

Financial training For non financial staff



The financial training specialists

Financial habits - part 7 (Budgeting, Profit)

We've looked at the key financial numbers in the last couple of habits. But the financial report only tells us that something has happened: we need to understand *what's* happened so we can *do something* about it.

Here's 3 questions to help you think about your variances. ("Variance" is the difference between the budget and actual position.)

What's happened to cause the variance?

We need to understand what's happened before we can put it right.

Maybe the budget predictions were wrong. Perhaps something has slipped from one month into another. We've run into unexpected difficulties. Staff are sick. Supplier costs have risen. A customer has changed their mind.

We need to understand the *real cause* , and not get fobbed off with a symptom.

What are we doing about it?

Once we know the cause, we can deal with it.

So what are we doing about the cause of the variance? How effective will that be? Who do we need to communicate with to ensure our solution works?

What are the wider implications?

We always need to think beyond the obvious issue. What's the implication on our customers; suppliers; team; and other departments? What are the implications for staff numbers, training, resources, equipment, etc?

Importantly, what's the implication on our year-end financial position? Will we now end up over or under budget?

A word of warning!

Your manager or director will look at the variances on your financial report and ask you these questions. Make sure you've got some good answers &