

Helping You to Develop Your Business with Free Hints and Tips

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Making Management Accounts Work for You

⇒ *Strengthening your business's financial performance*

Overview

Whether or not businesses generate income, they generate costs. Whatever your objectives, you will be expected to achieve them with a limited amount of cash and, sometimes, urgent cost reductions will be needed if the business is encountering problems. You will also be expected to reduce costs as far as possible, as a matter of course. Despite its central importance to profitability, cost reduction is often done carelessly, even in desperation, rather than effectively and rationally.

Linked to the issue of profitability is the need to manage cash. Cash and profit are the twin, related financial pillars on which a business survives. Leadership, customers, talented people, ideas and competitive products are also essential, but no more than cash and cost control.

Many businesses make the fatal mistake of focusing solely on profit, ignoring the fact that *cash* is the life-blood of the business. The most fundamental of all financial statements, particularly for small and medium-sized businesses but also highly relevant to large companies, is the cash flow forecast.

Making Management Accounts Work For You.....10 Things To Consider

1/ Management accounts need to be promptly available, easily digested and accurate. Properly prepared and used they put you back in charge and enable you to make proactive changes instead of responding to problems that have already hurt you.

2/ Is your current accounting system capable of allowing the rapid production of management accounts? If not, does it need changing....standard software packages such as Sage are an effective, cost effective solution.

3/ How much of the work do you have time to do? Consider what balance is right for you.....if you have an available resource, then training could be the answer.....it will make you partly self-sufficient.

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4/ How regularly do you need management accounts? Monthly will enable you to pick up problems quickly. Bi-monthly or quarterly may be appropriate where the volume of trade is not so high but close control is still required.

Half yearly and pre year end will be suitable where tax planning is the key objective.

5/ Decide what financial information you need to properly run your business and ensure that your management accounts provide you with this.....decide what information is superfluous and get rid of it.

6/ Make sure you understand what the accounts mean and how to analyse them.....you'd be wise to invest in some appropriate training.

7/ Ask your accountant about what checks you can do to ensure the accuracy of the information.

8/ Establish a reporting timetable and enforce it. Include deadlines for when transactions should be posted, controls completed, accounts prepared and accounts examined.

9/ Make sure you understand every line of the accounts. Understand all the movements. If you don't understand seek training from your accountant.

10/ Keep previous accounts for comparison. Look at graph trends for easy analysis.

***For Further Information or to
Arrange a Consultation
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