

How ye' doing?

Knowing how your business is performing, as well as foreseeing what the near future looks like; are two key questions every entrepreneur wants to get answer for. In our years of experience helping businesses manage their finances, we've come to a conclusion that answering those two questions are enough for a business to sail in its market wisely.

To answer first question, which is to understand how the business is performing, the owner needs to pay attention to the first part of the financial department: "ACCOUNTING". Many founders overlook the importance of capturing data timely, and make sure that records have been processed correctly into their accounting system -assuming the business has invested in accounting system which may start as low as \$100 per year. Assigning this task to experts is important, at least in the beginning then hiring fresh graduates who follow the discipline and structure implemented by experts is way successful than the other way around. No matter how small or big your business knowing your financial performance is the only way you will be able to navigate.

The second question, foreseeing the future, is depending on solid financial information, to build a forecast; a simple and easy processed budget will help you understand the impact of every change in your business, i.e. increase in prices, or costs, new hires, and economic changes, i.e. currency fluctuations as witnessed recently. You can't control macroeconomic implications, however the impact on your business needs to be measured beforehand, and deciding whether reflecting that to the market is possible or not in light of market dynamics and your bargaining power.

By plotting the two facts in front of you frequently (monthly, quarterly,..); 1) how you performed in the past, and 2) how you will perform or plan to perform in the near future, then you have enough knowledge and tools in hand to move forward or may be to divest one of your products, territories, or business unit, and / or invest in another. And those two facts are simply history and future, in other words Accounting & Finance.

So.. if you decide to have reliable accounting and finance functions, then get the following tasks done properly:

Controlling

- Basic daily transactions and daily reports that cover all revenues / expenses / bank and cash balances, credit card payments
- Reconcile bank statement on a monthly basis with accurate records on the system, and make sure that every record is allocated to the right account in the chart of accounts, with all dimensions (cost center, profit center, business unit, products / or service items)

- Get a monthly financial report summarizing Revenue, costs, expenses, balances due from clients, as well as liabilities to vendors, and keep an eye on tax compliance, some fines apply on delayed tax filings.
- Get a review by an expert, a friend, business partner, or even part time professional to confirm that numbers are allocated and recorded right.

Planning

- Forecast your sales in 12 months window, with laser focus on the first six months.
- Forecast cost of sales for same period
- Measure risks, calculate currency expectations and the impact on financials, new tax law enforcement, and alike.
- Implement the plan and keep track of actual progress against plan.

To look ahead you need to understand where you stand! and that's possible by looking deeper into your data. Creating a customer funded business is much more attractive to investors, or financing institutions.