

Financial Reports vs. Management Reports: What's the Difference?

4 min read



Key Takeaways

- Financial reporting is compliance oriented and is used for external purposes. It encompasses the standard weekly, monthly and quarterly reports that companies receive each month.
- Unlike financial reports, management accounting is not mandatory and is for internal use only. Your company doesn't have to follow GAAP guidelines when producing these reports.
- Management reports are great for CEOs to gain insight on specific areas of their business. However, you want to make sure you are getting the right reports that your business needs to drive strategic decision making.

Most business owners are familiar with the basic financial reports they should be getting monthly, but many are less familiar with the kinds of [management reports](#) available that could help their businesses increase performance and profitability.

As the [CEO or owner](#), do you have information available at hand to answer these questions:

- Am I pricing my jobs right?
- Did I make more this quarter than last?
- Who are my most profitable customers?
- Do I have enough cash to make payroll?
- Who are my most and least productive staff?

Imagine your business potential if you had all the answers to these questions! You wouldn't have to guess about where you stand or how to improve the operation of your company.

[*Make better business decisions! Get this sample reports guide...*](#)
[The KPI and Management Reports Matrix to Increase Profits](#)
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How would *you* answer those questions? Hint: By looking at *both* your **financial AND management reports!** Most business owners don't understand the difference between the two... so let's review.

What is Financial Reporting?

Financial reporting is compliance oriented and is used for external purposes. It encompasses the standard weekly, monthly and quarterly reports that companies receive each month which include:

- Profit and Loss Statement
- Balance Sheet
- Accounts Payable
- Accounts Receivable
- Statement of Cash Flows

These reports are mandatory for all businesses. Banks, investors and regulators use these reports to approve loans, lines of credits and to [make sure you are following GAAP](#) (Generally Accepted Accounting Principles).

These reports reflect the financial standing of your business at a specific point in time. They show the overall picture of how your company is performing but don't give you real insight into the specifics of your operations. They look backward and don't really inform you on how the business might perform next month or next quarter.

What is Management Reporting?

You will be able to dive deeper into the financial standing of your company through management reports which consist of:

- Profit and Loss by Class - Department, Team, Job
- Realization Rate
- Utilization Rate

Unlike financial reports, management accounting is not mandatory and is for internal use only. Your company doesn't have to follow GAAP guidelines when producing the reports.

Instead of an overall evaluation of the company, **management reporting is focused on segments of the business**. By segmenting, you can get into the details and analyze the drivers of your business.

An example would be analyzing how the Marketing Department is performing for a certain time period, or how much profit one Sales Employee had a certain month.

Management reports are great for CEOs to gain insight on specific areas of their business. However, you want to make sure you are getting the right reports that your business needs to drive strategic decision making. You don't want to put the work into pulling reports that aren't being acted upon.



Why Your Business Needs Both Financial and Management Reporting

Some businesses only want to produce financial reports each month for many reasons. We hear businesses say "It costs extra for management reporting; we don't have time for it and I don't think it will help my business."

If you don't receive management reporting each month you could be missing out on information that can help your company grow or prevent you from implementing costly programs that don't provide an ROI.

Your business needs financial reporting for compliance, making sure the [numbers are adding up](#) and to prevent cash flow problems. You also need management reporting so you can make better business decisions backed by solid data.

Here at GrowthForce, we go beyond just [bookkeeping](#) and accounting. We provide critical oversight and account management to ensure that right policies, procedures and systems are implemented and accurate financial and management reports are produced. We help businesses run with total confidence backed by financial and management reporting they can depend on.

When you work with GrowthForce, you can count on accurate and up-to-date books. Based on your company's needs, we will enter the financial data on a weekly basis and close your books at month end.

We are experts in financial and management reporting and can provide you with the financial intelligence you need to make confident decisions to help grow your company.



Get The Guide To **OUTSOURCING** Your Bookkeeping And Accounting Today!

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