

Financial training For non financial staff



The financial training specialists

Reading your finance report - 2 (Budgeting, Profit)

In my last blog I highlighted the 10 important lines of information that we need to be looking for in our financial report. "What do we focus on?"

But what do we do with those lines, once we have found them?

We compare them.

It's usually worth comparing the actual numbers against the budget for this month; last month's numbers; and the numbers this time last year.

But be careful! We must always think about the validity of the comparison. If the budget was agreed before Covid, comparing the actual numbers for a month in Covid, against the budget that didn't foresee Covid will probably be misleading.

Covid will make a comparison against the previous year misleading as well.

In a highly seasonal business, comparison against the previous month may not be helpful. Try

by comparing January sales of Christmas crackers against December sales.

And when I'm comparing, I'll look at three elements of the numbers.

How big is the number itself? What is the number in relation to sales? And what's the trend with the number?

Suppose factory labour costs are £300k, against £290k last month. H m m m &

Sales have risen though: labour costs are 23.9% of sales this month, against 24% last month. That's good.

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