



Make Friends With Your Financials - 10 Ways To Think About Numbers

By [Gail Zelitzky](#)

Successful business owners understand that the numbers that drive their business are crucial to maintaining control of cash flow. If you do not understand them, ask your accountant for help. Too often, business owners enter records into a computerized accounting program during the year but don't review them until they receive their annual tax return. Every quarter, or better yet, monthly, print out your Profit & Loss statement and your Balance Sheet. Ask yourself these 10 questions. The answers will help you analyze the performance of your business.

1. How Profitable is your Company? Look at your Balance Sheet and find the Retained Earnings number. This cumulative figure records all the income and losses incurred since the business was started. It is adjusted annually.
2. What is your Gross Profit in \$\$'s and in percentage? Watch this number closely. Even small variations month to month make the difference in profit or loss for the month.
3. Do you understand Gross Profit and Mark-up are not the same? If you mark your services or goods up 50% your gross profit will only be 33 1/3%. Don't count dollars of profit that are not there.
4. Do you have Inventory? Comparing your gross profit month to month will alert you to unusual variances in your net Inventory.
5. What are your Net Expenses? Are they consistent month to month? By recording your expenses on a spreadsheet you will be able to spot variations that lead to problems.
6. What areas need improvement? Reviewing numbers monthly permits you to make adjustments in any area of your business that is not performing to your expectation. Inspect what you expect.
7. How do your everyday activities affect your bottom line? Do you budget for your marketing activities? Are you aware of how much you spend for networking events, client luncheons, membership dues, trade show attendance, conferences, etc? Are the expenses for these items over or under budget? One line item can make the difference between profitability and loss.
8. Do you analyze your income line items? What makes up this figure? Did you record all earnings for the month?

9. Does the Cash in Bank figure on your Balance Sheet accurately reflect your bank statement? The ending balance on your bank statement equals Cash in Bank on your Balance Sheet. Do you record all interest paid, bank fees, merchant charges?

10. What are the key numbers that drive your business?

Every industry has different benchmarks. Identify which numbers are important to the profitability of your business. Monitor them for an ongoing snapshot of how you are doing. Be sure the measurements you monitor are aligned to your company's strategic business goals as well as individual performance goals.

Gail P. Zelizky is the founder and principal of Silver-Robins Consulting, a business performance coaching firm offering both individual and group coaching. Silver-Robins Consulting helps businesses grow by developing and implementing new sales, marketing and business strategies. The end result is greater revenue and profitability. Gail has 30 years of entrepreneurial experience that offers practical, no-nonsense solutions to the challenges faced by small business owners.

In addition to individual and group coaching, business owners can participate in a Business Performance Roundtable, a peer advisory group format facilitated by Silver-Robins consultants, where participants set realistic goals, focus on priorities and gain objective feedback on the business challenges they face. Only one client per industry may participate.

Silver-Robins Consulting also creates custom-tailored seminars to meet training objectives on sales & marketing, customer service, leadership and management.

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