

## *Financial training For non financial staff*



*The financial training specialists*

### **What are you invoicing? (Budgeting, Profit)**

I was working last week with some managers whose administrative process has just been outsourced. Now, their cost budgets have been replaced by profit targets.

The easiest way to miss a profit target is to do work that isn't charged, so it's really important to understand what we're invoicing.

This involves, first of all, seeing the invoices! Not every profit centre manager does this. After all, the invoicing is often managed by the sales department, so why do I need to be involved?

First, we need to be involved because our sales are a vital component of our profit!

Second, we need to be involved because we know what goods and services we've supplied. This is especially important in service areas: services are harder to capture than goods that are physically shipped.

As managers, we know what services we provide. So what services are being invoiced?

Are there any services we provide, that aren't being invoiced? These are important to identify. It's not that we make no profit on work we don't invoice, instead we lose money on these services.

So we have 3 options: stop doing work we don't charge for; start charging for it; or decide to give it away as a freebie. (But if we go for this last option we need to understand why we are doing it. What's the benefit to us?)

But we can only choose between these options once we've identified what we're not charging for. That means understanding what we are invoicing!