

## Common Reporting Deficiencies

An Australian study\* found that businesses which only prepared and reviewed financial statements annually had a 36% survival rate but that rose to 79.7% for businesses who prepared and reviewed monthly accounts. However financial statements are only useful if the information contained within them has been properly prepared, it's not just a matter of running a report from MYOB, Xero, Quickbooks or whatever accounting system you have.

To get useful & meaningful reports on the performance of your business you need to ensure you have matched your costs with the revenue those costs have generated. Failure to accurately match revenue with costs will result in misleading reports which give the impression that you are doing either better or worse than is actually the case.

Wages usually feature in the top 2 or 3 highest costs for most businesses and, unless you pay monthly, pay periods do not align with your reporting periods. When you pay weekly or fortnightly and you do not make appropriate accruals your wages costs appear to fluctuate in a way totally unrelated to revenue.

Often accruals are not made for holiday pay either which can also seriously affect the reported profit. Holiday pay costs at least 8% of wages and unless you provide for it, it can give you a false impression of how your business is actually performing.

Cash based systems (such as MYOB Cashbook or BankLink) will only give you useful management information if you receive payment for all your sales and pay for purchases related to those sales in the same period of time. This is rarely, if ever, the case because sales and/or purchases will have different terms of payment eg. Cash, 7 Days, 20th of month following. Also many businesses have significant fixed assets which are used for many years, carry stock which is purchased in one period and sold in another and some perform work which spans more than one calendar month.

These factors cause a mismatch between revenue and the costs of generating that revenue. It then becomes extremely difficult to gauge how a business is performing in the short term and to take appropriate action to minimise potential losses and maximise possible opportunities.

[Contact Simplify](#) today about getting useful, quick and simple information to monitor your business performance.

\*Williams A.J., A Longitudinal Analysis of the Characteristics and Performance of Small Business in Australia

