

Managing your Balance Sheet

The Issue

Too much growth, too quickly can send you broke. Believe it or not. Of course, usual business activity also has to be properly managed otherwise you can go broke here as well. Business is not just about sales, sales, sales. As the owner, you and the team need to lift your eyes and manage profitability and your balance sheet. Don't know how to read a balance sheet? Not quite sure what a balance sheet is? Well, we do have a problem then.

What we do for you

Making a profit is a good start in business. The real action is, however, in managing cashflow – what you do with the cash that comes in, and what you do when the cash is not coming in.

At this point in the conversation, many owners start to hesitate. How do I measure cashflow, how do I know if I have enough cash, and how do I prioritise what to do with it? All good questions.

Your balance sheet shows what you own and what you owe, including money owing to you and money you owe but have not paid out yet. And the net result is your equity or capital. Knowing how to manage all of these things is critical to business survival and to managing growth.

We can assist business owners properly manage their balance sheets and answer all of the questions posed above. We can help you by –

- a. Properly forecasting profit and cashflow.
- b. Helping you understand the impact of taking too much out of the business for the owners (sound familiar?)
- c. Explaining the importance of timing – how long does it take to get paid, when are your bills due, when is your bank loan repayment due, when are your taxes due?
- d. Understanding income tax. Paying income tax means you are making money. Of course, we like to ensure you don't pay more tax than you should. But if you are not paying any tax – it usually means you are making a loss. And unless you make a profit, you are not spending your own cash – you are usually spending the cash you need to pay your bills.

- e. Understanding debt. Debt is not a bad thing. Too much debt is. Paying off debt too quickly is usually not feasible. We can assess and educate you on what the right balance is.

All of the matters listed above do not mention sales at all. That's another conversation. In the end, we can give you a clear plan on how to manage cashflow, when to take money out of the business, how much debt is too much and how to manage your taxes. In essence, all of these things combine to ensure you properly manage your balance sheet – what you own, against what you owe.

The Benefits

The benefits to you are:

1. Having cashflow under control is the number one cure for a business headache and gives you peace of mind.
2. Understanding your balance sheet enables you to plan that next step – should you buy another business, can you afford to, should you take that extra \$50,000 out of the business for a boat (yes, leisure is important, but not at the expense of your primary cashflow)
3. Your relationship with your bankers will go to a whole new level. And when you do need extra funds, they will be confident to lend because they can see you are managing the right things.
4. Your personal needs, your family needs, can also be addressed and planned in advance. It means you can make those special purchases knowing you have the funds instead of hoping you have the funds.

What's next

Contact UHY to arrange a discussion about how we can best assist you. Connect with us and connect to possibility.