

Finance Fundamentals – Know your numbers to grow your business

LSBU

Julie Wong

Monday 12th February 2024 13:00-15:30

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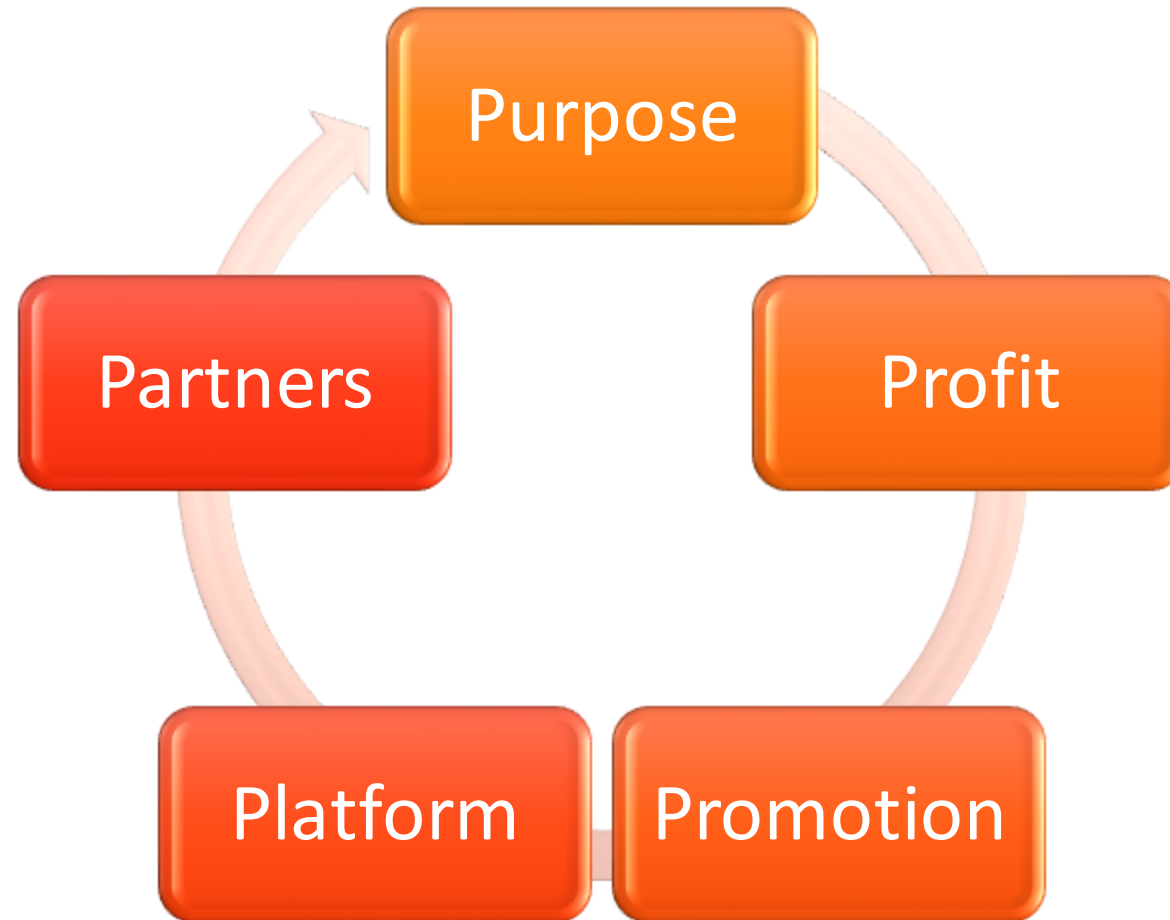
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Where are you going?

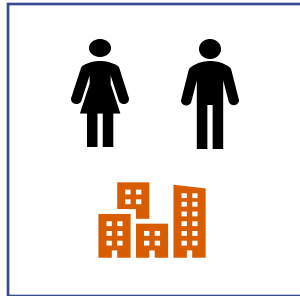


Purpose to Profit™



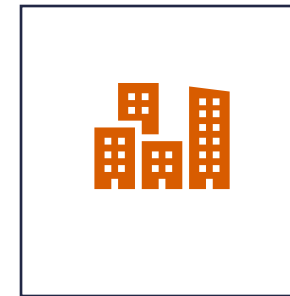
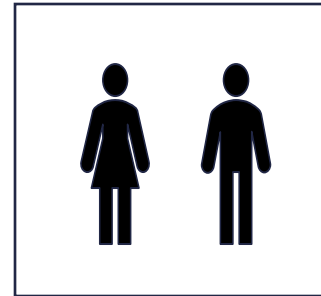
Setting Up Your Business

Sole Trader/Partnership



- HMRC

Limited Company



- HMRC
- Companies House



What are accounts?

What do they look like?

**I'll show you
the net worth
of a company!**

Balance Sheet



**I'll show you
how profitable
a company is!**

Income Statement



**I'll show you
the money... I
mean cash!**

Cash Flow Statement



Financial Statements and Returns

Balance Sheet As at 31st March 2009

Assets		
Fixed Assets	10000	
Intangible Assets	5000	
	<u>15000</u>	
Current Assets		
Bank	1000	
Stock	500	
Debtors	2000	
	<u>3500</u>	
Total Assets		<u>18500</u>
Less		
Creditors falling due in one year		
Creditors	3000	
Loan	500	
	<u>3500</u>	
Creditors falling due after one year		
Loan	2000	
	<u>5500</u>	
Net Assets		<u>13000</u>
Capital and reserves		
Issued share capital	2000	
Retained Profits	11000	
	<u>13000</u>	

Profit and Loss for the year ended 31st March

	£	£
Sales		
Hardware	100000	
Consultancy	20000	
Total sales		<u>120000</u>
Cost of Sales		
Cost of Goods sold	50000	
Direct labour	10000	
Total cost of sales		<u>60000</u>
Gross Profit		<u>60000</u>
Overheads		
Salaries	30000	
Car and Travel	1200	
rent, rates, power and insurance	3000	
Telephone and stationery	2000	
Advertising	500	
Business Entertainment	100	
Bank interest and loans	100	
Bank charges	200	
Legal fees	500	
Depreciation	200	
Corporation Tax	5000	
Total Overheads		<u>42800</u>
Profit/Loss		<u>17200</u>

- Key financial records
 - Profit and loss or... (Income and expenditure)
 - Balance Sheet
 - Company Tax Return
- Micro-entity or abridged accounts for small companies and no audit required (no profit and loss statement to be filed publicly)

Julie Wong - Finance Mentor



CASHFLOW FORECAST

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	Total for Year
Opening Bank Balance B/Fwd	100.00	12,030.00	10,260.00	8,890.00	7,320.00	6,550.00	3,980.00	1,210.00	140.00 -	1,130.00 -	400.00	330.00	100.00
Cash Inflow													
Sales Revenue	200.00	1,000.00	800.00	1,500.00	1,500.00	1,500.00	1,500.00	3,000.00	3,000.00	5,000.00	5,000.00	5,000.00	29,000.00
Loan	15,000.00			200.00		200.00		200.00					15,600.00
Income 3			100.00										100.00
Income 4													-
Income 5													-
Total Cash Income	15,200.00	1,000.00	900.00	1,700.00	1,500.00	1,700.00	1,500.00	3,200.00	3,000.00	5,000.00	5,000.00	5,000.00	44,700.00
Cash Outflows													
People	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	16,800.00
Freelancers		500.00											
Marketing	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
Technology	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Other External	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	3,600.00
Finance	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3,000.00
Stock	1,000.00			1,000.00		2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	16,000.00
Directors Remuneration	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
Other cash outflows 7													
Other cash outflows 8													-
Other cash outflows 9													-
Other cash outflows 10													-
Total Cash Outflows	3,270.00	2,770.00	2,270.00	3,270.00	2,270.00	4,270.00	4,270.00	4,270.00	4,270.00	4,270.00	4,270.00	4,270.00	42,040.00
Net Inflows vs Outflows	11,930.00 -	1,770.00 -	1,370.00 -	1,570.00 -	770.00 -	2,570.00 -	2,770.00 -	1,070.00 -	1,270.00	730.00	730.00	730.00	2,660.00
Closing Balance C/Fwd	12,030.00	10,260.00	8,890.00	7,320.00	6,550.00	3,980.00	1,210.00	140.00 -	1,130.00 -	400.00	330.00	1,060.00	2,760.00

Cashflow and Working Capital

- Importance
- VAT/Corporation Tax/Self-Assessment
- Debtors & Creditors
- Dividends and Drawings
- Capital Expenditure

Business Planning – What and Why





“Telling the future by looking at the past assumes that conditions remain constant. This is like driving a car by looking in the rear-view mirror.” Herb Brody

PROFIT AND LOSS	BUDGET	BUDGET	BUDGET	BUDGET
	Jan	Feb	Mar	Apr
<u>Sales Revenue</u>				
Hardware	10000	5000	8000	10000
Consultancy	5000	5000	5000	5000
Total Sales	15000	10000	13000	15000
<u>Cost of Sales</u>				
Cost of Hardware	2000	1000	1250	2000
Direct Labour	1000	1000	1000	1000
Total Cost of Sales	3000	2000	2250	3000
Gross Profit	12000	8000	10750	12000
<u>Overheads/Fixed Costs</u>				
Wages & Salaries	4000	4000	4000	4000
Premises	1000	1000	1000	1000
Professional Fees	500	1200	500	500
Tech	500	800	500	500
Marketing	300	1000	300	300
Entertainment	100	150	4450	0
Depreciation	300	300	300	300
Total Overheads	6700	8150	10750	6300
Operating Profit (before Tax)	5300	-150	0	5700
Corporation Tax (25%)	1325	-38	0	1425
	PROFIT	LOSS	BREAK EVEN	



Costs – Direct (COS) vs Indirect (Fixed)

Directly Associated with a Sale

- Stock *
- Raw Materials
- Transportation & Delivery
- Commission
- Temp Staff/Consultants*

Incurred Irrespective of a Sale – not directly incurred as a result

- People/Staff/Directors' Remuneration
- Marketing
- Professional
- Rent/Utilities/Office
- Insurance/Subscriptions/Tech

Profit Planning – financial data



Profit and Loss forecast:

- Decision Making
- Relevant
- Accurate
- Timely
- Actionable
- Control
- Deployment of resources



Finance is the lifeblood of your business



- Resource Allocation
- Cashflow Management
- Growth & Investment
- Decision & Action Taking
- Risk Management
- Performance Evaluation
- Compliance and Legal
- Competitive Advantage
- Funding & Finance
- Stakeholder Management
- Sustainability & Longevity



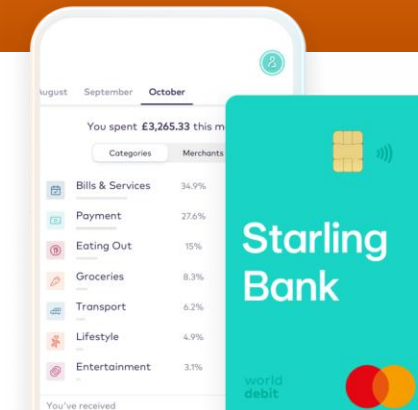
What Data?



Records & Expenses: What to Track

NEED TO JUSTIFY NUMBERS IN ANNUAL ACCOUNTS & TAX RETURN

- Revenue/Income – Sales (invoices)
- Cost of Sales (Purchase invoices, receipts)
- Overheads/Fixed Costs (Purchase invoices, receipts)
- Cash & Working Capital (Cash, Debtors, Creditors)
- Assets
- Keep for records for 5 years



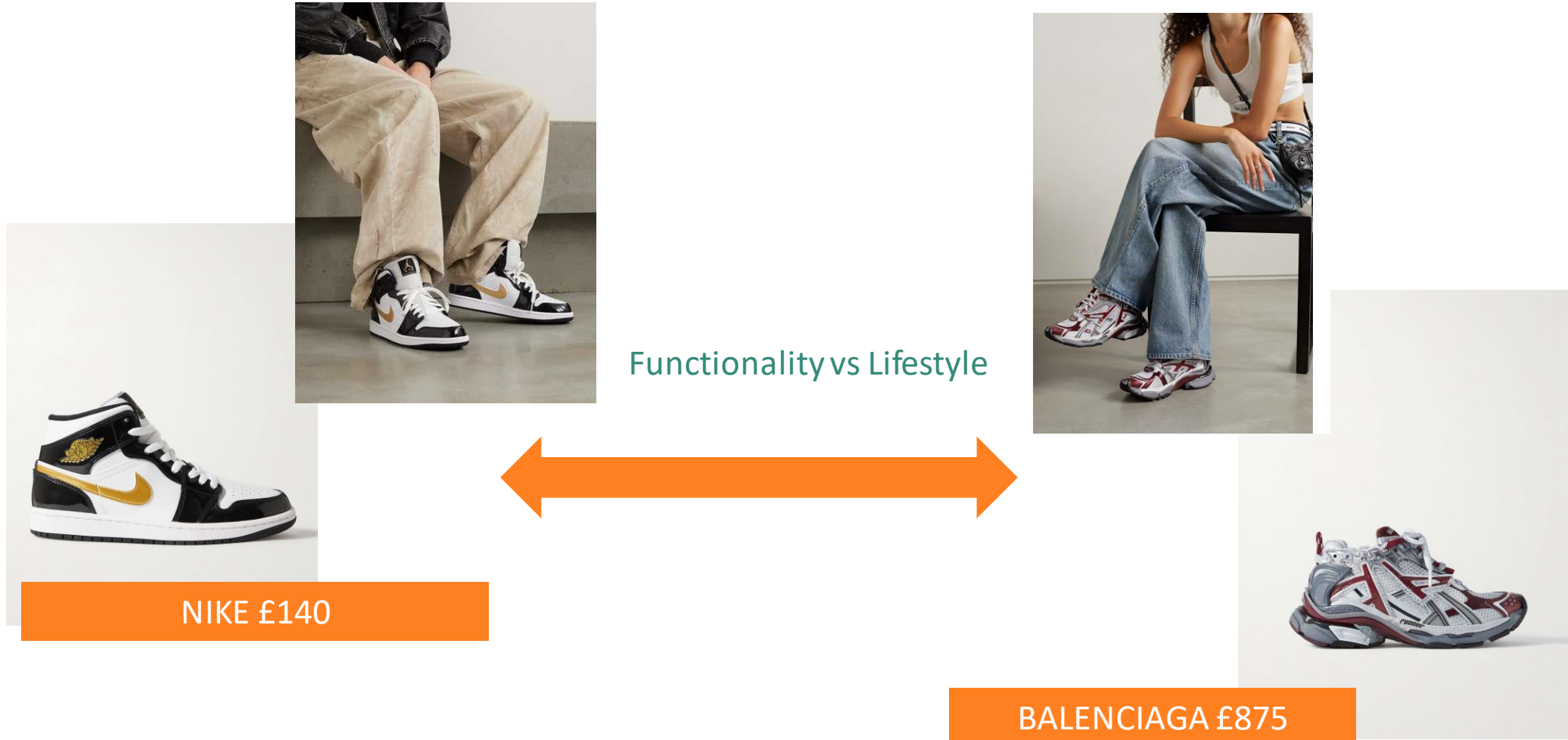
Paying Yourself



- Drawings
- Salary
- Dividends
- Pension
- Benefits
- Expenses
- (Director's Loan*)



Low End or Luxury?



Pricing Strategies



- Cost Plus Based (Resources/Time)
- Market/Competition
- Premium/Price Skimming
- Market Penetration
- Value Based

- *Freemium*
- *Distribution*
- *Promotional/Seasonal*



Who can help you

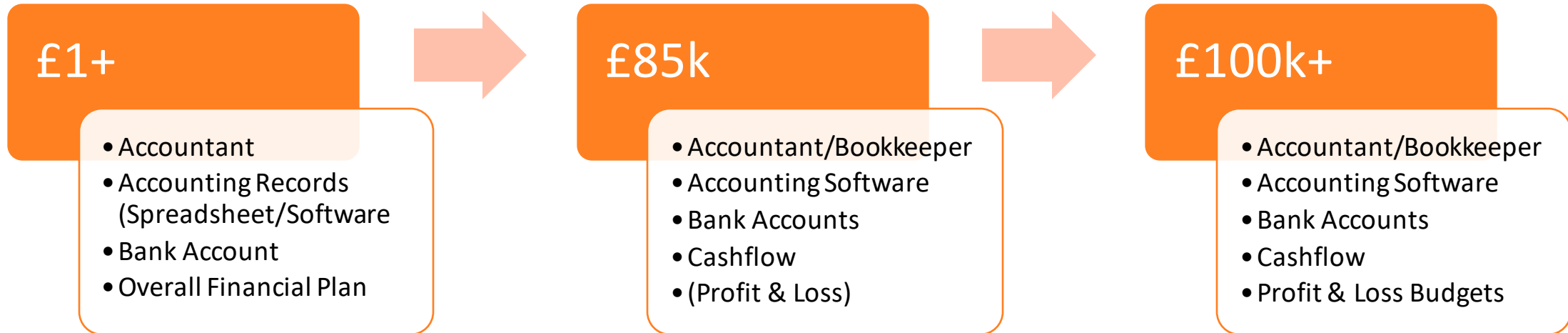


- Bookkeeper
- Accountant (ACA, ACCA)
- Tax Accountant (CTA)
- In-house

Financial Management – What does good look like?



What and When



Who's Cooking Your Books?



Processes & Controls



- KPIs
- Purchase Ledger
- Sales Ledger
- Cash Management
- Sign Offs
- Scaling
- Risk Management



Business Growth



- Product or Service Pipeline
- Lifetime Value of Client
- Markets and Product Development
- Scalability
- Efficiencies





- Vatable – above £85,000* threshold
 - Standard
 - Reduced
 - Zero
- EXEMPT
- Partial Exemption
- Flat Rate Scheme
- Pros/Cons

* within the next 30 days

Fear of Finance - Impact



- Stress & Anxiety
- Lack of Clarity around your business
- How do you compare to your competitors
- Can you do it better?
- Business Decisions – can you change your prices? Can you manage this contract, can you hire? Can you afford a different supplier?



Finance Management Tasks



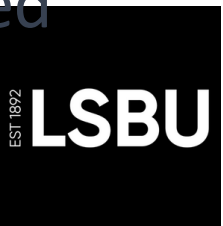
- Weekly and Monthly Tasks
- Diarise Key Dates (Tax Returns, VAT Returns etc)
- Manage Sales Invoices and Debtors
- Create Processes for regular tasks



Positive Outcomes



- **Financial Clarity:** clearer understanding of financial position, including cash flow, profits, and expenses.
- **Confidence in Decision-Making:** confidence to make informed decisions, such as adjusting prices, investing in new equipment, hiring staff and managing stock levels.
- **Improved Business Performance:** financial stability and efficiency improved. With better control over finances, allocate resources more effectively and invest in strategies to grow the business.
- **Reduced Stress:** reduced financial stress. no longer feel overwhelmed by financial tasks, focus on what you love most about your business





Ways to Work With Me



Power Hour

- Quick sounding board for questions



1 Day VIP Strategy Day

- Full covering the key blocks of running a business
- Clarity - Clear idea of what areas of business need attention



Cashflow Confident

- Quick high-level planning covering a 12-month period
- Comfort – clarity on cash management



6-month Purpose to Profit Programme

- In depth on each element of the business
- Direction and action plan
- Know how to steer the course





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Business Mentor:

- British Library BIPC – Growth for Business
- SBREC – City of London
- HM Government - Help to Grow
- Aston University BSEEN
- Wolverhampton University – SPEED
- Roehampton University & Wandsworth Council
- Cherie Blair Foundation
- Portobello Business Centre
- Nat West Mentor
- Help to Grow

Fractional Finance Director

Former Trustee of an International
Development Charity

Financial Strategy; Audit and Financial
Accounts; Projects; Change Management &
Process Engineering







