

# What Financial Reports Should Every Business Owner Review Each Month?

Many business owners know they should look at their numbers.

But the real question is: which numbers?

If you open your accounting software and feel overwhelmed by all the reports, categories, balances, transactions, and totals, you are not alone. Financial reports can feel intimidating when no one has explained what each one is supposed to tell you.

The good news is that you do not need to review every report every month.

But you do need to understand the key reports that help you see what is happening in your business, where your money is going, and whether your business is financially healthy.

Your reports should not just exist for tax season.

They should help you run your business.

## Why Monthly Financial Review Matters

A lot can happen in a business in one month.

Revenue may go up. Expenses may increase. Cash may feel tight. A loan payment may be due. A customer may not pay on time. A credit card balance may grow. Inventory may be purchased. Payroll may change.

If you only look at your financial reports once a year, you are looking at history.

But if you review your numbers monthly, you can make adjustments while there is still time to do something about them.

Monthly financial review helps you answer questions like:

- Is my business profitable?
- Do I have enough cash?
- Are my expenses increasing?
- Which income streams are performing well?
- Do I owe money I have not planned for?
- Can I afford to hire, invest, or expand?
- Am I prepared for taxes?

Your numbers should help you make decisions before small issues become bigger problems.

# 1. Profit & Loss Statement

Your Profit & Loss statement, also called a P&L or income statement, shows your income, expenses, and profit over a specific period of time.

This is usually the report business owners look at first.

Your P&L helps you understand whether your business made money or lost money during the month.

But it should also help you see more than the final profit number.

When reviewing your P&L, ask:

- Where did my income come from?
- Which services, products, or revenue streams performed best?
- What were my biggest expenses?
- Did any expenses increase unexpectedly?
- Is my profit margin improving or shrinking?
- Do my categories actually reflect how my business operates?

A useful P&L should be organized in a way that makes sense for your business. It should not be so generic that you cannot tell what is really happening.

For example, a restaurant, an e-commerce business, a consulting firm, and a nonprofit should not all review income and expenses in the exact same way.

Your P&L should speak the language of your business.

# 2. Balance Sheet

Your balance sheet tells a different story than your P&L.

While your P&L shows income and expenses over time, your balance sheet shows what your business owns, what it owes, and what belongs to the owner at a specific point in time.

This report includes things like:

- Bank balances
- Credit card balances
- Loans
- Assets
- Accounts receivable
- Accounts payable
- Owner contributions
- Owner draws or distributions
- Equity

Many business owners avoid the balance sheet because it feels more confusing than the P&L. But it is one of the most important reports to understand.

Your balance sheet can help explain why your P&L shows profit but your bank account does not feel strong.

It can show whether debt is increasing, whether customers owe you money, whether you owe vendors, and whether owner draws are affecting cash flow.

When reviewing your balance sheet, ask:

What does my business own?

What does my business owe?

Are my loan and credit card balances accurate?

Are customers paying on time?

Do I have unpaid bills?

Are owner draws or distributions affecting cash?

Does the report look accurate and up to date?

Your balance sheet tells the story your P&L cannot tell by itself.

### **3. Cash Flow Activity**

Cash flow is about movement.

It shows how money comes into and goes out of your business.

A business can be profitable and still struggle with cash flow. That is why reviewing cash activity is so important.

Your cash flow helps you understand whether your business has enough available money to operate, pay bills, cover payroll, manage debt, and prepare for future expenses.

When reviewing cash flow, ask:

How much cash came in this month?

How much cash went out?

Were there large one-time payments?

Are customer payments delayed?

Are debt payments affecting cash?

Do I have enough cash for upcoming obligations?

Am I setting aside money for taxes?

Cash flow is one of the most practical parts of business ownership because it affects day-to-day decisions.

It can help you decide whether now is the right time to hire, purchase equipment, take on a project, increase owner pay, or reduce expenses.

## 4. Accounts Receivable

Accounts receivable shows money customers owe your business.

This report matters because income recorded on your P&L does not always mean cash has been collected.

If you invoice customers, you need to know who has paid, who has not paid, and how long invoices have been outstanding.

When reviewing accounts receivable, ask:

- Who owes me money?
- How old are the unpaid invoices?
- Are certain customers consistently paying late?
- Do I need to follow up?
- Is delayed payment affecting my cash flow?

Sales are important, but collected cash is what keeps the business operating.

If your accounts receivable is growing, your business may look successful on paper while cash becomes tighter in reality.

## 5. Accounts Payable

Accounts payable shows money your business owes to vendors, suppliers, contractors, or service providers.

This report helps you plan for upcoming payments and avoid surprises.

When reviewing accounts payable, ask:

- What bills are due soon?
- Are any bills overdue?
- Do I have enough cash to cover upcoming payments?
- Are there duplicate bills or incorrect charges?
- Are vendor costs increasing?

Accounts payable helps you understand upcoming cash needs before the money leaves your account.

This is especially important if your business has inventory, contractors, recurring subscriptions, large vendor bills, or seasonal expenses.

## 6. Debt and Loan Balances

Debt can be useful in business, but it needs to be tracked correctly.

Loan payments can create confusion because the full payment affects your bank account, but only the interest portion usually appears as an expense on your P&L. The principal portion reduces the loan balance on your balance sheet.

That is why reviewing debt separately is important.

When reviewing debt, ask:

What loans does the business have?

What are the current balances?

Are payments being recorded correctly?

How much of the payment is interest?

How much is principal?

Is debt affecting cash flow?

Can the business comfortably support the payments?

Debt is not just a tax-season item. It affects cash flow, profitability, financing decisions, and growth planning.

## **7. Budget vs. Actual**

If your business uses a budget, a budget vs. actual report can be extremely helpful.

This report compares what you expected to happen with what actually happened.

It can show whether revenue is lower than planned, expenses are higher than expected, or certain areas of the business need attention.

When reviewing budget vs. actual, ask:

Did revenue meet expectations?

Which expenses were over budget?

Were there unexpected costs?

Do I need to adjust pricing, spending, or planning?

Is the budget realistic based on current business activity?

A budget is not meant to be perfect.

It is meant to give you a reference point so you can make better decisions.

## **You Do Not Need to Become an Accountant**

Reviewing financial reports does not mean you need to become a bookkeeper, accountant, or tax expert.

But as a business owner, you deserve to understand what your numbers mean.

You should be able to look at your reports and know what questions to ask.

You should understand the difference between profit and cash.

You should know whether your expenses are organized in a way that helps you make decisions.

You should know whether your books are ready for tax season.

You should feel confident bringing questions to your bookkeeper, CPA, lender, or advisor.

Financial clarity is not about knowing everything.

It is about understanding enough to lead your business with confidence.

## **Your Reports Should Help You Make Decisions**

The purpose of monthly reports is not just to keep records.

The purpose is to help you make better decisions.

Your reports can help you decide:

Can I afford to hire?

Should I increase prices?

Which services or products are most profitable?

Where am I overspending?

Do I have enough cash for taxes?

Is debt affecting my business more than I realized?

Am I growing in a financially healthy way?

When your reports are clear, organized, and explained properly, they become a tool.

Not something to avoid.

Not something to feel embarrassed about.

Not something that only matters at tax time.

Your numbers should help you understand your business.

## **Schedule a Financial Clarity Call**

If you are not sure which reports to review each month, or if you have reports but do not fully understand what they are telling you, you do not have to figure it out alone.

During a Financial Clarity Call, we can look at your actual reports together and walk through what they mean in plain language.

You can bring your P&L, balance sheet, cash flow questions, debt questions, or anything you have been afraid to ask.

This is not a sales call.

It is a practical conversation to help you understand your numbers and feel more confident making business decisions.

Schedule your Financial Clarity Call and start using your reports as a tool for your business.