Smart Modern Enterprise Series

How To Get The Most Out Of Your Accounts:

Business Reporting & Analysis Categories

Getting The Most From Your Accounts

If you're a small business owner, doing the accounts probably isn't your favourite pastime. However they are critical to the continued success of your business because they will provide you information on your Key Performance Indicators (KPIs).

What are KPIs?

Key Performance Indicators are critical financial and performance measurements which help determine the path to success for your business. KPIs can differ between industries and between companies.

For example, a restaurant may measure the number of lunches served whereas a software provider may measure free trials taken. What are the most important measurements for your business and are you on track to achieve them?

Analysis Categories

Every single transaction that flows through your business will be recorded in your accounts. Therefore using your accounts, which provide a goldmine of information, you can run reports that will tell you if your business is meeting its key KPIs.

An efficient way to make things easier is by using analysis categories. Analysis categories are simple labels for transactions that are unique to Big Red Cloud. With a quick glance at your accounts, using Analysis Categories you will clearly show the key drivers behind fluctuations in your profit, sales or expense figures.

As you can see from Figure 1 below the analysis categories for sales highlight that kitchens and refrigerators are outperforming counters and shelves for the month of May.


Figure 1

How To Analyse Your Accounts

If you want to use all of the information contained in your books to your advantage then you'll need to know how to use your analysis categories to best fit your business.

Segment Information

A key metric for any business is your sales figure. Wouldn't it be more helpful to have an accessible split of where exactly all of those sales are coming from? Essentially, the better you can filter information into your analysis categories, the more valuable it becomes when it's time to make decisions.

You should break down your sales and costs into relevant subcategories for your business. This will give you a more accurate view of your business's performance than a high level sales or purchases figure. Remember your high level figures are just summaries for all of the day to day activities that are carried out in your business.
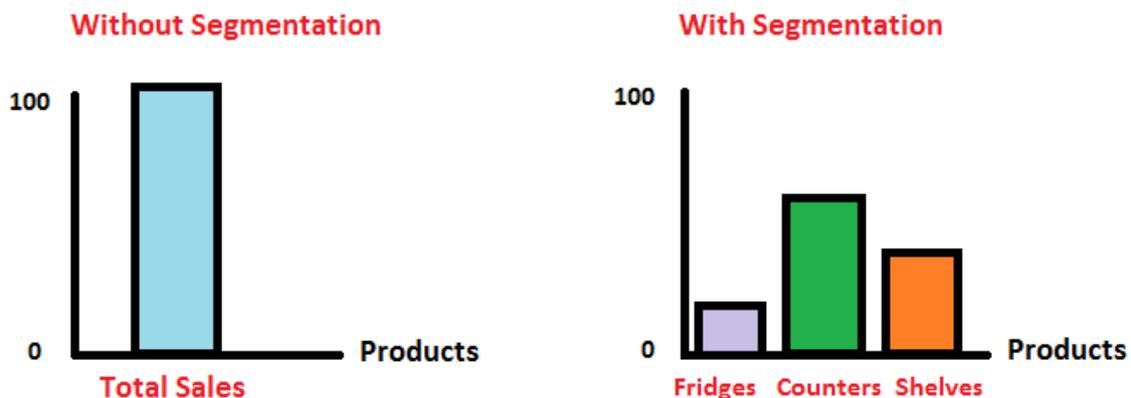
Periods Of Time

Seasonality of business can cause transactions in your accounts to fluctuate depending on the time of the year. For example, Christmas is generally a busy period for retailers while summer is the best time for tourism based operations.

However analysing individual months or seasons in your business may show you that certain products perform better at different times of the year. Using this information you can decide to order more of that product line when you need it.

Making Better Business Decisions

Once you have analysed information meaningfully, you can use it to make better business decisions to put your organisation in the best position possible. A common pitfall a busy business can fall into after analysing their accounts is not to use the information captured in their decision making process. Making informed decisions based on real business performance is much better long term strategy than making important decisions solely on a gut feeling.

The Decision Making Process

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┌──────────────┐        ┌──────────────────────┐        ┌──────────────┐
│              │        │      Options         │        │              │
│  Situation   │  ──▶   │ Evaluate Options Using│  ──▶  │    Choose    │
│              │        │  Accounts Information │        │              │
└──────────────┘        └──────────────────────┘        └──────────────┘
       ▲                                                         │
       │                                                         ▼
┌──────────────────────┐        ┌──────────────┐
│      Evaluate         │        │              │
│ Evaluate Performance  │  ◀──   │     Act      │
│   Using Accounts      │        │              │
│    Information        │        │              │
└──────────────────────┘        └──────────────┘
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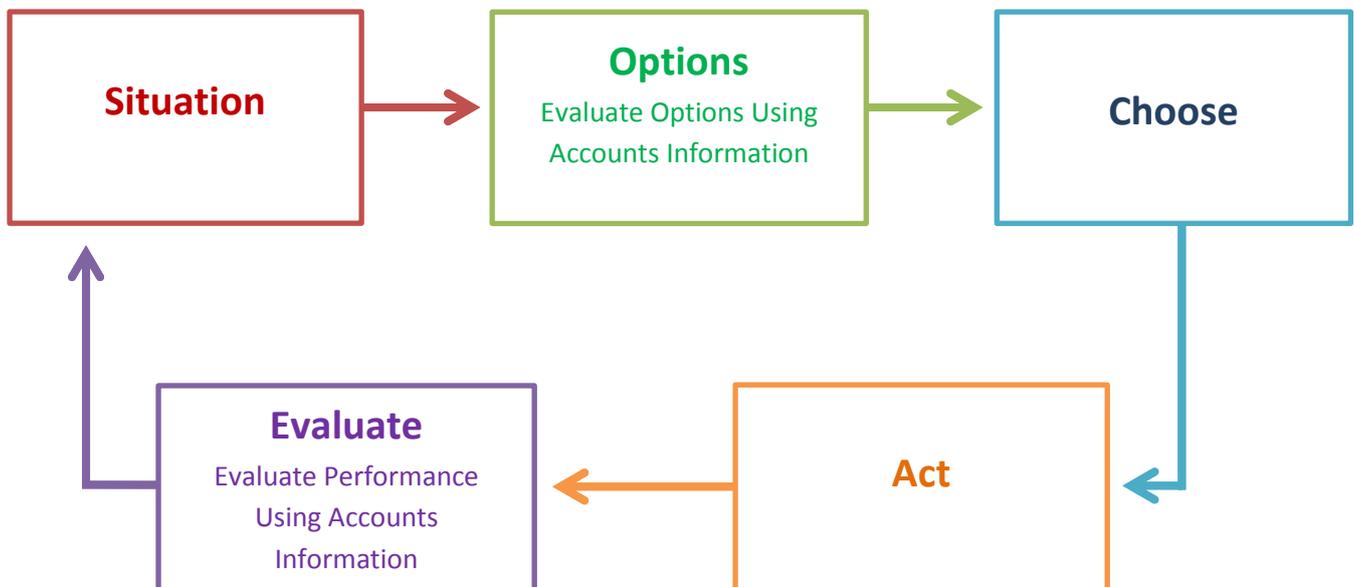
KPIs & Decisions

Using Analysis Categories you can set up your key performance indicators as traceable measurements in your accounts. If you start to see information you don't like, you'll be able to take action before larger problems arise. For example, if you run a restaurant and the amount of lunches you have served has decreased since you introduced a new menu, it might be time to go back to the drawing board. Making important decisions for your business should always be backed up by reliable facts. Your accounts are a goldmine of information that can help your business to succeed if you use them wisely.

Big Red Cloud

Here at Big Red Cloud we like to make doing your books easy through our simple and easy to use accounting software package. One of the cornerstones of our easy to use interface is our use of **analysis categories.** They will allow you to easily segment and label every single transaction you enter into Big Red Cloud. Now when you **analyse** your business, all your performance information will be easily available so that you can **make better business decisions**. What's more, our interface allows you to navigate between different months easily so that you can view trends in your business over time. Visit **www.bigredcloud.com** for more information on our simple online accounts.

Find Out More

We hope that you found our cash flow guide helpful and valuable. We want to make accounting easy, not just through our accounting software but also through educating small businesses. Why not **visit our small business resource** to see what guides we have to offer?

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