

Let's Talk Finance

The Basics of Financial Management for Businesses "Business Language"

As entrepreneur, business owner or manager, understanding the business language is essential to maximize opportunities of success for your business. Financial management involves making decisions about how to allocate resources, manage risk, and achieve your business goals, and above all how to read, and interpret your performance. One of the most important aspects of financial management is understanding financial statements. Financial statements provide information on your business's financial health and performance, and can help you make informed decisions about where to invest your resources.

For example, the income statement shows business's revenue and expenses over a specific period, such as a month or a year and it should be accurate measure of profitability. This can help you understand how profitable your business is and where you might need to cut costs. The balance sheet shows your business's assets, liabilities, and equity at a specific point of time, which can help you understand your business's financial position. Finally, the cash flow statement shows how much cash your business has generated and spent over a specific period, and how much is generated from operations, or used in investment or financing repayment.

In addition, you should have a budgeting process in place to help you plan and track revenue and expenses. By creating a budget, you can identify areas where you can save money, and ensure that you have enough cash flow to cover your expenses. By focusing on the basics of financial management, you can build a strong foundation for your business's financial success, and above all you will be informed when taking decisions.