**BizBoost News**

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**How Variance Reporting Can Keep Your Profits on Track**

While there are literally hundreds of accounting reports that can help you run your business better, one of the most popular – and greatly underutilized – reports is the variance report. A variance report helps you compare how you are actually doing with either a past or expected performance. It makes it crystal clear how far you’re straying from where you want to be so that you can make course corrections earlier rather than later.

**Variance to Prior Periods**

A common variance report that almost anyone can generate is one that compares current period results to prior period results. For example, you can generate an income statement with six columns:

1. Current month activity, such as March 1 to March 31, 2022
2. Prior year month activity, such as March 1 to March 31, 2021
3. Month difference or variance (A – B)
4. Year-to-date activity, such as January 1 to March 31, 2022
5. Prior-year-to-date activity, such as January 1 to March 31, 2021
6. Year-to-date difference or variance (D – E)

The variance allows you to see, at a glance, whether your sales or expenses have increased compared to last year. Seeing monthly variances is especially important if the business experiences seasonal fluctuations.

You can go one step further to explain the variances in an accounting process called account analysis. Take a look at the components of each number to see what caused the variance. Write your explanation in a notes section of your variance report.

You may not want to spend management time on the small variances. A good financial dashboard, or simply an Excel spreadsheet, can help you color-code the balances that are more than 10 percent (or any percent you feel is material) off track.

**Variance to Plan or Budget**

You can also develop a variance report that compares current period results to budget. Here, you would generate an income statement with these six columns:

1. Current month actual activity, such as March 1 to March 31, 2022
2. Budget for the same period above
3. Month difference or variance or (over)/under (B – A)
4. Year-to-date actual activity, such as January 1 to March 31, 2022
5. Year-to-date budget, such as January 1 to March 31, 2021
6. Year-to-date difference or variance or (over)/under (E – D)

Do the same thing above, color-coding and explaining the variances using account analysis. How did your budget details differ from what actually happened? If it’s better, can you do more? If it’s worse, how can you get back on track? Performing a timely variance analysis helps you find opportunities to exploit so you can make more money or investigate ways to get back on track faster so you don’t lose as much.

Of course, with budget versus actual variance reports, you do have to create the budget first!

If you’re not already receiving variance reports, would like help creating a budget, or would simply like to set up a session to better understand variances, please feel free to reach out any time.

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Tweets

Insert a link to your newsletter, web site or blog before you post these:

Our latest blog: “How Variance Reporting Can Keep Your Profits on Track” is available now! Subscribe here: [link]

While there are hundreds of accounting reports that can help you run your business better, one of the most popular – and greatly underutilized – reports is the variance report. Click here to find out how the variance report can keep your profits on track in our latest blog article: [link]

Our latest blog article reviews how variance reporting can keep your profits on track. Get instant access here: [link]

DID YOU KNOW… A variance report helps you compare how you are actually doing with either a past or expected performance. It makes it crystal clear how far you’re straying from where you want to be so that you can make course corrections earlier rather than later. Learn more here: [link]

A common variance report that almost anyone can generate is one that compares current period results to prior period results. The variance allows you to see, at a glance, whether your sales or expenses have increased compared to last year. Seeing monthly variances is especially important if the business experiences seasonal fluctuations. Learn more here: [link]

DID YOU KNOW… By performing a variance report against your budget, you can find opportunities to exploit so you can make more money, or investigate ways to get back on track faster so you don’t lose as much. Find out more here: [link]

What do you use to keep your business on track? Try utilizing the variance report! It makes it crystal clear how far you’re straying from where you want to be, so that you can make course corrections earlier rather than later. Learn more in our latest blog article: [link]

Are you using variance reports in your business? If you’re not already receiving variance reports, would like help creating a budget, or would simply like to better understand variances, sign up for our newsletter to learn more: [link]