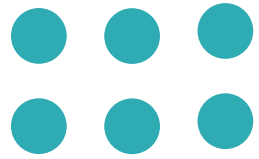




# Financial Management

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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

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Key Performance Indicators



# Data Quality

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Bookkeeping

- Do it Regularly
- Do it right



# Bookkeeping

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## Software

- Cloud Based
- Reduce errors
- Improve efficiency
  - Receipt capture
  - Bank feeds
  - App integration
  - Reporting



# Bookkeeping

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Frequency – ideally weekly

- You are less likely to lose receipts
- You are more likely to remember what a transaction relates to
- The information in your reports will be more up to date and complete

# Bookkeeping

## Training

- Webinars available on software provider websites
- Your Accountant
- Other online resources
- Paid for training

# Bookkeeping

## Training

- Shortcut learning
- Reduce frustration
- Show you how to set it up correctly
- More likely to do it right
- Show you hints and tips on using more efficiently



# Bookkeeping

## Outsourcing

- A qualified bookkeeper is likely to be:
  - Quicker
  - More accurate
  - Save you money on year end accounts
- Using someone else will:
  - Allow you to focus on growing your business
  - In most cases, mean it is more up to date, more often



# Data Quality

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With up to date, accurate numbers in your bookkeeping software you will be able to:

- Run customer statements, collecting in money owed to you faster
- Understand what you owe to suppliers and when payments are due
- Run inciteful reports that show you how you are performing



# Profit and Loss

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Income and expenses over a period of time – often a financial year

Shows if you have made a profit, or a loss

Note – your Accountant will ensure that the income and expenses in the period are all relating to the period using a principle called “Matching”



# Profit and Loss

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Reports showing how the business is performing.

Commonly:

Month or year to date compared with:

- Last year
- The budget or forecast



# Profit and Loss

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Actual Profit or Loss

Gross Profit amount or percentage

Net Profit



# Profit and Loss

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Watch out for:

- Stock - Things you buy to sell
- Work in progress, not yet invoiced
- Deposits (payments in advance) – refundable
- Staged payments and retentions



# Profit and Loss

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## Watch out for – Accruals and Prepayments

- When you know you have incurred/consumed a cost, but haven't yet seen the bill
  - Rent in arrears
- When you get a bill for the full year, but that doesn't match your financial year
  - Insurances
  - Council tax



# Profit and Loss

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Watch out for – Capital Purchases

- Go onto the balance sheet
- Depreciation – released to the P&L over the useful life of the asset

Note – different to capital allowances which is the way that capital items (fixed assets) are dealt with for tax purposes





# Taxable Profit

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**Profit or Loss is adjusted at the year end due to tax rules on things like:**

- Private use
- Disallowed expenses, eg client entertainment
- Capital Allowances v Depreciation
- Stock
- Accruals and prepayments



# Balance Sheet

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A snapshot of the company on a particular date – typically the financial year end

Show what the company owns, owes and is owed at that date.



# Balance Sheet - Assets

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Fixed Assets – also known as Tangible Assets or Capital Purchases

1. Things you can touch and see
2. Things with a useful life that is longer than the financial year



# Balance Sheet - Assets

Asset	Laptop Computer
Purchase Price	£1,000 plus VAT
Useful Life	3 years

Ignore VAT and the payment for the Asset

	Balance Sheet		P&L	
Asset Purchase @ date of purchase	£	1,000		
End of year	-£	333	£	333
Net Book Value carried Forward	£	667		

Over 3 years the Asset will be charged to the P&L reducing profit each year



# Balance Sheet - Assets

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Fixed Assets fall into categories

1. Land and Buildings
2. Plant and Equipment
3. Furniture and Fitting
4. Vehicles
5. Computer Equipment



# Balance Sheet - Assets

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Current Assets – things that are deemed as easily convertible to cash, and cash

- Balances in bank accounts
- Debtors – amounts owed to you by customers – invoiced but not paid
- Stock/Inventory



# Balance Sheet - Liabilities

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Amounts the business owes

## Current Liabilities

- Creditors – money you owe to suppliers
- PAYE and Pension
- VAT
- Corporation Tax
- Short term loans



# Balance Sheet - Liabilities

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Amounts the business owes

Longer Term Liabilities

- Loans and Mortgages
- Directors Loans





# Balance Sheet – The Equity Section

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This section equals the total of the assets less liabilities. This is what is referred to when people ask, does the Balance Sheet Balance..

Share capital

Profit for this year

Retained Profit or Shareholders Fubn



# Cash Flow

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Cash is King

You can only spend it once

You need it to operate a business and you need it even more when you grow



# Cash Flow

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“Why is my P&L saying I have made a profit, but I don’t have any cash in the bank?”

Timing:

- You have bought supplies, but not paid for them yet
- You have raised invoices, and your customers havnt paid you yet
- You have bought capital items
- You have bought stock items



# Cash Flow

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Things that you spend cash on that never touch the P&L

- VAT
- Corporation Tax
- Directors Loans/Dividends

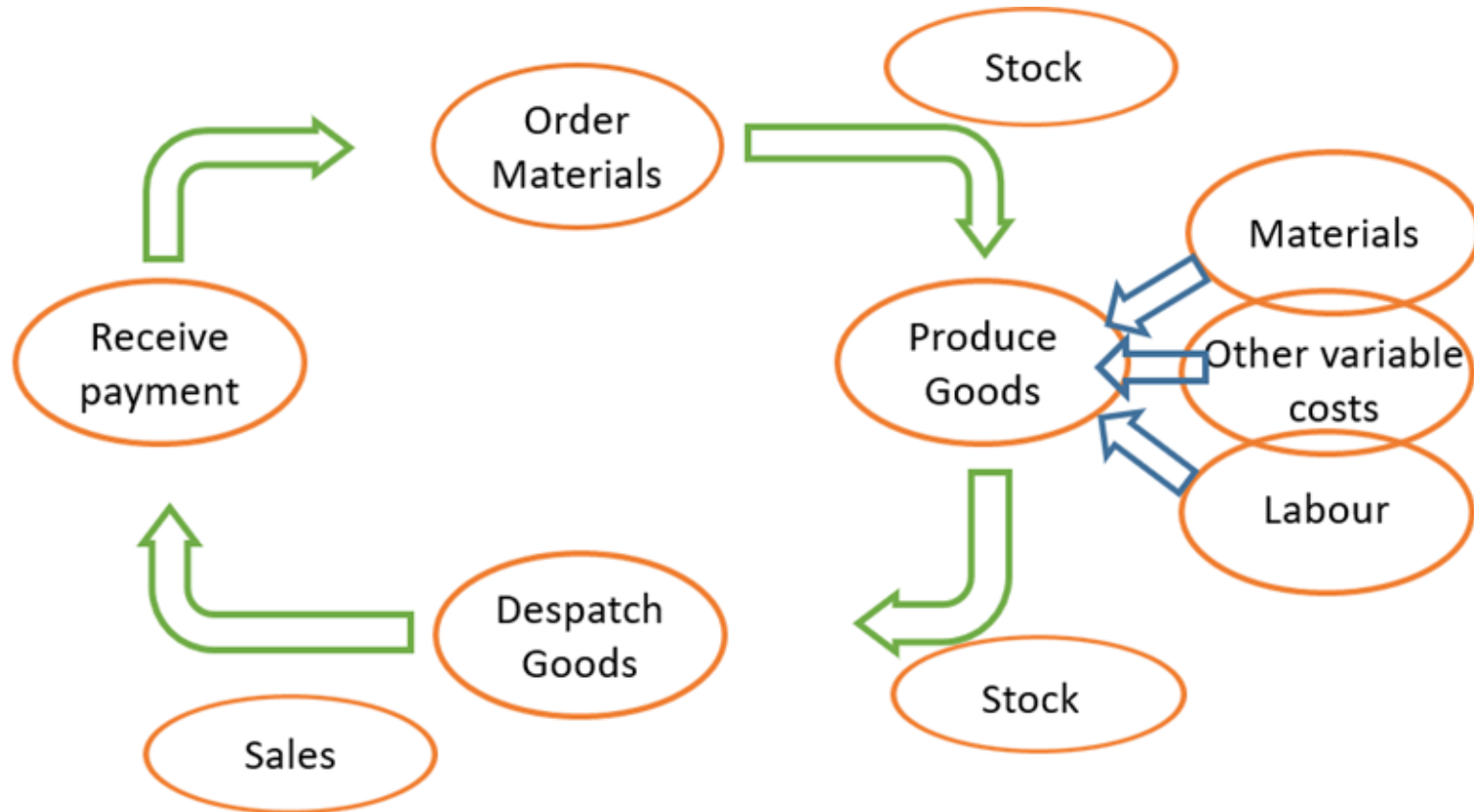


# Cash Flow

	Each	x 50
Sales	£ 1,000	£ 50,000
Material Costs	£ 500	£ 25,000
Labour Costs	£ 200	£ 10,000
<b>Gross Profit</b>	<b>£ 300</b>	<b>£ 15,000</b>
Overheads	£ 100	£ 5,000
<b>Net Profit</b>	<b>£ 200</b>	<b>£ 10,000</b>



# Cash Flow





# Cash Flow

	Month 1	Month 2	Month 3	Month 4	Month 5
Order materials - upfront payment required	-£25,000				
Convert materials into Finished Goods - Labour costs			-£10,000		
Overheads			-£5,000		
Sales invoice raised as goods are despatched					
Sales invoice paid					£50,000
Net Cash	-£25,000	£0	-£15,000	£0	£50,000
Cumulative cash	-£25,000	-£25,000	-£40,000	-£40,000	£10,000



# Cash Flow

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Forecasting Cash

Ensure you don't run out

Give time to apply for finance if required

Understand what the cash in the bank might be needed for





# Financial Planning

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Planning for the future using financial tools called Budgets and Forecasts

## Budget

- More rigid
- Longer term

## Forecast

- Build in changes as you are aware of them
- Often within one financial year



# Budgets and Forecasts

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## Resource planning - Cash

- How much you need
- For how long
- What you plan to spend it on
- Prove your ability to afford the repayments and interest



# Budgets and Forecasts

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## Resource planning – Staffing

Bringing in new people takes time, so needs to be planned in advance

- Identify who we need and from when
- Job spec
- Advertise
- Interview
- Notice period
- Training



# Budgets and Forecasts

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## Resource planning – Raw Materials

Lead time for supply

Time for conversion

Need to closely manage stock



# Budgets and Forecasts

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## Resource planning – Marketing

Your growth is often marketing dependent.

- Build a marketing strategy
- Put it into practice
- Allow for a lead time, depending on the route to market



# Key Performance Indicators – KPI's

- Liquidity or Current Ratio
  - Current Assets/current liabilities
- Solvency
  - Ability to pay debt
- Gearing
  - Compares debt to equity
  - Total Debt/Total Equity
  - Result as a %
  - A high % is known as highly leveraged
  - 25-50% is considered normal



# Key Performance Indicators – KPI's

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- Key
- Performance
- Indicators



# Key Performance Indicators – KPI's

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## Sales/Revenue

- Revenue Growth – generally a %
- Revenue per client
  
- Profit margin
  - Gross or Net
  - Generally a %





# Key Performance Indicators – KPI's

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## Customer Focused

- Client Retention
- Customer Satisfaction
- Conversion rate
- Customer Acquisition Cost



# Key Performance Indicators – KPI's

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## Operational

- Waste Levels
- Returns
- Refunds
- Accidents



# Knowing your numbers

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**Accurate numbers to support great decision making**

# Thank

# You



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