



Why Do SMEs Need Financial Statements?

By Gavin Pereira

Businesses are always reminded to keep proper financial statements for tax purposes. Financial statements do not only refer to the bank statements you receive every month, it should also comprise of daily cash flow and other areas such as your company's balance sheet.

In truth, these financial documents are far more important than just annual tax apportionment. With that thought in mind, here are some major reasons why you should start keeping a closer tab on your business's financial statements:

It Helps to Identify the Areas Where You Need to Improve Your Business

Having monthly, quarterly, and yearly financial statements will help you to keep track of your business's progress and make better decisions on how best to invest your company's money.

According to [Forbes](#), having financial statements will not only help you use your money effectively, it will also allow you to forecast your business's growth.

With proper forecasting at your disposal, different strategies can be adopted in order to improve how you manage your business and sail towards better horizons. Also, it gives you a greater chance at avoiding losses as you can predict the ups and downs of the market trends.

It Helps to Beef Up Your Shareholder's Report

When you have partners and shareholders to please, financial statements are important for transparency. The last thing you would want is your partners pointing the fingers at one another with accusations of embezzlement.

Proper financial statements allow for all stakeholders to clearly see their profit shares and how the capital is being used for the business on a daily, monthly, and even yearly basis.

It Helps to Increase Your Business Loan Approval Chances

If you're looking to raise your capital or get financing for your business, the bank and the venture capitalists are going to want to know your numbers. Just watch the popular television series Shark Tank, regardless of the amazing products and services offered, every single pitch that was made revolved around numbers.

When you inspire confidence among the financial institutions and prospective investors with solid facts and figures, they are more inclined to approve your business loan – or invest in your business. If you go to them without proper financial statements and present only vague figures, it will automatically hurt your chances of getting any form of financing.

When you have proper financial statements and documentation, it will open doors to various business and Small Medium Enterprise (SME) loans, such as [RHB BizPower SME Business Loan by RHB Bank](#).

It Helps to Ease Your Exit Strategy

When you have built your company to a certain point and choose to exit your business for a bigger profit, the best way to put a valuation on your business is by having solid financial statements to back your claims.

If you do not know how much your business is really valued, there is a chance that you may lose out on **a lot of money** if you sell it off at a far lower price! Sure, it may be exciting to see a large sum written on a cheque, but what if your company is actually valued at twice the offered selling price?

In cases like these, the only way to be sure is to have detailed financial statements and carefully kept records so you'll always know what your business is worth at any given time.

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