EPIC RESOURCES · BRIZ BOOKKEEPERS

Five Numbers Every Business Owner Should Know

Financial Clarity Starts with Understanding the Right Numbers

Many business owners work incredibly hard but only check one number — their bank balance. Your bank balance only tells you where you are today. These five numbers help tell you where your business is headed.

NUMBER 01

Revenue

How much money did your business earn from sales?

Revenue is your total sales before expenses are deducted.

ASK YOURSELF

- Is revenue increasing or decreasing?
- Are seasonal trends affecting sales?
- Are my marketing efforts producing results?
- Are certain services or products generating more revenue than others?

HEALTHY HABIT

Review revenue every month and compare it with prior months and the same period from the previous year.

NUMBER 02

Gross Profit

How much money remains after delivering your product or service?

Gross Profit = Revenue – Direct Costs

Direct costs are the expenses directly connected to producing your product or delivering your service.

A business can have strong sales but weak gross profit when jobs are underpriced or direct costs are not properly controlled.

FOR CONTRACTORS, DIRECT COSTS MAY INCLUDE

- Materials
- Subcontractors
- Direct labor
- Equipment rental
- Job-specific permits

FOR SERVICE BUSINESSES, DIRECT COSTS MAY INCLUDE

- Payroll for employees performing client work
- Contractor costs
- Software used specifically to provide the service
- Supplies used for client work

HEALTHY HABIT

Monitor gross profit regularly and, when possible, review it by job, project, service, or product.

NUMBER 03

Net Profit

What did your business actually earn after paying its expenses?

Net profit is the amount remaining after operating expenses are deducted.

A growing bank balance does not always mean the business is profitable. Loan proceeds, owner contributions, unpaid bills, and outstanding tax obligations can all affect the amount of cash in the bank.

OPERATING EXPENSES MAY INCLUDE

- Rent
- Administrative payroll
- Insurance
- Software
- Marketing
- Professional services
- Office expenses

HEALTHY HABIT

Review your Profit and Loss Statement every month — not only at tax time.

NUMBER 04

Cash Flow

Can your business comfortably pay its bills?

Cash flow measures how money moves into and out of your business.

A PROFITABLE BUSINESS CAN STILL HAVE CASH FLOW PROBLEMS WHEN

- Customers pay late
- Large expenses come due at the same time
- Debt payments are high
- Inventory or materials are purchased before customer payments arrive
- Growth happens faster than available cash can support
- Owners withdraw too much money from the business

A SIMPLE WEEKLY REVIEW SHOULD INCLUDE

- Current bank balances
- Expected customer payments
- Upcoming payroll
- Bills due
- Tax obligations
- Planned owner withdrawals
- Large upcoming purchases

HEALTHY HABIT

Review cash flow every week rather than waiting until the bank account feels tight.

NUMBER 05

Accounts Receivable

Who owes your business money?

Accounts receivable represents money customers owe for work already completed or products already delivered.

The longer an invoice remains unpaid, the more difficult it may become to collect.

THE A/R AGING REPORT TYPICALLY ORGANIZES UNPAID INVOICES AS

- Current
- 1–30 days overdue
- 31–60 days overdue
- 61–90 days overdue
- More than 90 days overdue

WHENEVER POSSIBLE

- Send invoices immediately
- Include clear payment terms
- Offer convenient payment methods
- Send reminders before and after the due date
- Document collection conversations
- Address disputed invoices quickly

HEALTHY HABIT

Review your Accounts Receivable Aging Report every month and follow up promptly on overdue invoices.

YOUR FINANCIAL VITAL SIGNS

Number	Why it matters	Question to ask
Revenue	Measures sales activity and business growth.	*Is the business consistently generating enough revenue?*
Gross Profit	Shows whether pricing and direct costs are producing a healthy return.	*Are we making enough money on the work we perform?*
Net Profit	Reveals what the business actually earns after expenses.	*Is the business profitable after all operating costs are considered?*
Cash Flow	Determines whether the business can meet its financial obligations.	*Do we have enough available cash to pay upcoming bills, payroll, and taxes?*
Accounts Receivable	Shows how much earned revenue has not yet been collected.	*Are customers paying us on time?*

NURSE'S NOTE

Just as a nurse does not rely on a single vital sign to assess a patient's health, a business owner should not rely on the bank balance alone.

A strong bank balance can temporarily hide unpaid bills, tax obligations, debt, or declining profitability. A low bank balance can also occur during a healthy period of investment or growth. Looking at these five financial vital signs together gives you a clearer and more complete picture of your business.

REVIEWING THEM REGULARLY CAN HELP YOU

- Identify problems earlier
- Make informed decisions
- Improve pricing
- Protect cash flow
- Plan for taxes
- Manage growth
- Reduce financial surprises
- Build a healthier and more sustainable business

MONTHLY FINANCIAL CHECKUP

Use this checklist during your monthly financial review:

☐ Review total revenue.
☐ Compare revenue with the previous month.
☐ Review gross profit and gross profit margin.
☐ Identify jobs, services, or products with weak margins.
☐ Review net profit.
☐ Compare actual results with your budget or goals.
☐ Review current cash balances.
☐ Identify major bills and obligations due during the next 30 days.
☐ Review the Accounts Receivable Aging Report.
☐ Follow up on overdue customer balances.
☐ Confirm bank and credit card accounts are reconciled.
☐ Set one financial priority for the coming month.

READY FOR A FINANCIAL CHECKUP?

Move beyond guessing

When you understand these five numbers, you can begin making decisions based on clear financial information. A Financial Diagnostic Review can help you:

- Understand where your business stands today
- Identify areas that need attention
- Determine whether accounts are properly reconciled
- Evaluate whether financial reports are accurate
- Improve financial visibility
- Create a practical plan for your next steps

BRIZ BOOKKEEPERS

Timely, accurate, plain-English bookkeeping.

Financial Clarity with a Nurse's Heart.