



## *Financial training For non financial staff*

### **Financial habits - part 5 (Budgeting, Profit)**

This week's habit is about focussing on the key numbers.

I worked with a group of directors whose monthly finance report was 16 pages long! Where do you start if you're faced with that many numbers?

You start with the key numbers.

The first three important issues are:

- How much is coming in?
- How much are you spending?
- What's the profit or loss?

These 3 questions are true for business as well as our domestic finances. So get a highlighter, and highlight these 3 lines.

Total costs next. How are they doing? What are your five biggest costs? Look at these individually: if you're on top of the big numbers, the little ones matter less.

Then look for your profit. Are you making money or losing money?

The next 3 key issues relate to cashflow:

- How much money do you have?
- How much is in inventories (stocks and WIP)?
- How much do your debtors owe?

These issues are related: the higher your inventories and debtors, the less money you'll have.

You'll have fewer than a dozen key numbers in your report - that's much more manageable. You need to be on top of these numbers if you're going to be stay on top of your financial targets.

And those directors I mentioned? At the end of the day, the Finance Director said "16 pages is too long isn't it?" They nodded. He asked "How about a single page?" They answered "How about half a page?"

What are *your* key numbers?