

## *Financial training For non financial staff*



*The financial training specialists*

### **Business information (profit and cashflow)**

This week I was driving up the M1 – again. The signs were flashing “Incident, slow down, 50”, and everything slowed down. There was no incident, the “End” sign followed, then a few miles further on: “Incident, slow down, 50”. Needless to say, everyone ignored it.

That set me thinking about the financial information we look at in management meetings. How many people, when it comes to the finance in meetings, quietly turn off and leave it to the accountants? Often because we don’t understand what they’re talking about, don’t understand the information, or don’t feel qualified to comment.

There are only 5 main things to look for in the finance report, and only 2 questions to ask.

The 5 things to look at are: sales; gross profit or margin percentage (the percentage of the customers’ money we keep after producing the goods or services we sell); overheads (IT, HR, Finance, sales and marketing etc). These affect our profit. Debtors (the customers who owe us money); and stock & work in progress (the raw materials, finished goods, and part finished goods or un-invoiced work) are the two factors that affect the bank balance most of all.

Look for these 5 areas in the report. Are they on budget, better, or worse?

If they are better (or worse), there are 2 questions to ask. “Why?” and “What can we do about it?”

Once we can deal with the causes, we can improve next month’s performance.

Try it!