

# Warning Signs of Financial Trouble

## Guide



The best course of action is always to be proactive in averting financial difficulties in business but unfortunately many business owners find themselves reacting to financial emergencies that could have been prevented with a few simple protocols.

### Here are some warning signs:

- You carry the balance on your line of credit for extended periods of time. A line of credit is designed to be a temporary solution to a cash flow problem. Generally, the balance will ebb and flow dependent upon many circumstances. However, if your balance constantly increases and never decreases or if you are maxed out and paying only interest, then this should raise concern.
- You don't understand your financial statements. This indicates that you are either uneducated in the basics of understanding your business finance or someone has "muddied the waters" to the point that you cannot understand the financials. Either is a flashing "warning sign" and should be remedied immediately.
- You have a constant overturn in staff. This may not seem like a big deal at the time but hiring and training is an expensive process in which you lose your investment if you cannot retain your employees.
- You are behind on payroll or sales tax. This is a very serious problem because you are considered a fiduciary in handling these taxes and the money collected on behalf of your employees or customers should never be considered a part of your cash resources. It is a "liability" and the governing agencies do not take the mishandling of these funds lightly.
- Your cost of goods sold is out of line for your industry. This can indicate numerous problems such as inaccurate estimating of projects, overcharges by vendors, failing to increase prices when your vendors raise the cost of your purchases, or even theft. This is a number that needs to be accurate with good accounting and paid attention to on a regular basis.

**Common Sense Business Solutions, Inc. has helped many businesses successfully navigate through these and other issues that can negatively impact the profits of a company. The investment in consulting services is usually far outweighed by the rewards of operating the business from a point of strength rather than uncertainty or fear. Call today to discuss how business coaching can propel your business to the next level – (813) 661-0049, or email at [calloway@csbspro.com](mailto:calloway@csbspro.com)**