

# BUSINESS MADE EASY<sup>!</sup>

A man with short, light-colored hair, wearing a blue and white checkered button-down shirt, is smiling broadly. He is sitting in shallow, clear water, with his arms resting on the edge. The background is a bright, slightly overexposed outdoor setting.

**Episode 16**

## Importance of Preparing Regular Financial Statements

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Full Episode Transcription

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G'day, g'day and welcome to another episode of the 'Business Made Easy' podcast, where we make business easy. I can't believe another week has gone by, they are ripping by. We are not far off Christmas and it's really coming around fast, and now I'm running out of days. I hope you're well, whatever you're doing in business and getting ready for the festive season. It's always a great time of year, family and friends getting together and finishing the year up and looking back and seeing how we've gone.

So we're going to be doing some episodes coming up, around planning for the New Year and setting ourselves up for the New Year, the best way we can. But we're in our third month now of the podcast and I just want to thank everybody for their great feedback. The amount of downloads have really, certainly surpassed where I thought they would be at this early stage of the show.

So thank you, so, so much for your support and tuning in each week and giving me, providing me with your feedback as well, has been really, really important. I've had some great feedback, some constructive feedback of things that people would rather see would like to see or hear. Well not see but hear in the show and things that we can add to make it even better, as well. I really, really thank you for that feedback. It is appreciated and I thank you for listening each week and taking the time to listen, as well.

Don't forget, if you're not already in the 'Business Made Easy' Facebook group, jump over there and feel free to join up. It's a great group, it's a free group. It costs nothing to be in, there's no sales or anything in there. It's really just some great business-minded people over there, sharing ideas, sharing

their passions and swapping ideas around and solving problems, and having questions answered etcetera.

I'm in there every day, looking at the various questions and adding value where I can. If you want to do that, you can go over to, up on the top search bar of Facebook. If you type in 'Business Made Easy' podcast group, it will come up there. You just click 'join the group' and I'll get your invitation and either Leah or myself will, we'll put you in there and love to hear what you're doing in business. Do that, if you haven't already and you think it'll be of interest to you.

Before I get into today's show, which is a question from one of our listeners who called in. I just want to share with you a case study or an actual live case study. I think case studies are a great way to learn. I'm constantly out there in the world, looking at various businesses and studying what they do well and what they don't do so well.

I want to share with you today a life story that I actually experienced just recently when I got a flat tyre on my car, which I couldn't believe, on my way to work. But I had to get this tyre fixed and I walked into the, and I'm sharing, just a bit of a disclaimer here, I'm sharing this story with you, not to whinge. I don't want you to think that I'm complaining, or whingeing about this situation. I'm sharing it with you to be conscious, to make us all conscious of why some businesses do really well and why some businesses don't.

And this particular business is a tyre business and I went in, admittedly I had no appointment or anything like that, but it was quite early in the morning. I

parked my car, walked into the reception area there and I was greeted by a counter, a shop counter. And behind the counter was one guy, working on the computer. And he was intently working on the computer and his colleague beside him was talking with him.

And I walked up, as any customer, new customer to a business would. And I waited to get some sort of eye contact before I said hello. And, they could see me, one of the the guy who wasn't on the computer. He looked at me and sort of grunted, like "ugh". It wasn't a hello, it was just a bit of a grunt. And the other guy just kept busily working away on his computer and they were having a discussion between each other.

I kid you not, I waited three minutes, before one of those guys, put their head up, looked at me and said, "Yeah?" And I went, "Yeah, hi, I've got a puncture and I was wondering if you could fix it?" And he busies himself on the computer again, and he says, "The earliest I could do is ten thirty. What's your name?" And I went, "Right, so." And I think it was like about eight o'clock or eight thirty or something, at this point in time. Anyway, I went, "It's Jason." And he goes, "Righto." So I said, "Do I just wait till ten thirty or what's the situation?" And he says, "Yeah, you just gotta wait. See you at ten thirty."

I don't know about you, but that's rubbish service. That's absolutely rubbish and I was gobsmacked that, in this day and age when, and I see businesses all the time fighting for sales or fighting to make more money. Now I don't know if that guy behind the counter was employed, I don't know if he was the

owner. I certainly hope it wasn't the owner, because he's really not going to be in business for very long.

But, more importantly, for the owner, I really felt for him because he's paying that guy to serve his customers every day and that's how they're being greeted and attended to. I just went, "Wow, he's just like missed the mark." Long story short, I jumped into the car and there's another tyre place just up the, a little bit further up the road. A competitor and I went in there and a guy, friendly, walked up to the counter. As soon as I walked into the thing, greeted me nicely, said, "G'day mate, how you going?" and, "How can I help you??" And for listeners in America, that's how Australians greet.

But totally different experience. Told him what was wrong, he came out with me, "Let's have a look at it." And he got down on his knees and he's looked at the tyre and he said, "Yeah, no worries." The tyre was fixed within a matter of minutes. I didn't have to wait, he was friendly, my problem was solved and guess what? Now, I'm an advocate of that tyre place as opposed to the other one that I've always gone to and they will now get my business, next time I need new tyres. And I'm going to be telling a lot more people about that as well, and that's what we need to remember.

It's one person having a bad experience, they tell the world and also too if we're employing people, we have a responsibility to make sure that those people are actually doing the things that we expect and the image that we want for our business. But I really thought that was an interesting point today, to talk about as an opener to the show. Because I see these case studies all the time and I'm sure you do too. And you think, "You know, wow if

I was doing that in my business, I wouldn't have a business." Or, "No wonder businesses are struggling out there when they're doing that sort of thing." And business is a competitive place, these days. You can't afford to be burning customers or potential customers. I might've only just been there for a puncture today but next week I might be in there for four new tyres and four new tyres for my wife's car and ongoing.

So keep that in mind, if you've got staff and they're out on the front line, just check in and make sure that they are greeting your customers, the way you want them to be greeted. If you are employing staff to do that role, make sure you have a really clear induction process to, before you just let them loose out the front. And then, as I say, keep monitoring, checking in. Customer surveys to see that they're happy, are a great thing too because they can give you good information about what's actually going on in your business and you really need to be having that.

That was my experience and I thought I'd share it with you before we get into Vanessa's question. Now Vanessa is one of our listeners and she's had a question regarding her financial statements. She's just bought a business and I'm going to play her question for you now.

**Vanessa:**

Hi Jason, my name is Vanessa and I own my own business in the beauty industry. My question for you is, how often should I be looking at my numbers? I know that I need financial statements from my accountant

annually but should I be doing more? How often should I look at these numbers? Thank you so much, Jason. I love your podcast, by the way.

**Jason:**

There you have it. Thanks so much for your question, Vanessa. It's an excellent question and one that I come across, all the time, in terms of people actually not taking a great deal of notice with their financial statements. So before we get into that, I just wanted to give you a background of what most business owners do. I know not all business owners do this. I did a bit of a survey in the group and I do know that a lot of the people in the group are actually looking at their financial statements on a regular basis.

But what I have seen in practice also, is a lot of business owners wait until they do their end of year tax compliance, to prepare their financial statements. And to your question Vanessa, on how often you should be doing that. It certainly should be more than once a year when you actually get your annual tax compliance done.

And the reason is very, very simple. If you look at what happens in a fiscal year, a financial year, that year goes along and you're trading and you're seeing customers and you're buying and selling and the year's progressing along. And then that, someone sets a magical date, whether at the end of December or end of June, or whatever the financial fiscal year ends and says, "Right, you now have to go and see your accountant and you have to get your books all done and you have to have your taxes lodged."

And that could take another six months. So, before that's done, so you could be dealing with information that's up to 18 months old. Sometimes longer. And the problem is, is that 18 months has passed and if there was a problem, it's been there for 18 months longer than it probably needed to be there for. So typically what happens, is most businesses just wait for their accountant to do their figures and that was it.

So, I'm going to answer your question there Vanessa, on a deeper level and give you some information that hopefully helps you. I'll start with a story, again, I like stories, they just illustrate so much and I had a client who was a physical business and he had, they had staff. And at a point there, he came to me and said, "Look, I don't seem to be making the money that I should be for all the effort. The customers are coming in, the sales seem to be happening but I'm not making, the money is not in the bank, at the end of the day. And I'm buying stock and everything seems to be flowing along but I'm not seeing the money drop into the bank account.

Now I sat him down and asked him some questions and around why he thought he was making that money, more than he actually is and we chatted around different changes that he's had in his business and where things, basically where his gut. Cause as business owners, we do have a gut feel of why things, how things are going. Where they should be and if they're not and when I, I asked him when he last looked at his financial statements. He said, "Oh when you did my tax last year." "Oh, okay, well that's some time ago, have you. What changes have happened in that time?"



And it turned out he'd put on a new staff member since I'd done his financial statements. And which was, the time had moved on and what actually transpired was that, once we actually sat down and I said, "Well look, we really need to get a fresh set of numbers and see what's going on here." And this is where the power of properly prepared financial statements comes in.

What actually happened was, that when I looked at the numbers and analysed the numbers from the financial statements, two things happened. One, we found that the new staff member was helping himself to stock out of the business. And more importantly, he was giving, selling stock to his friends at discounted rates. Because the numbers, so the sales were there but the ratios were all out and so my client's buying stock. The stock's going missing, stock's being sold at a discount. We've got an issue.

Now, the problem for my client was that if he had of been doing more regular financial statements at the start, on a regular basis, then he would've picked that up a lot sooner and saved himself a lot, a lot of money. Because as it was, obviously that staff member no longer works there now but to quantify the dollar value of what he's actually lost, by not having properly prepared financial statements really, really highlights the problem.

So, Vanessa, I hope that helps answer the importance of having properly prepared financial statements and how vital it is to the information that's going on in your business. I would absolutely encourage you to certainly be doing it more regularly than annual and I'll go through now, the way I see financial statements and really the importance of them.

The preparation of financial statements ideally I like to see done monthly. At the very longest, quarterly. If you do it monthly, you can, and you learn to read them. Then you can take corrective action in a more timely fashion if any needs to be made. Quarterly, is still a short enough time period that it's not going to sink the ship if something has been going wrong or something's not looking right. The more regular, the better. I wouldn't go to weekly, I think that's overkill but certainly, monthly, you would really want to make sure that you're doing them at least quarterly, if not monthly.

Don't wait to just go to the accountant, to have them done. The importance, as I said, it gives you the time to make, it's timely, it's an amount of time that you can make corrective action if it needs to be taken. In addition to that, it allows you to make strategic decisions in your business more consistently and again, timely. Because the financial statements when read properly and analysed properly, with the proper, and we're going to do an episode on, I'm actually going to do a tutorial as well, on how to read financial statements. And how to get the best out of them, because a lot of people go, "Ugh I gotta go to the accountant again and ugh, they just do my tax and they just prepare these numbers. And I never look at them, I don't understand them so I just put them in the cupboard and forget about them."

The thing is, that's the worst thing you could do. The best thing you could do is learn how to read them and if your accountant is not showing you how to read them, find someone that is prepared to show you how to read them. Because you do need to understand them. More importantly too, not just understand them, like read, "Oh, this is the sales, this is the profit and loss, this is the expenses, this is what I spent on telephone." But actually really

learn how to deeply analyse them, there are certain formulas that if you apply them to your financial statements, they're called ratios, or key performance indicators, can really tell you a lot about what's going on in your business.

And it's like plugging this, you know when you go to the mechanic and they plug the computer into the car and it tells them exactly what's going on with the engine and how much they need to adjust the spark. I don't know if they still have spark plugs but how they need to tune the engine, so that's exactly what analysing your financial statements is like, on your business. It's like plugging in the computer to say, "Hey, this is what I'm doing."

And without sounding like a really dorky accountant, it, they're fun, they're cool. You can really get some great information out of there and go, "Wow, I made that decision on the business and this is the effect that it's had." So, I can help you with that, if you need help, you can drop me an email at [jason@businessmadeeasy podcast.com](mailto:jason@businessmadeeasy podcast.com) and I'm more than happy to talk to you about how ways we can help you to understand your financial statements better.

You really being in business and Vanessa for you, I can't stress enough the importance that they're going to help you to make those strategic decisions. Now, you don't have to have them prepared by a professional bookkeeper. That's the other thing, you don't have to have them prepared by your accountant. There are plenty of tools out there now that really make it easy to do your financial statements and I would like you to have them prepared properly and thoroughly. Ideally, it would be with a bookkeeper but I

understand, for some of you starting up in business and you might be bootstrapping a bit. Then it's not necessarily cost-effective to be able to do that just yet.

But if you use a program, there's a lot of online accounting software now. Where the bank, whoever you're banking with will feed the transactions into the software every day. So whatever's happened in your business bank account, overnight will feed into the accounting software and we can set a lot of rules up in that software. The one I particularly like is Xero and if you go to my affiliate link, which is [www.businessmadeeasy podcast.com/xero](http://www.businessmadeeasy podcast.com/xero) that's X-E-R-O. And that link will be in the show notes as well. That is an affiliate link and I do get paid a small commission for it but it's no cost to you and it is software that I use in my practice with my clients, every day of the week. And I just know, it's robust, it's cost-effective. It's really, really user-friendly and easy to use. And I'm not telling you about that, to sell that to you, I'm just telling you if you're looking for a tool to make it easy for yourself to do this and implement what I'm talking about. Then that is one that is really, really, really good.

What I like about Xero too, is that you can have plug-in programs that will help you analyse the results that are coming out of the accounting program as well, so that's pretty cool as well. But if you can afford a bookkeeper, certainly get a bookkeeper. Because that will help you leverage your time, remember we don't want to clog our day up with lower end activities or stuff that we really shouldn't be spending our time on. It mightn't even be interesting to you to do bookkeeping, so you might actually be better off to

outsource that and focus on what the important things in your business, that you should be doing.

But certainly, Vanessa, if you haven't already, I would absolutely make sure that you have some form of accounting software. That is keeping track of all of the ins and outs of your business and then you can keep track of, on a regular basis of what's going on there. Plus it helps you keep your accounting fees under control. Because if you just take a shoebox of stuff into your accountant, he's going to charge you to sit there and sort all of that out. So you're better off to have it all nicely, cleanly ready for them.

But more importantly, it's giving you the information that you need in your business to make decisions. It can help you with all sorts of decisions, I mean if you make a decision that you're going to start a social media campaign. You're spending money on social media, is that working? Is that actually showing, is that we might have transactions, we might have increased transactions but are we actually making more money as a result of that new social media campaign?

I've seen a lot of businesses actually spend a lot of money on making sales, but they're not actually making the same money when on those increased sales because they're spending it on actual advertising. So, it tells you a world of information and I can't stress enough the importance of actually having that in your business if you haven't already.

So, there you go. I would use Xero or an online accounting package of some sort. Don't go for a desktop version, if you can avoid it. There are still desktop

versions out there that just sit on your computer. The problem with the desktop versions of software to prepare these financial statements is that you've got to keep backing it up and sending it into your accountant or to your bookkeeper. And it's not very transportable, whereas, with the cloud-based, it's backed up in the cloud and also you can give access to your bookkeeper. You can all work on the same file in the cloud and it's a lot more user-friendly. So I'd really encourage you to stick with a cloud-based one if you're going to go and do that.

But I'll have the links in the show notes there if you want information about Xero and the one I particularly use. I'm also going to put together some tutorials around setting up Xero and how to use Xero and if you think that would be of help for you, by all means, just let me know because what I prioritise getting out there first, will be what I get the most noise about. So if you email me at [jason@businessmadeeasy podcast.com](mailto:jason@businessmadeeasy podcast.com) and I'll make sure that I prioritise getting some tutorials out there for you. So if you'd like more information on something, just email me that and I'll be sure to put the content up there to help you.

Because that's what I'm here for, is to help you have a better business. So, we've covered it there, as I say, Vanessa, to answer your question. Financial statements, yes very important. They should be done preferably monthly, at the very minimum, quarterly. They should be looked at and you should learn how to read and understand them clearly. Because they will tell you an enormous amount about your business. And, as I said, I'm happy to help

anybody who is stuck with understanding their financial statements. Let me know, again via email and I can help you with that.

But that's all I wanted to cover with you today, I hope that's been of value to you. Thank you for listening, it's not an exciting topic, financial statements. A lot of people look at, you mention numbers to them and they say, "Ugh yeah, I've gotta do my accounts, I gotta do my numbers," but a lot of that negativity around them actually is from not understanding them. So whatever we don't understand, we tend to not want to put energy into and I encourage you to learn how to read them if you aren't reading them thoroughly and analyzing them thoroughly in your business. That we get you doing that, because you'll, it'll open your eyes to a world of new information about your business that you didn't know existed.

Rather than just relying on gut feel and if you also look at my client, he had a gut feeling that he wasn't making the money that he should have been, given the sales. And he was right but he was right for 18 months, not knowing the problem that was actually causing what he was right about. So, a world of pain and it could have been avoided by regular financial statements.

So I hope that answers your question Vanessa, thank you it was a great question. And if you've got a question that you want to be answered in your business, then head over to the [www.businessmadeeasy podcast.com](http://www.businessmadeeasy podcast.com) website and there is a red, if you scroll down on the home page, there is a red record button there. You can record that question on there and you'll have your question answered just like Vanessa has and Sam, a few weeks back as well. And if you have your question answered on the show, I will be sending you

out a 'Business Made Easy too easy' t-shirt. Which Vanessa, there is one coming to you in the mail. And Sam, you should have yours now, as well.

Go over to the website [www.businessmadeeasypodcast.com](http://www.businessmadeeasypodcast.com), push the red record button and ask your question. I'll get it sent straight to my inbox and I'll analyse it for you and get it answered on the show. And if you are on an iPhone, I believe the new version of the iOS program you'll be able to record that question straight using your Safari browser. So if you look up the [www.businessmadeeasypodcast.com](http://www.businessmadeeasypodcast.com) website in your Safari browser, and hit the record button there, you'll be able to record. You don't need an app or anything like that, it will just record straight into the recorder, audio recorder and I will get it sent directly to me.

Well, that's all I had time for today, remember if you haven't subscribed to the podcast yet and you are enjoying the podcast, by all means, do that on iTunes or Stitcher. Thank you so much again for listening, I hope you have a successful week and next week we've got an interview coming up. And I won't tell you who it is, just yet but it'll be a great episode and I look forward to catching you then.



# Thank you for Tuning In

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We hope you enjoyed this episode.

If you have any feedback or questions about the content in this episode please don't hesitate to drop me a line at [jason@businessmadeeasypodcast.com](mailto:jason@businessmadeeasypodcast.com) I would love to hear from you.

Other things that you might like to help grow your business.

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Thank you again,  
I appreciate you!

*Regards  
Jason*