

How to Use Financial Reports for Growth Planning

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

There are 4 types of reports you can use which I will cover today.

1. **Cash Flow Planning**

Reviewing your cash flow and creating cash flow forecasts will help you identify where you may have cash shortages or cash excess in the future. Once you know your liabilities are covered, any cash excess can be put back into the business for capital requirements needed to expand current or new products or services.

2. **Sales Forecasts**

Sales forecasts should be projected out for three to five years and provide sales by month, quarter, and year. The detail 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 that might be eliminated to make room for a new offering.

3. **Break-Even Analysis**

A break-even analysis shows how much you need to sell to cover your expenses and create profits. Using the data collected, you can determine which prices are too low based on your costs and the marketplace. You will also understand which costs are too high, necessitating a price increase or perhaps 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 increased sales goals.

4. **Ratio Comparisons**

Financial analysis includes generating a set of ratios and comparing those ratios over time to determine areas that are working well or where improvements 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 are an easy way to measure your company against your peers and industry standards.

Accurate financial reports are critical for you to make 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.

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