



Jonathan Speaks

In this edition, we explore the importance of financial management on a company's performance.



Food for Thought!

- a) Are your capital expenditures yielding adequate income to justify their costs?
- b) Do you have enough cash to cover your operating expenses?
- c) Are you keeping your costs as low as possible?
- d) Are you keeping an eye on your interest expense?



Per Bloomberg, 8 out of 10 entrepreneurs who start businesses fail within 18 months. The most common reason is the lack of cash.

John Davis of Harvard Business School wrote that there are three factors behind the longevity of businesses: Pride, Trust, and Money.



IRS Publication 583 states, "Everyone in business must keep records. You need good records to prepare accurate financial statements."

IRS. "Publication 583." *IRS*. IRS, Jan. 2015. Web. 30 Dec. 2016.

An accounting system paired with strong financial management creates a powerful combination. Proper financial management protects your business and your money.

Financial management is critical to maintaining adequate operating cash, making informed capital expenditures, lowering expenses, and performing tax planning.

Financial management's role in business success pervades all aspects of a business. For example, your business hiring cannot exceed your ability to sustain your employees. Paying out more than the employees are bringing in, is a sure path to bankruptcy. Pricing your goods or services below an economic threshold could lead to the demise of your business. Paying out more than you should to the tax man is a recipe for disaster.

These factors along with others point to the critical role that cash, cash reserves, and financial management play in a business' sustainability. Long lived companies have cash reserves that enable them weather the storms when they come.

A key aspect to building up adequate reserves is implementing financial management tools such as good record keeping and cashflow analysis prior to capital expenditures, budgeting, and tax planning.



Looking ahead.....

In our next edition, we will discuss how to select advisors to support your business vision.

Helping businesses reach their full potential!!

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