

Financial training For non financial staff



The financial training specialists

Getting value (profit)

It is said that an accountant is someone who understands the cost of everything and the value of nothing. Sometimes that seems to spread into the idea that financial management is about cost cutting.

In fact it's about getting good value. Sometimes that means spending less, sometimes spending more.

Let's think about the cost of time.

The average UK salary is about £26,000. With Employer's National Insurance (13.8%); employer pension contributions (5% to 10%); benefits in kind; and additional costs of employment (training, equipment, etc); this can easily rise to £32,000. After public holidays, annual leave, sick leave, and training absence there are about 220 days left in the office. That's an average cost of nearly £150 per day, about £20 per hour.

I was in Warsaw recently, and had a couple of hours to kill in the airport. Using the Executive Lounge was a bit expensive (130 zlotys felt like a lot, but it translated to £26); but I paid up anyway.

Of course, by the time I'd had something to eat and three or four coffees, the net cost had come down. But the real benefit was two hours of useful time at a desk, making it a net gain for me. Two hours of time that I was paying for anyway, but which suddenly became two productive hours, rather than two wasted hours.

If I'd been cutting visible costs I wouldn't have paid the £26, as it was I got far more than £26 of value!