

### **Financial Finesse Series Piecing Together the Financial Puzzle**

You can tell a lot about a person from her bank statements. You can tell a lot about a business, too – and how it is run – from not just its bank statements, but from how they are used. One of the most telling factors is whether or not an owner has taken the care to set up a separate business bank account; or whether personal finances are woven inseparably into the fabric of the company's financial dealings.

What could be the harm in that, you ask, recognizing perhaps that the line between personal and business is, for you, just a little blurred. It happens. Maybe you started your business as a sideline, as much a hobby as anything else. Or, maybe you had no other option but to fund your company with personal money and keeping it going has been about making ends meet for you and your family. Neither scenario is unusual or surprising.

If you've been reading the *Financial Finesse* series since it debuted last January, you know by now the importance of staying on top of your business finances. Things like your cash flow, your earnings, your assets and your debt all paint a picture of how well your enterprise is doing, where you're succeeding and where you might need to make some changes. If you haven't been reading *Financial Finesse* or you need a refresher, you can bring yourself up to date pretty quickly by reading some past eNews issues located at <http://www.womensenterprise.ca/about-us/enews-main.php>

One of the most important, and easily the most accessible financial tool you can have in business, is your monthly statement of account as provided by your bank. When you make good use of it, it can tell you:

- how much money you have coming into your business;
- whether and which of your customers have paid you;
- how much you are spending on overhead expenses; and
- what it is costing you to produce the products or services you're selling.

Not bad for a statement that comes to you ready-made from your financial institution. You should be getting something for those bank charges you're paying, right?

The challenge in failing to separate your business from your personal money is that it can be hard to extract the information you need to get a clear picture of your company affairs. For example, you might have a tendency to dip into the finances of one or the other when things get a little tight – and to lose track of doing so. Before you know it, the waters of your business are too muddied for you to see what's really going on.

Step one, then, to a sound and prosperous business, is extracting your business from the rest of your life, at least when it comes to bank accounts and what they represent. If you've already done that, congratulations! You're on the right track.

Wendy Ratel of Langley-based Diamond Divaz makes diamond shaped pouches that remove moisture and odour from footwear. With a degree in business, she went into her own business with some knowledge of financial accounting. "For me," says Wendy, "it was part of my education. I would recommend that women keep every receipt they have and set up a system for tracking them on their own. If you keep your own books, you'll know what you're doing."

"I mostly use monthly income statements in the production and the manufacturing side of the business, to make sure that we're not overproducing. Based on what we're making and selling now, I forecast out a year ahead to make sure that we stay on track. By fully understanding the biggest expenses in the business, I get a good idea of where the other expenses will fall. Yearly cash flow statements are done in advance and updated every month or every few months."

"What would I do if it looked like I was spending more than I'm making? Try to increase sales. I analyze what I'm spending my money on and look at the return on the investment. For example, tradeshow. When I set-up at a tradeshow I have a goal of what I want to sell and how we're going to accomplish that. Going in I have every intention of making the money back. If I don't, it's money wasted. Coming out, I make sure that we've achieved our goal. To me, not keeping track of your finances is the same as operating without a business plan. You don't know where you are or where you're going if you have no plan."

Of course, keeping track of your business finances is a little more involved than just setting up a separate bank account. It takes some work. Ultimately, it comes down to what you do with those monthly statements when they come in. If you're like many women business owners, the scenario goes something like this:

- you get the statement;
- you take a quick look at your closing balance to make sure that there is actually money in the bank or, if there isn't, just how overdrawn you are;
- you scan the withdrawals and payments for anything that looks out of place – you want to know that no one has hacked into your account and is spending your hard-earned dollars for you;
- satisfied that everything is as it should be, you file the statement away, never to be seen or heard from again until, perhaps, you turn it over to accountant to make heads or tails of at the end of the year.

Right? *Wrong!* Within the lines of that bank statement is a treasure-trove of facts and figures that have the potential to inform your decisions about pricing, collections, leasing and more. You owe it to yourself to mine that data.

Manon Joice is the owner of BLESS: Better Living Elder Support Services in Ft. St. John. After operating a ladies lingerie shop for several years, Manon finds herself doing health and wellness consulting. Her experience in both the retail and the service sectors has led her to give the importance of financial information a whopping "five out of five" rating.

"It's exceedingly important to understand the financial side of things," says Manon. "After all, at the end of the day, it's business we're dealing with. It's important for business owners to look at and understand the total cost of things. It's absolutely essential to understand your price point. You need to have an understanding of your competitiveness and the costs of maintaining the business."

"I started by taking college-level accounting courses online so I could understand my accountant and the statements he gave me. I'm also fortunate enough to have a background as a loans counsellor. This gave me an advantage in understanding the financial side of my business, but there are tons of financial programs for computers which can help. Online courses are great, easy and don't take long. So why not educate yourself when you know you're going to save yourself money in the long run?"

"I actually do all of my books now on a month to month basis so that I'm able to keep up with it. Being organized is essential. If you're not on top of it, you're hooped. I divide everything on a month-to-month basis, otherwise it becomes too much. I still like having an accountant oversee everything, though, just to make sure that it's all done properly and I didn't make any mistakes."

Take it from women who know. Keep your receipts and watch the money coming into and going out of your business. When those bank statements come in, go through them every month, line by line, matching up the transactions with your actual expenditures and customer payments. Determine your cost of doing business. Look at the expenses associated with various promotional campaigns and see if they were worth it from the money they brought in. Break down how much it costs you to produce a particular product or service and make sure the price you're charging for it is high enough.

Your business is multi-faceted and if you're relying on little more than cash-on-hand to tell you how you're doing, you're selling yourself short. The information in your bank statement might seem complicated but it breaks down easily and tells a story about the value in everything you're doing. Take the time to uncover that story. If you feel a little overwhelmed at first, it's OK. There are courses and services out there that can help you. The biggest hurdle is getting started – sorting and arranging the pieces of the puzzle. The big picture will come when you put those pieces together.

*Women's Enterprise Centre is the go-to place for BC women business owners for business loans, skills training, business advisory services, resources, publications and referrals. Call us at 1.800.643.7014 or email [info@womensenterprise.ca](mailto:info@womensenterprise.ca) from anywhere in BC.*