

# Revealing what your management accounts need to include



Management accounts are key to running & monitoring your business.

## What should they contain?

It's down to your individual preference as to what to monitor to assist investment decisions and strategy.

Typically they are produced on a monthly basis.



## Key Performance Indicators (KPIs)

Do you know where the areas of best performance are in the business? KPIs allow you to measure specific dynamics in your organisation to establish whether or not you're achieving goals within a timeframe.

A full set of well thought through KPI's can provide invaluable business intelligence.

Some KPIs to consider include, but are not limited to:



### Staff performance

Assess the performance, or under-performance, of managers in the areas they're responsible for.



### Customer billing

See which customers provide you with the most business, & if you're over reliant on them. Understand how efficient billing is.



### Departmental performance

Monitor how each department, office or store is performing individually. Where the business is growing and where it's stagnating.

## The Benefits

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

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

## Profit & Loss (P&L)

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



What you might include:



### Comparison

The P&L sheet details variances from the budget & the prior year, so you can compare where you're overspending or underspending.



### Departmental analysis

You can create a departmental/segmental P&L account to gauge how profitable different departments or locations are.



### Cost of sales

This can include expenses such as manufacturing, production & materials.



### Gross profit margins

Actuals figures against what was forecast for the period, compare this to the same interval last year, where relevant.

## The 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.



## Cash Position

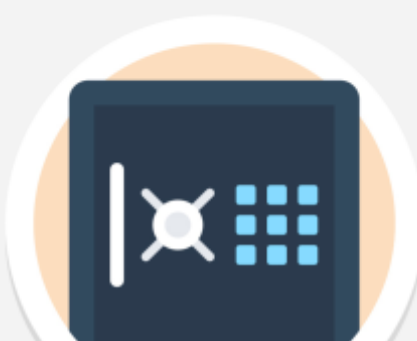
A profitable business can still go bust if it runs out of cash to pay the bills. Knowing your cash position will drive budgeting & investment decisions while informing any need to access funding.

To monitor your cash position you can include, but are not limited to:



### Debtor days

Debtor days provide an idea of how long it takes to receive payment from clients. A forecast of how much money to expect in certain months will help ensure you don't overextend yourself and run out of money.



### Budget

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



### 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 as to seasonality in trading.

## The Benefits

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

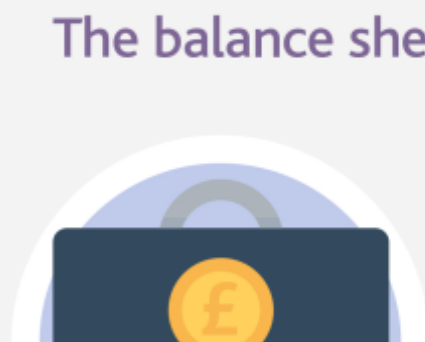
Understanding how and where your cash is going every month is vital to analysing how your strategy is likely to progress against expectations.

## Balance Sheet

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

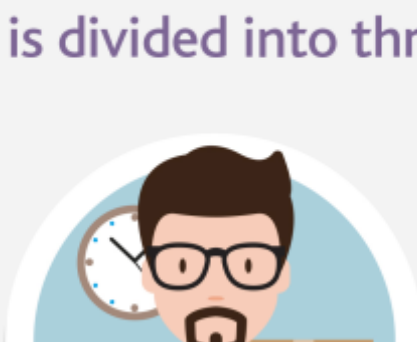


The balance sheet is divided into three main segments:



### Assets

Fixed assets  
Current assets  
Stock  
Debtors  
Cash  
Prepayments



### Current liabilities

Creditors  
Taxes  
Other liabilities



### Sources of finance

Debt  
Net assets  
Shareholders funds

## The Benefits

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