

Financial training For non financial staff



The financial training specialists

What's important? (Budgeting, Profit)

This is the first in a series about making sense of the monthly financial report.

One problem with financial reports is their size: they often cover several pages, so where do we start? Starting at the top of page 1 usually isn't helpful!

I often find it helps to highlight the important numbers.

But what's important?

We need to get the big picture first. So find and highlight total sales; total costs; and total profit. If you have a cost budget, you'll only be able to highlight total costs. These numbers tell us whether, overall, we're better or worse than our target.

Next we can dig into the detail. So highlight your 5 or 6 most important costs. These will include your biggest costs, but may include other costs you have to keep on top of to be successful (eg overtime; penalties; wastage; etc). If we're on top of these really important costs, the rest are often "background noise". Not unimportant, but secondary.

These 8 or 9 lines all focus on profit, but we need to manage cashflow as well. So we'll focus on working capital: the "sponge" that so easily soaks up the cash that we need in the bank.

Not every budget will have these, but if yours does then highlight the values for stocks (of raw materials or finished goods); WIP (the work we've done but haven't invoiced); and debtors (the unpaid customer invoices).

So, a dozen lines and you've highlighted the key issues in your report.