

Ask SCORE

THREE FINANCIAL REPORTS EVERY SMALL BUSINESS OWNER SHOULD UNDERSTAND

After setting financial goals and a budget for your small business, it is crucial to monitor how well your company is performing. Is it on track to achieving its revenue and profitability goals? Is it controlling its costs?

Even if you have contracted the help of an accountant, it is helpful to develop your understanding of your business's financial affairs. One way to accomplish that is to become familiar with and regularly review the following reports.

Profit And Loss Statement (P&L)

Also called an "Income Statement," your company's P&L report indicates if your business is profitable and how profitable it is during a given period of time (such as for the past month, past quarter or past year). A P&L statement is made up of the following main sections:

- Total income
- Total expenses
- Net income (Your income minus expenses)

It is helpful to compare recent P&L info

with that of a past period of time (such as a month this year with the same month last year) to identify if your company's profitability is improving or if there might be some issues you need to address. For example, if your sales are up but your profits are down, you would want to investigate which costs have increased to the extent that they are harming your bottom line.

Balance Sheet

Your Balance Sheet provides a snapshot report of your company's finances — assets, liabilities and equity — at a given moment in time. It summarizes what your business owns and what it owes. Investors who are considering funding your company will want to see your balance sheet before committing.

Most often, the report shows company assets on the left and liabilities plus equity on the right to represent the following accounting equation: $Assets = Liabilities + Owners' Equity$

(Continued on page 24)

Reppert's

Own Made Candies

Chocolates, Candies & Gifts for Easter and All Holidays!

Large Selection of New Products!

610-689-9200 • info@reppertscandy.com
www.reppertscandy.com



2708 W. Philadelphia Ave., Oley, PA 19547



Bucket Truck and Towing Equipment Sales, Services, Accessories, and Rentals.

Our rental fleet is comprised of material handlers, bucket trucks, track-mounted digger derricks, and vans.

Mobile Lifts, LLC has specialized in the Sales, Service, Parts, and Rentals of new and used aerial lifting equipment for Industrial, Utility, Municipal, Contractor, and Service applications since 1969. We offer equipment for rent on a daily, weekly, or monthly basis.

610.489.1900

www.mobilelifts.com

104 G.P. Clement Drive, Collegeville, PA 19426



Subsurface Investigations
Geotechnical Design
Stormwater Infiltration Testing
Carbonate Site Assessments

Construction Inspection & Testing
Clean Fill Testing
Laboratory Soils Testing

Environmental Site Assessments and Remediation

www.earthengineering.com

Corporate Headquarters: 610-277-0880

Central PA: 717-697-5701

Lehigh Valley: 610-967-4540

South Jersey: 856-768-1001

QUALITY * COMMITMENT * PERFORMANCE

preservation *or* progress

ELAINE SCHAEFER
SCHUYLKILL RIVER
GREENWAYS

When Schuylkill River Greenways wanted help with the preservation and revitalization of the river and a 120-mile trail alongside it, they looked to Tompkins because of our shared commitment to traditional values and economic innovation. | tompkinsbank.com

I chose both

TOMPKINS
BANKING | INSURANCE | WEALTH
your bank of choice

Deposit and loan products are offered through Tompkins Community Bank, Member FDIC. Investments and insurance products are not FDIC insured, are not bank guaranteed, and may lose value. Tompkins Insurance is licensed to conduct insurance business in all 50 states. 4/23



WWW.GUITARSANDART.COM

THE CROSSROADS
GUITARS & ART

1041 E. PHILADELPHIA AVE. GILBERTSVILLE, PA 19525

MUSIC LESSONS • GROUP INSTRUCTION
INSTRUMENT SALES • ART & PHOTOGRAPHY • WORKSHOPS & EVENTS

INFO@GUITARSANDART.COM / 1-833-696-8737






Ask SCORE

(Continued from page 23)

The totals on each side should match, hence the name “Balance” Sheet.

Running this report at any time can give you helpful insight. Most business owners—sometimes with the help of accountants—review it at the end of a month, quarter or year.

Cash Flow Statement

Your Cash Flow Statement sheds light on:

- When cash is flowing into your company
- From where cash is flowing into your company
- When cash is flowing out of your company
- From where cash is flowing out of your company

It lists your incoming and outgoing transactions, showing how your business has earned and spent money over a period of time.

It is valuable because even a business that shows a profit on its P&L statement can run into money problems if its income is not arriving in time to be able to pay employees or to cover bills when they are due. By looking at your Cash Flow Statement, you can detect gaps and start making changes so you will have sufficient cash reserves and avoid shortfalls that could hurt your ability to conduct business and your reputation.

Money Isn’t Everything – But Managing It Isn’t Optional.

By learning to read and interpret your P&L Statement, Cash Flow Statement and Balance Sheet, you will have a better sense of where you are on your course to meet your financial goals. The accounting software you use probably has these reporting options built into it, or you can ask your bookkeeper or accountant to run the reports for you. You will also find templates to create reports through the SCORE website at <https://www.score.org/resource/business-planning-financial-statements-template-gallery>.

To gain a better understanding of how to use the reports to manage your business, talk with your accountant and a SCORE mentor.

Since 1964, SCORE “Mentors to America’s Small Business” has helped more than 10 million aspiring entrepreneurs and small business owners through mentoring and business workshops. More than 11,000 volunteer business mentors in over 320 chapters serve their communities through entrepreneur education dedicated to the formation, growth and success of small businesses. For more information about starting or operating a small business, contact SCORE TriCounty. You can call 610.327.2673, email tricity@scorevolunteer.org or visit the website at www.tricity.score.org.

SCORE is funded in part through a Cooperative Agreement with the U.S. Small Business Administration. All opinions, conclusions, and/or recommendations expressed herein are those of the author and do not necessarily reflect the views of the SBA.