

Financial Statements



THE PREMIER
BUSINESS
MANAGEMENT FIRM
FOR EMERGING AND
GROWTH COMPANIES

We're On The Web
strategicbusinessgroup.com

Phone: 651 484-0093

We are a business consulting firm that specializes in working with emerging and high growth companies.

Our clients encompass most industries except for medical.

Some examples are: software, manufacturing, convenience stores, services, franchisees, specialty products, and Internet games.

Our clients want assistance with financing, marketing & sales, infrastructure and the sale or acquisition of a business.

Call us to see how we can help you!

651 484-0093

FINANCIAL STATEMENTS TELL A STORY— DO YOU KNOW WHAT STORY YOURS TELL? ©

How much time have you taken lately to really understand your company's financial statements? If you're like most managers your practical understanding of financial statements is well—frankly limited. Sure you know the basics and perhaps some of the important critical elements like:

- Sales and sales by product or service
- Gross Profit and Gross Profit Margins
- Selling expenses by product or service
- Research and Development—probably not as strong
- General & Administrative—sometimes foggy areas.

You're so busy building the business that you probably have not taken the time to really understand the story your financial statements are telling you! You may depend upon your controller to provide you with accurate financial information, but there is often additional critical information that you may not be getting that could be made available to you by making changes to your basic financial statements.

A controller's job is to provide accurate financial statements, point out actual or potential problems to management, plus assist with the pricing of new products or services.

If your company is large enough to have the skilled talents of a chief financial officer ("CFO"), she/he will be able to provide you with additional information and assist you in reading your financial statements story.

Our experience has been that emerging and high growth companies do not have a CFO and often do not get some of the critical financial information they need to manage their business. Why? The key reasons are; 1) lack of management's time, 2) management's lack of accounting expertise, and 3) management views accounting as a necessary evil.

The New Economy demands that more things be done by fewer people in a shorter time frame. This often results in less time to "think about the possibilities or problems". Just get the job done now.

Continued on reverse



We now understand the problem from a different perspective and can make changes to improve our performance.

GET HELP—MEET WITH YOUR CPA

- The year is half over but there's still time to improve your company performance.
- Arrange a meeting with your outside accountant. Have your accountant review your financial statement to see if based on her/his experience they could be configured to provide you with more information or present information in a more clear manner.
- Don't think of your accounting firm as a "tax preparer". Working with your controller or chief financial officer they can help you interpret your financial statements story—and ultimately assist in improving your company's performance.

Don't just think of your CPA for your taxes—there is much more they can do to help you!

You may be surprised to discover that working with your CPA actually saves you cash!

Call your CPA today to see how she/he can help you improve your performance for the rest of this year and beyond!

FINANCIAL STATEMENTS TELL A STORY- DO YOU KNOW WHAT STORY YOURS TELL?©

CONTINUED

As your company grows it may outgrow the skill set of individuals on your internal accounting staff. It's difficult for individuals to get outside training and maintain their workload. Learning new skills, concepts and knowledge is critical to the individual and to the company's success.

Sometimes management limits their contact with their accounting firm to tax issues or perhaps how to account for the purchase of a major asset. Most accountants possess two types of information about your industry; 1) direct information and 2) industry peer group information. Direct information may be from having worked with or for a similar business and peer group is from external resources.

When you arrange a meeting with your accountant ask them to review your financial statements and see if they can identify any trends or problems that may not be apparent. During the meeting inquire about the following:

- How are we doing compared to our peers?
- Is our cost of goods sold comparable to our peers?
- What trends or problems do you see?
- Are we getting the most information from our present system?
- Would you be available to do a review of our internal systems for product or service pricing, information reporting and how we might improve our systems?
- Cost is critical to us. Can we develop a budget for your services?

Our experience is that companies often have limited financial reporting information or that the information they have has errors or may be based upon unrealistic assumptions, expectations, or antiquated models. Here are a some of examples:

1. Pricing: A manufacturer allowed its sales force to base their price quotes upon their customer's anticipated sales forecasts. When the customer's actual sales were less the manufacturer was unable to recoup the volume discount from the customer! The manufacturer's actual profit margin was much less than projected and the CFO failed to correct this problem.
2. Sales: A client focuses on increasing sales, but fails to appreciate the current and future underlying cost of those sales that negatively affect profits.
3. Manufacturing: Failed to account for the cost of scrape and obsolete products—about 3% of sales.

When management is well informed it makes better decisions. We believe that the cost and time spent with your company's outside certified public accountant will be more than off-set by positive results!

CALL TO SEE HOW OUR GROUP CAN HELP YOU



**Strategic
Business Group**

855 Village Center Drive Suite 313
Saint Paul, Minnesota 55127-3016

www.strategicbusinessgroup.com

Your Success Is Our Business®

Dennis D. Campbell

651 484-0093 office

651 245-4919 mobile

dcampbell@strategicbusinessgroup.com

Patrick D. Grinde

651 686-7847 office

651 270-8116 mobile

pgrinde@strategicbusinessgroup.com