MANAGEMENT ACCOUNTS

Revealing 4 things you need to include in your management accounts

Management accounts *are key to running and monitoring your business.*

WHAT SHOULD THEY CONTAIN?

It's down to individual preference as to what needs monitoring for investment decisions and strategy. *Find some options below!*

Typically they are produced on a monthly basis

1. KEY PERFORMANCE INDICATORS

Do you know where your business is performing the best?

KPIs allow you to measure specific dynamics in your organisation. This will establish if you're reaching your goals in the given timeframe.

A full set of well thought through KPIs can provide invaluable business insight.

KPIs

to consider including in your management accounts...

1. STAFF PERFORMANCE

Assess the performance of managers in their areas of responsibility.

2. CUSTOMER BILLING

Which customers provide you with the most frequent & reliable business? Now, how efficient your billing is?

3. DEPARTMENTAL PERFORMANCE

Monitor how each department, office, or store is performing individually. Where is the business growing?

KPI Benefits

Monitor the performance areas of most interest in order to run your business to its full potential.

Determine which areas you're successful in & where improvement is needed.

2. PROFIT & LOSS

The **P&L statement** details the revenues, costs and expenses incurred. It helps you understand where your business currently is & if it's making money.

WHAT YOU MIGHT INCLUDE:

COMPARISON — The P&L sheet details variances from the budget & the prior year. Compare where you're over/under spending.

DEPARTMENTAL ANALYSIS — You can create a departmental or segmental P&L account to gauge the profitability of departments or locations.

COST OF SALES — This can include expenses such as manufacturing, production & materials.

GROSS PROFIT MARGINS — Compare your actuals to what was forecasted for the period. You can compare this to the same interval last year, where relevant.

P&L Benefits

Comparing the P&L to your budgeted figures will inform strategy such as hiring people to drive sales or where to cut expenditure.

Presents a clear picture to investors of how well your business is performing.

3. CASH POSITION

A profitable business can still go bust if it runs out of cash to pay the bills!

Knowing your **cash position** will drive budgeting & investment decisions while informing any need to access funding.

WHAT YOU MIGHT INCLUDE:

1. DEBTOR DAYS

Provides an idea of how long it takes to receive payments from clients.

A forecast of how much money to expect in certain months will help ensure you don't overextend yourself financially.

2. BUDGET

A fundamental tool to plan where & how to allocate money in different areas of the business.

3. HISTORICAL FIGURES

The current & historical cash position gives you an indication of how well the business is generating money over time.

It may also provide insight into seasonality in trading.

Cash Position Benefits

Knowing the cash position of the business will help ensure you don't run out of pocket unexpectedly.

Understanding how & where your cash is going every month is vital to analysing how your strategy is likely to progress against expectations.

4. BALANCE SHEET

The **balance sheet** is a snapshot of the health of your business at a particular point in time.

THE BALANCE SHEET IS DIVIDED INTO 3 MAIN SEGMENTS:

ASSETS

- fixed assets
- current assets
- stock
- debtors
- cash
- prepayments

CURRENT LIABILITIES

- Creditors
- Taxes
- Other liabilities

SOURCES OF FINANCE

- Debt
- Net assets
- Shareholders funds

Balance Sheet Benefits

Understand the value of what the business owns vs. how much it owes to comprehend how well you can meet you debts.