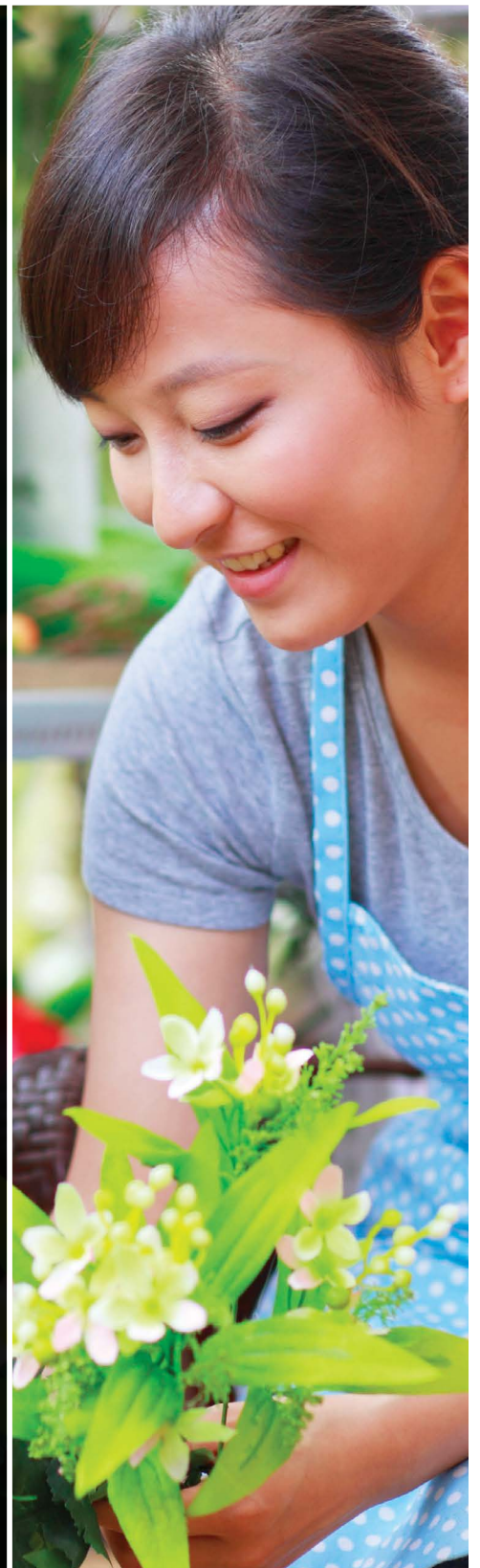


# SMALL BUSINESS QUARTERLY PULSE CHECK



To make your business #CPAPOWERED,  
call today and let's get started.



Sound planning is one of the most critical factors to the success of your business. Before you started your business, you likely put together a plan for your start-up expenses and projected monthly revenues and expenses. Now that your business is up and running, your plan will need to be adjusted regularly to match your actual performance.

If you're like most small business owners, time is your most scarce resource. Conducting a monthly or quarterly financial health checkup with your local certified public accountant (CPA) can provide a substantial return on your financial planning time because it allows you to leverage the expert training and experience of a CPA who advises many small business owners.

By reviewing the following aspects of your business, your CPA can help you identify and correct problem areas before they become crises.

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Here are some of the things you need to think about when you conduct a periodic checkup on your business:

## **KEY PERFORMANCE INDICATORS (KPIs)**

KPIs vary for each type of business. Your CPA can help you develop KPIs most relevant to your business, formulate them into a dashboard and review them with you on a regular basis. Most CPAs can also provide you with comparative data based on their extensive experience with other businesses as well as other industry sources.

## **STRATEGY AND PLANNING**

Small owners don't have the luxury of a strategic planning department, and daily operations consume most of your time. Your CPA can serve as your strategy adviser and help you boil your strategy down into measurable goals and review your progress on a regular basis.

## **SALES FORECASTING**

In the beginning, your sales forecast was based on market research, your sales and marketing plan and your best estimates based on experience in your industry. Even the best start-up sales forecasts need to be reworked in light of new information you've learned from actual operating performance. Because your CPA advises many small businesses, he has extensive experience with sales forecasts and can perform a periodic checkup to see whether your sales forecast is realistic in light of your specific circumstances.

## **GROSS PROFIT MARGIN**

Amid frequently changing costs and pressure to make sales, many small business owners find it challenging to keep up with whether they're maintaining adequate profit margins to sustain their business. Your CPA can help you calculate and track gross margins by product or service, by customer (or customer group) or by job. Most importantly, your CPA can help you identify causes of margin erosion and recommend changes you can make to get your margins back on track.

## **CASH FLOW FORECASTING**

Cash flow management makes the difference between success and failure for most businesses. Your CPA can provide you with the kind of professional cash flow forecasts an in-house finance department would provide to management in a larger business. Your CPA can help you answer the questions: What will our cash balance look like during our slow season? Will we need to borrow to cover shortfalls? Do we have a large enough line of credit?

## **ACCOUNTS RECEIVABLE (A/R)**

Accounts receivable can be difficult to forecast until you have enough history to identify trends. In many cases your CPA has access to trend and benchmark data for other businesses similar to yours and can help you forecast seasonal fluctuations and compare your A/R performance to industry benchmarks. Your CPA can also help you identify needed adjustments to your credit and collection policies.

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## **ACCOUNTS PAYABLE (A/P)**

Sometimes an accounts payable problem arises suddenly. But more often problems develop over time and can be corrected before they become crises. Your CPA can review your accounts payable and help you develop a plan to resolve payment issues and prevent them from occurring.

## **INVENTORY**

For many businesses, inventory is a major draw on operating capital and cash flow. If your business has seasonal fluctuations, inventory forecasting can be difficult. Your CPA can help you forecast your inventory needs and evaluate inventory financing options from suppliers, local banks and commercial lenders.

## **PAYROLL**

For most businesses, payroll is a major expense. Your CPA can help you locate industry benchmarks and develop a scorecard for you to monitor. CPAs can also provide an objective checkup on your health care expenses, retirement plan and other employee benefits. If you need specific benefits help, your CPA can provide you with a referral to a specialist.



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## **BANKING**

Most lenders include certain loan covenants in their lending agreements such as a requirement to maintain certain types of insurance coverage, to meet a certain debt to income ratio and so on. Failure to maintain these requirements could result in penalties or even worse — having your loan called. Your CPA can help you develop a scorecard to monitor and stress-test your loan covenants in light of your financial forecasts. If a loan covenant breach is likely, your CPA can help you develop a plan to bring your business back into compliance or to renegotiate covenant requirements with the lender.

## **TAXES**

You don't want a big surprise tax bill when you file your annual return, but you don't want to tie up more capital than necessary in your estimated quarterly tax payments. Your CPA can check your performance and projections against your estimated tax payments to help you avoid surprises at tax time.

## **REGULATORY COMPLIANCE**

Laws, regulations and financial reporting standards change frequently. Failure to comply can result in costly penalties from state and federal authorities or place you in technical default of loan covenants with your bank. Your CPA can help you identify regulatory changes that could impact your business and assist you with compliance.

## **EMERGENCIES**

Preventing emergencies is one of the benefits of scheduling regular checkups with your CPA. But you can't predict some situations such as the loss of a major customer, a lender unexpectedly calling a loan, a personal health problem or other unpredictable event. When you've been meeting with your CPA on a regular basis, your CPA knows your business and is in a better position to help you when an emergency arises. Because your CPA is specially trained and advises many small businesses, your CPA is uniquely qualified to advise you on your financial options in a crisis situation.

