

Financial training For non financial staff



The financial training specialists

Drilling down (Budgeting, Profit)

The Finance Manager came in at the end of the workshop I ran last week. She asked the participants "What surprised you about the day?"

One response was "The amount of information you can pull out of a set of figures when you drill down."

During the workshop we had looked at various ways of assessing the financial numbers. One important point was to focus on the key numbers. Most teams or businesses have 5 or so really important costs, and the rest is background detail.

We can look at the size of the number. "Profit this month is bigger than last month." "That's good!"

We can look at the number in relation to another number (often sales or output). "Profit has grown, but it's growing more slowly than sales. so as a proportion of sales, profits are falling." "Not so good."

And the trends are important too. "profits have grown now for 10 consecutive months, but the amount of growth is less each month. At this rate profits will start to fall in 3 months' time." "That's a problem!"

But then we need to understand the cause of the problems that the numbers point to. What has caused the slow-down in profit growth?

Is the sales team giving too many discounts?

Have supplier costs risen?

Do we have a productivity problem?

Once we understand the real cause of the problem, we can begin to address it.

So look at your financial numbers, then drill down into the causes.