

Is your financial information worth the paper it's written on?

An article by Chris Lang, DBA Expert



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In these days of ever tightening client budgets companies that work on a project basis often struggle to work out where their money is coming from and, just as importantly, where it's going. It's at times like these that having financial information that is both accurate and timely is most important. Bad information leads to bad decision making whilst information that is outdated means key decisions are missed.

In times of difficult economic conditions the old saying that cash is king is never truer. Being able to plan and base decisions on the effect they will have on a company's cash flows is the key to ensuring survival. In order to produce a report projecting the company's cash position to a future point it is vital to have all the necessary data as up to date as possible. The financial information needed for this can be split in to three categories; historic data, predictable forecast data and unpredictable forecast data.

Historic data – such as the amounts owed to the company by its clients, the amounts owed by the company to its suppliers, and taxes such as VAT and Corporation Tax are due to HM Revenue & Customs. Internal financial systems are needed in order to ensure this data is absolutely current. If a payment has been received from a client but not recognised in the company's financial data the payment will have increased the bank balance but still be included in the amount owed to the company. This will lead to an over statement of the company's projected cash position.

Predictable forecast data – this includes items such as the amount the company intends to spend on salaries, the commitments the company has to pay rent and other long term costs, and future sales that clients have committed to. This information is usually based on information the company has through its payroll reports or other agreements the company has entered into. It can be collated from these sources and then amended depending on changes such as hiring a new employee. It is important to check these amounts

against historic data to ensure all the elements have been included.

Unpredictable forecast data – this relates to future unknown sales. Companies that work on a project by project basis often have little insight into what clients are likely to spend in future months. Often the only way to predict this is by reviewing historic data to see where the company has been making money in the past. By its nature this information is highly subjective. However, by monetising it the company at least will have a firm target in place and can then produce a strategy to work towards the target.

Having this accurate and timely financial data is key for running a healthy business. If you find compiling and interpreting this information challenging, you may find the solution for your business is to utilise specialist skills and new technologies. There are an increasing number of specialist finance people willing to work flexibly to meet a company's demands. By utilising technologies such as cloud based software and internet banking it is possible for these specialists to produce financial information at short notice that is as close to real time as possible, enabling you to be confident in the financial decisions you make. And even better, this can all be done electronically so the information doesn't need to be written on paper and we're all doing a little more to help save the planet.

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Chris Lang has been working in the Marketing Communications industry for over 20 years. In 2007 he formed Flash Accounts Ltd with the aim of providing small and medium sized companies with a full internal finance function without the full time cost. He calls this service "in-sourcing."

Chris and his team have worked with many companies over to past 5 years to help improve their financial performance, not only by processing day-to-day data but also improving processes and commercial awareness throughout the company. This approach ensures high quality information and therefore better decision making at the top level.

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