

## *Financial training For non financial staff*



*The financial training specialists*

### **Making comparisons (Budgeting, Profit)**

Last week we looked at the key information in a finance report: total sales, costs and profit; the 5 key costs; and cashflow issues (stocks, WIP and debtors).

But how do we assess these key numbers?

Always by comparison. We'll benchmark the numbers in relation to other numbers.

The most important comparison is between our actual numbers and budget, as the budget is the target we're assessed against.

Comparing the year to date numbers against budget is often more useful than just looking at this month. Even More useful is keeping track of where we'll be against budget by the year-end.

If we've got a cost centre, we need our costs to be below budget. A profit centre (income and costs) gives us more flexibility in beating our profit budget.

Another useful comparison is this year against last year. If we're not doing as well as last year, why not?

We can often analyse our costs as a percentage of sales. With production budgets this analysis becomes very important indeed.

Peer comparison can also be revealing, where possible. How does our team or contract compare to similar teams or contracts within the business?

Trends are also important, especially when they change. If sales have been growing month by month, but are now static, that's an important change that we need to understand.

And finally, we can compare the numbers to our expectations. If we've had a really quiet month, or if lots of overtime, is that reflected in our numbers?