



# From Data to Decisions: Understanding Your Monthly & Annual Reports





## What Makes This Guide Different?

*This isn't your typical accounting lesson. We're moving past the "how-to" of daily recording and into the "why" — how you use this data to make smart decisions. The best way to learn is by seeing how principles apply to real people and real-world situations.*



## Here's what you will learn exclusively in this lesson:



### Learn Through Relatable Scenarios

*Forget dry, generic examples. We'll use our planners—Jenelie, Pat, and Cris—to see how math concepts like growth rate and profit margin apply to their real-world business ideas.*



### Gain a Unique 3-Country Perspective

*Master the practical differences in reporting in Japan, the USA, and the Philippines. This lesson gives you a side-by-side comparison you won't find elsewhere, showing how tax compliance in the Philippines (especially VAT) creates a different workload than investor-focused reports in the US.*



### Master Calculations (Even If You Dislike Math)

*Every calculation is broken down into simple, step-by-step instructions. We avoid complex algebra and show you exactly how to find a "growth rate" or "profit margin" without feeling overwhelmed.*



### Understand the "Big Three" Reports

*Finally understand the P/L, B/S, and C/F using simple analogies (a video, a snapshot, and a detective story) so you never confuse them again.*

***This lesson is the bridge from recording numbers to using them. It's the foundation for answering the big questions: "How did we do?" and "Where are we going next?"***



## Section 1: What Are Monthly and Annual Reports?

*An accountant's job doesn't end with recording daily transactions (which are called "journal entries"). At set intervals, typically one month and one year, these numbers must be compiled, organized, and summarized.*

*This process turns raw data (like "bought coffee, \$5") into useful information (like "spent \$150 on office supplies this month"). These organized summaries are called **financial reports**.*



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## Monthly Reports

*These are short-term "check-ins." They help managers see recent progress, manage day-to-day cash, and make quick decisions. Think of it as checking your car's dashboard for speed and fuel.*

## Annual Reports

*These summarize the entire year's performance. They are the formal, official "final grade" for the year, used to report to tax authorities (like the IRS or BIR) and shareholders (the company's owners).*

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*Think of it as a "financial health check-up," much like Jenelie's daily walking challenge. Each report is a checkpoint. The monthly report is the daily walk (a quick check on progress), and the annual report is the Day 21 result (the complete summary of the challenge).*





## Section 2: Monthly Reports

A monthly report is a quick, internal summary of performance.

*Its main purpose is to give managers the data they need to steer the business in real-time. You can't wait a whole year to find out you're losing money; you need to know now.*



## Purpose (The "Why")



### Confirm Performance

*Did we make or lose money this month?*



### Analyze Trends

*How does this month's revenue compare to last month's? Or to the same month last year? Are we growing or shrinking?*



### Manage Cash

*Based on our current sales and upcoming bills, will we have enough cash to pay our employees and rent next month? This is called a **cash flow forecast**.*

## What's Often Included (The "What")



### Simplified Income Statement (P/L)

*A quick, one-page look at revenue (money earned) and expenses (money spent) to see if there was a profit or loss.*



### Cash Flow Projection

*A simple forecast of cash coming in (e.g., from sales) and cash going out (e.g., to pay for supplies and salaries).*



### Key Performance Indicators (KPIs)

*A few critical numbers that act as a "check engine light." This could be "Profit Margin" (what percentage of sales is profit) or "Sales Growth Rate."*





❏ Important Note:

*The style of monthly reports differs.*

In Japan



*These are almost exclusively for internal managers to check their performance against their budget.*

In the US



*They are also internal but may focus on KPIs that outside investors also watch (like EBITDA).*

In the Philippines



*The process is very different. Due to tax law, businesses are **legally required** to file tax reports (like VAT returns) with the Bureau of Internal Revenue (BIR) every month. This makes monthly reporting a serious, mandatory compliance task, not just an internal check-in.*



### Section 3: Annual Reports

An annual report is the formal, official summary of a company's entire financial year.

*This is the "final exam" that gets shared with the most important people outside the company.*



## Purpose (The "Why")

01

### Summarize Performance

*To state, officially, how much profit or loss the company made for the year.*

02

### Show Financial Position

*To show exactly what the company owns and owes on the final day of the year.*

03

### Provide Accountability

*To prove to owners (shareholders), investors, and banks (lenders) that the company is being managed properly.*

04

### Fulfill Legal Requirements

*To file mandatory tax returns with the government.*



## What's Included (The "What")

### The "Big Three" Statements

*The Income Statement (P/L), the Balance Sheet (B/S), and the Cash Flow Statement (C/F). (More on these in Section 8).*

### Notes (to the financial statements)

*This is a critical, and often very long, part of the report. The notes are legally required explanations that provide more detail about the numbers. For example, a note might explain how the company calculated the value of its property or list any major lawsuits it is facing.*





## Important Note:

### Japanese Reports

**Japanese** reports are known for having very detailed account classifications and multiple, distinct profit levels (like "Ordinary Profit," 経常利益, which is unique to Japan).

### US Reports

**US** reports (like the **Form 10-K** filed with the **SEC**, the government agency regulating investments) are heavily focused on what investors need to know to decide if they should buy or sell the company's stock.

### Philippine Reports

**Philippine** reports are also driven by compliance, with strict requirements for filing with both the SEC and the BIR.



## Section 4: Analyzing Reports with Math (A Step-by-Step Guide)

*To understand what the reports are **telling** you, you need to use a few basic (and simple!) math concepts. Let's break them down step-by-step.*



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# Growth Rate (How fast are we changing?)

## What it is:

*This calculation answers the question, "By what percentage did we grow or shrink compared to before?"*

## Example:


*Zyrine's video editing business earned **\$800** last month (the "Prior Month") and **\$1,000** this month (the "Current Month"). She wants to know her growth rate.*

## Formula:

**$(\text{Current Period} - \text{Prior Period}) \div \text{Prior Period}$**

## How to Calculate (Step-by-Step):

- 1. Step 1: Find the change (the "difference").**
  - $\$1,000 \text{ (Current)} - \$800 \text{ (Prior)} = \text{\$200 increase}$
- 2. Step 2: Create a fraction to find the relative change.** Divide the change (\$200) by the **original** number (the "Prior Month," \$800). We always divide by the original number because we want to know how much it changed relative to where it started.
  - $\$200 \div \$800 = 0.25$
- 3. Step 3: Convert to a percentage.** Multiply the decimal by 100 (or just move the decimal point two places to the right).
  - $0.25 \times 100 = 25\%$

 **Answer: Zyrine's business had a 25% increase in revenue. This sounds much more impressive and is easier to understand than "we made \$200 more."**



## Average (What's a "typical" month?)

### What it is:

*This calculation smooths out the "ups and downs" to answer, "What is a 'typical' or 'normal' amount for a period?"*

### Example:

*Patricia's retro game shop had total sales of **\$18,000** for the whole year. Sales were high in December (\$3,000) and low in February (\$500). She wants to know her average monthly sales.*

### Formula:

***Total Amount ÷ Number of Periods***

### How to Calculate (Step-by-Step):

- 1. Step 1:** Take the total amount (\$18,000).
- 2. Step 2:** Divide it by the number of periods (12 months in a year).
  - $\$18,000 \div 12 = \mathbf{\$1,500}$



***Answer: Her average monthly sales were \$1,500. This is a useful number for planning and budgeting for next year.***



# Profit Margin (How efficient are we?)

## What it is:

*This is one of the most important KPIs. It answers, "For every single dollar of sales, how many cents do we actually keep as profit?"*

## Example:

*Pat's press-on nail business had **\$2,000** in sales (Revenue). The materials (nails, gel, packaging, etc.) cost her **\$1,400** (Costs).*

## Formula:

**$(\text{Revenue} - \text{Costs}) \div \text{Revenue}$**

*...or more simply...  **$\text{Profit} \div \text{Revenue}$***

## How to Calculate (Step-by-Step):

**1. Step 1: Find the Profit.** First, calculate the profit in dollars.

- $\$2,000 \text{ (Revenue)} - \$1,400 \text{ (Costs)} = \text{\$600 (Profit)}$

**2. Step 2: Create a fraction.** Divide the Profit (\$600) by the **Revenue** (\$2,000).  
*We always divide by revenue because we want to see what part of our total sales was profit.*

- $\$600 \div \$2,000 = 0.30$

**3. Step 3: Convert to a percentage.**

- $0.30 \times 100 = 30\%$

📌 **Answer: Pat's profit margin is 30%. This means for every \$1.00 she sells, she keeps 30 cents as profit. This is a very powerful number for comparing her business to competitors or to her own performance last year.**



# Cash Flow Projection (Will we have enough cash?)

## What it is:

*This isn't a report on the past; it's a plan for the future. It's like balancing your checkbook before you spend the money. It answers the most critical question for any small business: "Will we have enough cash to pay our bills next month?"*

## Example:

*Jenelie's plant business has **\$500** in its bank account right now (Current Balance). She expects **\$800** in sales from a weekend market (Expected Cash In) and knows she needs to buy **\$200** worth of pots and soil (Expected Cash Out).*

## Formula:

**Current Balance + Expected Cash In – Expected Cash Out**

## How to Calculate (Step-by-Step):

1. **Step 1:** Start with the Current Balance (\$500).
2. **Step 2:** Add all expected Cash In (\$500 + \$800 = \$1,300).
3. **Step 3:** Subtract all expected Cash Out (\$1,300 – \$200 = \$1,100).

❏ **Answer:** She projects she will have **\$1,100** at the end of next month. She can confidently buy the supplies, knowing she will still have cash.



## Section 5: Monthly & Annual Reports in Japan

### Monthly:

*As mentioned, these are almost always for internal management only. In a typical Japanese company, a department manager receives a report showing their department's monthly spending versus their approved budget. Their job is to explain any "variance" (differences).*

### Annual:

*This is a very formal process.*

- **Taxes:** All companies must file a Corporate Tax Return (法人税申告書) with the National Tax Agency (国税庁).
- **Public Companies:** Publicly listed companies (those on the stock exchange) have a huge burden. They must file a detailed Annual Securities Report (有価証券報告書, Yuuka Shouken Houkokusho) with the Financial Services Agency (FSA). This report is often hundreds of pages long and is the primary source of information for investors.

#### Key Feature:

*Japanese accounting (J-GAAP) features detailed categories and multi-step profit calculations. The most famous is **Ordinary Profit** (経常利益, Keijou Rieki). This calculation starts with Operating Profit (profit from the main business) and then adds non-operating income (like interest earned from bank deposits) and subtracts non-operating expenses (like interest paid on loans). This gives a unique view of the company's "normal, recurring" profit, which is a key difference from US reports.*



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## Section 6: Monthly & Annual Reports in the US

### Monthly:

*These are for internal use and are highly flexible. A tech startup in Silicon Valley might track "Monthly Active Users" as its main KPI, while a manufacturing plant in Ohio will track "Cost Per Unit." The reports are customized to help managers make decisions.*

### Annual:

*This is heavily regulated, especially for public companies.*

- **Taxes:** All businesses must file a **Tax Return** with the **IRS** (Internal Revenue Service).
- **Public Companies:** These companies must file a **Form 10-K** with the **SEC** (Securities and Exchange Commission). The SEC is a powerful government agency whose mission is to protect investors. The 10-K is a comprehensive report of the company's performance, risks, and financial statements, and lying on it can lead to massive fines and prison time.

#### Key Feature:

*US accounting (US GAAP) and reporting are built for **investors**. The goal is transparency. Is this a good company to invest in? What are the risks? As such, profit classifications are simpler than in Japan. The "bottom line" is **Net Income**.*





## Section 7: Monthly & Annual Reports in the Philippines

### Monthly:

*This is a major, recurring compliance task that defines the rhythm of the accounting department. Because of the tax system, businesses are required to file **VAT (Value Added Tax)** returns and **withholding tax** returns with the **BIR** (Bureau of Internal Revenue) every single month. This is not optional and failing to do it on time results in penalties.*

### Annual:

*Like in other countries, businesses must file an Annual Income Tax Return with the **BIR** and also file formal financial statements with the **SEC** (Securities and Exchange Commission).*

#### Key Feature:

*The accounting workload is heavily influenced by **tax compliance**. The 12% VAT (Value Added Tax) is a "pass-through" tax. Businesses must meticulously track all the VAT they collect on sales and all the VAT they pay on their own purchases, then calculate and remit the difference to the BIR. This VAT management is a critical and constant task that does not exist in the same way in the US or Japan.*





## Section 8: The "Big Three" Financial Statements

*The annual report is built around three core statements. They all work together, but they each tell a **different** story.  
For beginners, it's helpful to use these analogies:*



# 1. Income Statement (P/L)

What it is:

*A report that shows your revenue (sales) and expenses (costs) over a **period of time** (e.g., "For the Full Year of 2025").*

The Question it Answers:

*"Did we make or lose money **this year?**"*

Analogy:

*This is the **video** of your performance. It tells the story from January 1st to December 31st and shows whether you "won" (made a **Net Profit**) or "lost" (had a **Net Loss**).*



## 2. Balance Sheet (B/S)

What it is:

*A report that lists what a company **owns** (Assets) and what it **owes** (Liabilities and Equity) at a **single point in time** (e.g., "As of December 31, 2025").*

The Question it Answers:

*"What is our financial position right now?"*

Analogy:

*This is a **snapshot** of your financial health. It doesn't show the whole year's story; it just shows your exact position on the **one specific day** the "picture" was taken. It proves the most famous equation in accounting: **Assets = Liabilities + Equity**.*



### 3. Cash Flow Statement (C/F)

What it is:

*A report that explains **why** your cash balance changed from the start of the year to the end.*

The Question it Answers:

*"Where did our cash come from, and where did it go?"*

Analogy:

*This is the **detective story**. It solves the mystery of "Why did our bank account go down even though our Income Statement says we were profitable?" (The answer: Maybe you bought a new building or paid off a big loan). It's a critical tool for managing your actual cash.*



## Section 9: Summary of Differences by Country (Table)

*This table summarizes the key differences for your reference.*

Category	Japan	United States	Philippines
Monthly Report	Mainly internal, focused on budgets. No government filing.	Mainly internal, flexible, focused on KPIs. No government filing.	Legally mandatory monthly tax filings with the BIR.
Annual Report	Corporate tax filing, plus FSA report (有価証券報告書) for public companies.	SEC Form 10-K (for public companies) and IRS tax return (for all).	SEC and BIR reporting required for all companies.
Key Feature	Detailed accounts, unique "Ordinary Profit" (経常利益) calculation.	Investor-focused, all about transparency and "Net Income."	High tax compliance burden, especially the 12% VAT.



## Section 10: Review Questions (New Team-Based Problems)

*Use the step-by-step math guides from Section 4 to solve these.*

### Q1 (Japan)

*What is the name of the annual report that public companies disclose to investors, which is known for being very detailed?*

### Q2 (US)

*What is the official form number of the annual report that public companies (like Apple or Google) must file with the SEC?*

### Q3 (Philippines)

*What is the main tax (at 12%) that the BIR requires businesses to file a return for every month?*

### Q4 (Math: Growth Rate)

*Cris's "Café Hopping" blog earned \$200 in Month 1 from ad revenue. In Month 2, it earned \$280. What is the growth rate of her ad revenue?*

### Q5 (Math: Average)

*Jenelie's online guitar lesson business earned a total of \$24,000 for the whole year. What were her average monthly earnings?*

### Q6 (Math: Profit Margin)

*Zyrine sells a pack of gaming stickers for \$300. The cost of the stickers, printing, and shipping was \$210. What is her profit margin on the sale?*

### Q7 (Math: Cash Flow Projection)

*Pat's craft business has \$1,000 in the bank. She receives a \$1,500 payment from a customer (Cash In) and immediately spends \$600 on new supplies (Cash Out). What is her new bank balance?*



## Section 11: Answers and Explanations

1

Q1

有価証券報告書 (Yuuka Shouken Houkokusho / Annual Securities Report)

2

Q2

Form 10-K

3

Q3

VAT (Value Added Tax) Return

4

Q4

1. **Change:**  $\$280$  (Current)  $- \$200$  (Prior) =  $\$80$  increase
2. **Fraction:**  $\$80$  (Change)  $\div \$200$  (Original) =  $0.40$
3. **Percentage:**  $0.40 \times 100 = 40\%$  Increase

5

Q5

1. **Total:**  $\$24,000$
2. **Divide:**  $\$24,000 \div 12$  months =  **$\$2,000$  per month**

6

Q6

1. **Profit:**  $\$300$  (Revenue)  $- \$210$  (Cost) =  $\$90$  (Profit)
2. **Fraction:**  $\$90$  (Profit)  $\div \$300$  (Revenue) =  $0.30$
3. **Percentage:**  $0.30 \times 100 = 30\%$  profit margin

7

Q7

1. **Start:**  $\$1,000$
2. **Add Cash In:**  $\$1,000 + \$1,500 = \$2,500$
3. **Subtract Cash Out:**  $\$2,500 - \$600 = \$1,900$



## Section 12: Key Takeaways



### Monthly reports

**Monthly reports** are for **short-term management** (checking the dashboard).



### Country differences

The reporting focus changes by country: **Japan** (detailed, internal budgets), **US** (investor-focused), **Philippines** (tax compliance-heavy).



### Annual reports

**Annual reports** are for **formal summaries and disclosure** (the final grade).



### Math tools

**Math** turns simple reports into powerful analysis tools:

- **Growth Rate** → Evaluates growth and momentum
- **Average** → Understands the annual balance and typical performance
- **Profit Margin** → Measures efficiency and profitability
- **Cash Flow Projection** → Calculates future cash position (survival)



## Conclusion

*You have now covered the "what" and "why" of financial reporting. You've seen that reports are not just collections of numbers; they are the primary tools for managing a business, staying compliant with the law, and communicating with partners.*

*You've learned that a monthly report is a manager's guide for steering, while an annual report is the company's official story for the year. Most importantly, you've practiced the simple math—growth rates, margins, and projections—that brings these reports to life.*

*Just as Zyrine believes "Life is a matter of choices," these reports are what give a business the power to make better ones. In the next lesson, we will apply this knowledge further in "Practical Applications."*