

The Story Behind the Numbers

As a contract Chief Financial Officer (CFO), I often meet business owners who view accounting as just another cost of doing business - a non-revenue generating function necessary for compliance and paying taxes. What they fail to realize is the real strategic value in learning the "story behind the numbers," and it does not have to be a mystery novel.

A standard income statement has three basic sections:

- 1) Sales or Revenue
- 2) Cost of Goods Sold
- 3) Operating Expenses

Deeper exploration into each of these areas can uncover some interesting story lines.

Sales/Revenues

This section reveals your pricing and customer purchasing habits. What are your average sales per customer or per order? Who are your best customers, what are they buying and how often do they buy? What products do you sell most and what is your mix? Are you selling more or less over the past month or year compared to last year? How do these trends match the inventory you carry? (Wow, this is just the first section!)

Cost of Goods Sold

This section tells the story of how you acquire materials, services or labor to purchase or make what you sell. How often do you purchase and what is your average purchase size? Who are your best vendors and how much do you purchase from each? Which vendors offer payment discounts and are you taking advantage of their offers? If you buy more do you get better price or terms? Has a vendor raised their prices over last month or year? Is it time to comparison shop your major supplier? The stories in this section can be very interesting!

Operating Expenses

This last section highlights your supporting cast of characters: advertising, promotion, administrative and occupancy costs that support the operations of a business. Are you measuring your ROI on advertising? (It's not impossible.) Are your payroll or benefits costs out of line? Are you carrying excess staff? What about your landlord, is your rent overpriced compared to current market rates? This is where the story can drift away from the central theme.

When you don't know the story, you're missing an opportunity to steer your business into a new and exciting chapter. The story behind the numbers doesn't have to be a mystery if you take the time to study the books. Would you like to better understand your company's "story behind the numbers?"

Please [contact us](#) for a free consultation!