I need to set aside \_\_\_\_\_ being the balance of my tax estimate for the year to date.

Make this transfer to a savings account now.

\* Use 30% as a ballpark estimate if you're unsure.

## CAN YOUR BUSINESS SUPPORT YOUR DRAWINGS?

- My drawings year to date are \_\_\_\_\_.
- This is \_\_\_\_\_ % of the net profit for the year to date.
- Net profit for the year to date minus my estimate of taxes leaves \_\_\_\_\_ for drawings or leaving in the business for future investments.
- Am I drawing more than the business can afford? \_\_\_\_\_

What actions need to be taken (if any)?

## COMPARE ACTUAL PROFIT TO BUDGET

- The actual profit for the month of \_\_\_\_\_ was \_\_\_\_\_ better/ worse than the budgeted profit of \_\_\_\_\_.
- This is mainly due to:

*There is no need to monitor all variances - just consider the 5-10 largest variances.*

## **GOOD VARIANCES**

List them and explain why they've occurred.

## **BAD VARIANCES**

List them and explain why they've occurred.

## **COMMENTS**

What can I do about these variances? How can I repeat good variances and eliminate bad variances?

## REVIEW YOUR UPDATED BUDGET + ROLLING CASH FLOWS

- The forecast cash position at 31 December is now \_\_\_\_\_.
- This is \_\_\_\_\_ more/less than the opening cash position at 1 January.
- Why is that? Am I OK with that?  
\_\_\_\_\_
- Are forecast monthly profits sufficient to allow me to take adequate drawings, pay taxes and pay off any debt? \_\_\_\_\_

If not, how can I increase revenue or decrease expenses, or decrease other cash flows (eg, repay less credit card debt)?

Are there any months where my forecast cash position is negative? If so, how will I bridge that gap?

## ACTION STEPS

**Summarize the action steps needed to keep your business finances on track.**

Diarize a check in to monitor progress in one week:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_