



AVEGNA

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Financial Management is Key

In uncertain times the only thing you can control is your business. Even during the good times you should never take your eyes off the financial ball. Do you know the keys to good business financial management?

If You Don't Measure It You Can't Manage It

Bookkeeping and the accounts are a means to an end, not the end itself. Even the simplest of businesses can get a wealth of information from their financial system as long as you give a little thought to what you enter and how you enter it. If your business sells goods, what items or categories of items make the best margin for you? What items do you sell the most of? Do you make good margin from those products or are they merely "loss leaders" for your other lesser selling but more profitable products?

If yours is a service based business, are your employees doing accurate timesheets? Are they completing their work within the budgeted time or quote? If not was the quote prepared incorrectly or is the employee not doing their job properly? All of these factors are basic things you should be looking at weekly, if not daily.

If you are not measuring these numbers then you are missing out on basic information that could make a world of difference to your business bottom line.

Regular Reviews

You should be getting daily, weekly and monthly financial reports about your business. If you aren't then how do you know what is really happening in your business? You might think you know, but that is a very risky attitude to have. With a minimum amount of time and effort you can review the basic key performance indicators for your business. If it's that easy, why not do it?! You are mad if you don't!

Benchmark Against Budget, The Previous Period And Last Year

When reviewing your business what do you compare the current reporting period against? Our suggestion is to compare this against a minimum of three things, budget, the previous period(s) and the same period last year. Simple stuff but again it can highlight very quickly if you have an issue and perhaps the reason for it. If nothing else it is a very good discipline to get into.

Plan For The Worst Of Times

Easier said than done we know, but you should work towards always maintaining a reserve of cash. We recommend ten to fifteen percent of gross revenue as being a number that enables you



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to see yourself through most rough patches. Another tool is to regularly review and aim to achieve some basic ratios. Things such as the receivables versus payables ratio are quick tools to guide where action may be needed. Work out the what you need to have in reserve and work towards achieving this number within an manageable timeframe.

For any further information on the issues covered in this article please contact us. We offer a free, no obligation initial consultation.

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