Financial training
For non financial staff

ATTAINMENT TRAINING

The financial training specialists

It's written in the stars (profit and cashflow)

I'm currently working on a project with a client looking at accounts analysis. They do a financial analysis on customers' accounts before they take them on.

Why? To get some assurance that the customer isn't about to go bust.

So what are they looking for? In the Profit & Loss account they're looking for indications that the customer is growing rather than shrinking, and is profitable.

From a cashflow point of view, is the profit being turned into cash in the bank? Is the company financed by borrowings, and are these borrowings going up or down? Are their customers paying them on time? If not, cashflow problems will soon follow! Are they paying their suppliers? This is another sign of cashflow problems.

But as we dig deeper there are many accounting shenanigans that make the accounts less reliable than they may appear. How do we spot these? Some are more benign than others, but they all distort the accounts. Why do the accounts need to be distorted, anyway?

Finally, my client often does a site visit to prospective customers. They're looking to see if the reality matches up to the financial picture that the accounts are painting.

The key issue here is that my client doesn't want to take on a customer that ends up not paying.

How do you assess your customers before you take them on, and is it working for you?