Know your numbers before the end of the year

Why annual accounts arrive too late to act on, and what to watch instead.

Most small business owners find out how the year went somewhere between four and ten months after it finished. The accounts get prepared, the tax gets lodged, and a number appears. By then the year is closed, the decisions have already been made, and nothing in the report can be changed.

That's not a criticism of annual accounts. They're a compliance document and they do that job well. The problem is using them as a management tool, because **every decision worth making happens while the year is still running**. Here's what to watch instead, and when.

WHAT TO WATCH, AND WHY

1 Annual accounts are history, not a steering wheel

A set of accounts describes a year that has already finished. If margin slipped in month three, the accounts will tell you in month eighteen. Every lever you had — pricing, hiring, which work to take and which to turn down — was in your hands at the time and isn't any more.

Instead: judge the year while you can still change it. Monthly is soon enough to act, and slow enough to stay out of your way.

2 Four numbers run the business

You don't need a finance background and you don't need a stack of reports. You need four numbers, every month, and you need to know which way each one is moving.

Revenue	Costs	Profit	Margin
What came in	What went out	What is left	Profit as a share of revenue

Margin is the one owners skip, and it's the one that matters most. Revenue can climb while margin falls, and that combination feels like success right up until the cash runs out. Busier isn't the same as better.

Do: know all four each month, and know the direction of travel on each.

3 What a monthly analysis should actually give you

A monthly pack that lands in your inbox and gets filed unread has cost you money and told you nothing. A useful one is short and answers three things: where the four numbers landed, which way they moved since last month, and what caused the movement.

That last part is the whole point. **A number without a reason is trivia.** Revenue down nine per cent is only useful once you know whether that's one large job slipping into next month or demand softening.

Expect: a number, a direction, and a reason. If you can't act on it, it isn't doing its job.

4 None of it works if the books are behind

A monthly analysis is only as honest as the records under it. Books that are three months behind produce a confident-looking report built on gaps, and an incorrectly coded GST position will read as profit that isn't there.

That's why current records matter more than most owners expect. It's not administrative tidiness. **It's the difference between a number you can bet on and a number that's a guess.**

Do: reconcile against the bank feed monthly and code GST as you go, rather than correcting it at year end.

5 Three conversations a year turn numbers into decisions

Seeing the numbers isn't the same as acting on them. Three short planning conversations across a financial year are usually enough: one to set the shape of the year, one to check the middle against it, and one before year end while there's still time to do something.

The value is in the timing. **A conversation in May can still change the year. The same conversation in September can only explain it.**

Do: book them in advance and use them before the decision, not after.

The pattern behind all five: the businesses that do well are rarely the ones with better accounts at tax time. They're the ones who knew where they stood in month three, and still had every option open when it mattered.

Want to see your numbers this way?

A short call is usually enough to work out what you're currently flying blind on, and what a monthly view would actually show you. No obligation, and we'll tell you straight.

Book a phone call or a video consult at **accountingplus.com.au** · 0485 065 556 · **info@accountingplus.com.au**

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