

Essential Briefing Understanding Finance



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vfdnet – Virtual Finance Directors

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Background – James Shand

- **Qualified as an Accountant in 1989 (FCA in 1999)**
- **6 years with a chemical multinational Schering AG**
- **4 years with an Automotive Engineering co**
- **2 years as Finance Director of a private equity backed Bottled Water co**
- **3 years as Group Finance Director of an AIM listed Technology Plc**
- **Redundant in Oct 2002**
- **Started VFDNET in April 2003**
- **VFDNET now has 18 Associates: 10 Virtual Finance Directors, 7 Virtual Financial Controllers and 1 Credit Control Manager**

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Agenda

- **Welcome & Introductions**
- **Quiz**
- **Profit & Loss Account**
- **Balance Sheet**
- **Cash Flow**
- **Quiz (again)**

Understanding Finance Quiz

Time for a Quiz

Review of answers

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Profit & Loss Account

Performance over time: 1 Mile took just 4 Minutes

“On 6 May 1954 Roger Bannister became the first man to run a mile in under four minutes, establishing himself as one of the most famous sportsmen in history”

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Profit & Loss Account

Performance over time



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Profit & Loss Account

- Revenue
- Costs
- Direct costs
- Indirect costs

Is VAT included?

Profit & Loss Account

What is meant by Gross Profit?

Examples of High / Low Gross Profit?

Where does your Profit come from?

Analysis of Gross Profit by:

- **Customer**
- **Product / Service**
- **Salesman**

Watch out for the 80:20 principle

**How does your profitability compare with the
Competition?**

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Profit & Loss Account

What are Indirect Costs?

What is the other name for them?

Profit & Loss Account

Putting it together – Operating Profit

**OPERATING PROFIT = REVENUE LESS DIRECT
COSTS LESS INDIRECT
COSTS**

**OPERATING PROFIT = GROSS PROFIT LESS
INDIRECT COSTS**

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Profit & Loss Account

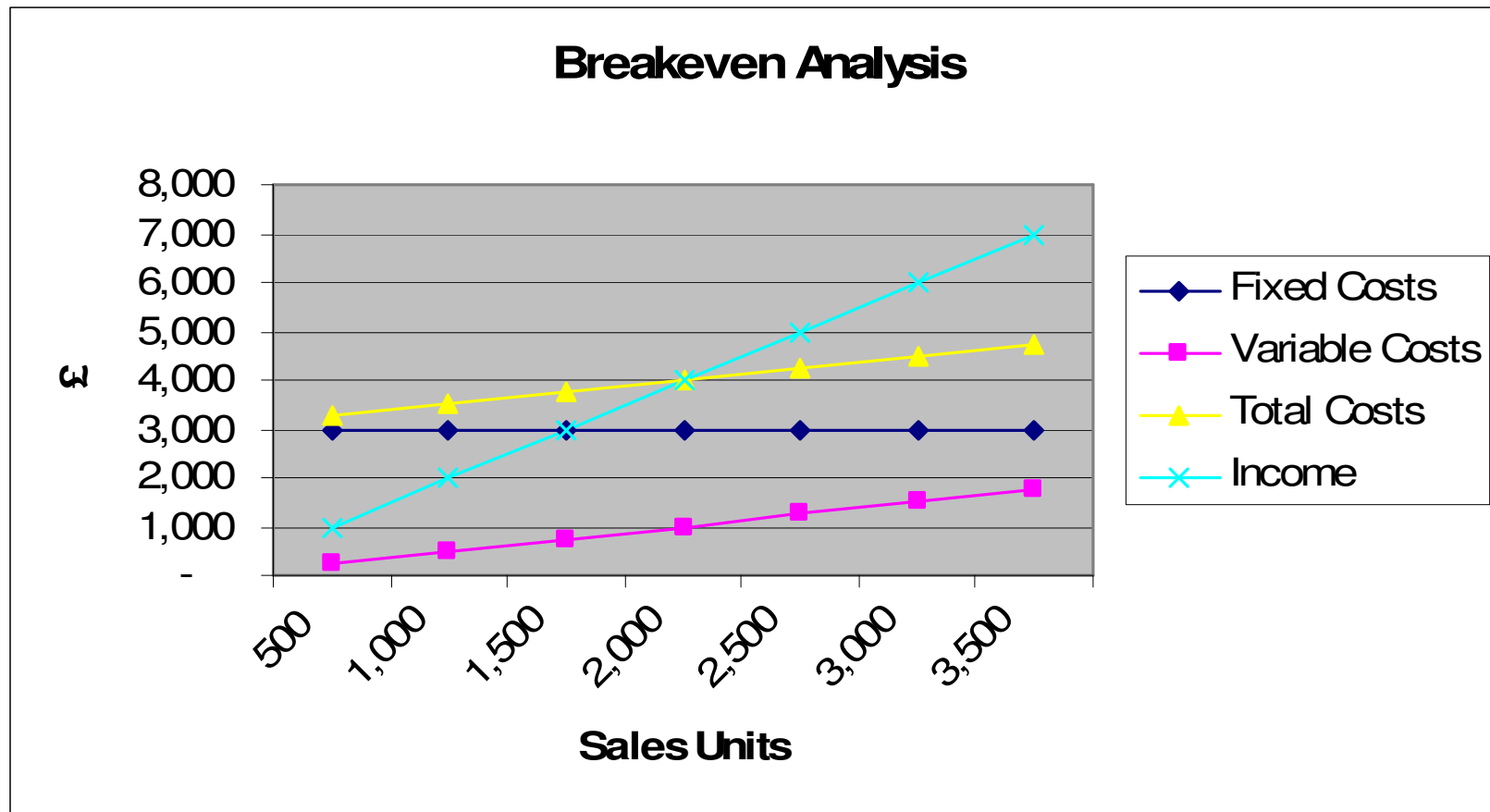
Profit lines:

- Pre Tax Profit
- Post Tax Profit
- Retained Earnings

Post Tax Profit = Pre Tax Profit less Tax

**Retained Earnings = Post Tax Profit less
Dividends**

Break Even Analysis



Balance Sheet

“Condition at a moment in Time”



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Balance Sheet

Definition of an Fixed Asset?

So what is Depreciation?

Which Statement has Depreciation in?

Balance Sheet

Other Assets:

- **Debtors**
- **Prepayments**
- **Stock**
- **Work in Progress**
- **Cash**

Other Liabilities:

- **Creditors**
- **Accruals**
- **Bank Overdraft**
- **Customer Deposits**

Balance Sheet

Shareholders Equity:

- **Share Capital**
- **Reserves (Retained Profit)**

Cash Flow

Cash performance over Time:

- 1. Revenue is Vanity**
- 2. Profit is Sanity**
- 3. Cash is king (keeps you in business)**

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Cash Flow

Cash performance over Time:



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Cash Flow

Cash performance over Time – Receipts & Payments method

- Receipts
- Payments
- Net Cashflow
- 'Bank' Balance

Understanding Finance Quiz

Quiz re-visited!

**Review of answers & comparison to the start
of the day.**

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**“Stay calm; mind your own business; do
your own job. “**

1 Thessalonians 4 v11-12

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Questions

- 1. Is Profit good or bad?**
- 2. Is it right to chase Customer Debt hard?**
- 3. If a customer overpays you what should you do?**

Like More Information?

- Free Newsletter “Game Plans for Growth” aimed at Owners / Managers of ambitious SME businesses
- Or Contact James Shand 01865 78 40 60
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Thank You

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