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ROGERSON KENNY

BUSINESS ACCOUNTANTS



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Business Update

Budget and Cashflow Forecast Reviews Assist in Adding Value

It has been proven, time and time again, that the setting of a budget is the same as setting a "goal". The fact that you have sat down with your accountant in some "isolation planning" and thought about the issues relating to your business and, from that process, have then established the goals and have seen the results on paper, implies that there is a reasonable chance that, by working hard and continually reviewing the budget and measuring actual performance against it so that you can better manage the business, will help you to achieve your overall business objectives.

The budget process requires some "goal setting". What do you want to achieve in the business by way of salary for yourself and any other working owners in the business and what is your target of net profit?

You should then be able to calculate, with our assistance, realistic sales targets for the next 12 months. From the sales targets, it is then possible to calculate the required stock purchases so that, as far as possible, the level of stock directly relates to the volume of sales being made in any particular time of the year, so that the business is not tying up funds and stock unnecessarily.

The overhead expenses of the business also need to be evaluated with some questions being asked. What benefits are being received from this type of expenditure?

An important point to remember is that "profit" is not cash in the bank. Many SME owners get very disturbed to see a certain profit figure and then ask "where is the money?" Unfortunately, a significant amount of your profit will probably be tied up in the "cashflow cycle" which is the investment that you have in stock, work-in-progress and debtors.

Part of the aim of preparing Budgets and Cashflow Forecasts is so your accountant can make suggestions as to strategies to be introduced to try to reduce the number of days invested in "cashflow cycles".

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We're happy to be involved in the preparation of Budgets and Cashflow Forecasts for our clients. As well as preparing the Budgets and Cashflow Forecasts for our clients, we also prepare an Action Plan which will identify any components that we've discussed with you as part of the budget preparation which may require some fine tuning during the year, so as to improve your overall business performance.

Budgets and Cashflow Forecasts are vital tools for effective management of all types of businesses, both large and small. The key strategy is to ensure that there is a regular review of actual performance as compared to budget to determine where any adjustments should be made in the budget or to seek guidance on an actual area of operation of the business that should be subject to additional due diligence to understand what is causing a particular problem.

If you would like assistance in the preparation of Budgets and Cashflow Forecasts and in the establishment of a system to ensure ongoing monitoring of the Budgets and Cashflow Forecasts during the year, please do not hesitate in contacting us.

