**Monthly Financial Review Process**

**Bookkeeping (1st day of the month- 5th)**

1. Record all transactions into proper accounts (Checking, Credit Card, loans, etc.)
2. Reconcile each transaction account.
3. Review all transactions for validity, categorization, and receipt or other appropriate documentation.
4. Ensure all bills and invoices are in the system for the closing month and dated correctly.
5. Record any necessary journal entries to ensure the month is an accurate record of the financial performance of the business.

**Review (6th-8th)**

1. Inspect Profit and Loss (P&L) statement for any discrepancies, mis-categorization, and overall accuracy.
2. Review Balance Sheet for major discrepancies or issues such as: cash position, negative liability accounts, etc.
3. Compare P&L to projections and forecasts for any major discrepancies or differences.
4. Review Accounts Payable or other outstanding bills and follow up accordingly.
5. Review Accounts Receivable for overdue balances or other issues and follow up accordingly.

**Forecasting (9th-13th)**

1. Input actual revenue amounts into forecast model.
2. Input actual expenses into forecast model.
3. Update future revenue predictions in forecast model.
4. Update projected changes to expenses in forecast model.
5. Evaluate the financial performance and future outlook of the business.
   1. Revenue differences from projected to actual and changes in forecast.
   2. Material expense differences from budget to actual and changes in forecast.
   3. Make note of any other significant changes to the financial well-being of the business.
   4. Provide a brief summary of the overall financial performance for the period.

**Reporting (14th – 15th)**

1. Share financial information with appropriate parties and discuss accordingly (Leadership, Board, Team Members).
2. Save final reports and forecasts in a secure place.

**Avoiding Common Mistakes and Other Tips**

* Depending upon your available resources, you can outsource or delegate the bookkeeping and data entry tasks.
* Ensure active participation in the review, forecasting, and reporting elements. The owner must understand the details of the business financial outlook.
* Set aside the appropriate amount of time each month based upon the size of your business to ensure these steps occur. Out of date and inaccurate financial records can be harmful to your business.
* The financial records of the business should reflect the actual performance of the business. Common examples of issues here:
  + Recording income where the services or products have not been delivered.
  + Paying recurring expenses like rent, payroll, and other significant expenses outside of the month for the benefit received.
  + Too broad or generic of account categories to make accurate assessments of performance.
  + To specific of a category where the amounts are immaterial.
* While it is most important that the financial records make sense to those closest to the business, a good litmus test is to also ensure that someone from outside the business could assess the financial performance.
* Don’t ignore the Balance Sheet. It should reflect the Net Worth of the business.
* Sharing financial information is a great way to be transparent, however ensure those viewing the information understand how they contribute or impact that information. Otherwise, it’s just numbers.