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Knowing Your *Numbers*

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If I asked you right now what your business's critical numbers are, what would you say to me?

How much do you already know about your numbers?

Whether you've got a good idea, no idea or count yourself an expert with your figures, this guide is going to serve as a starting point, a prompt and an overview of the kinds of figures you should be keeping track of in your business.

If you can tell me straight away what last month's revenue was or what the cost of your customer acquisition is, what the figures of a good month looks like for you, and are able to predict your cash flow situation for next month, then I'm afraid you're one of the lucky few.

So many business owners who are the creative, ambitious and inventive force, driving their company forward are apt to neglect one particular area of a successful business...

...that's knowing their numbers.

This is something that could really be holding your business back from growing and becoming more successful.

Think about it, if you don't know what your current revenue is, how can you predict and plan for next month or next year, or even know if you're making progress?

The good news is, whatever you know or don't know about your numbers there's always more to learn, or more efficient ways to track and calculate your numbers.



What...?

What should you know?

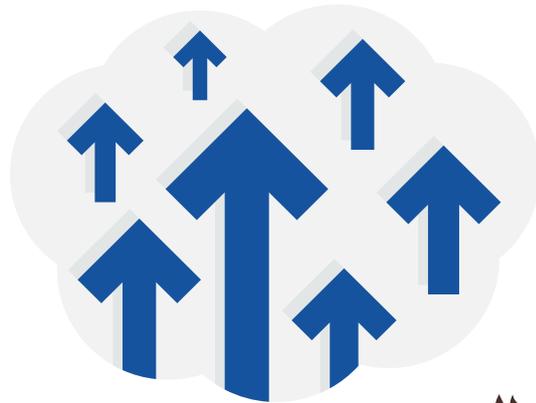
There's a whole list of things I could give you, but unless you feel like studying for an accountancy degree, this could end up becoming a very long guide...

So instead I'm going to go through some of the basic and most important facts and figures that you should be keeping a regular and close eye on.

✔ **Sales/Revenues**- Okay, we all know you should be tracking this, an important point however is to make sure you are tracking your progress against your goals for the next month or year.

✔ **Profit**- Another obvious one I know, but there are a few different ways you can measure the profit your company is making, and it's important you know when to use each one. **Gross Profit** is your income minus your direct costs. (Not including salaries, rent, advertising etc.) **Net profit** is your bottom line, the number that is left after you take away all expenses excluding taxes. If your expenses are greater than your sale, you are making a loss and possibly running out of cash.

✔ **Expenses**- Keep a close eye on the total expenses in your company very regularly, throughout all departments. It's common for businesses to wonder why their net profit revenue is not increasing at the same rate as their business is growing. The problem is that their expenses are growing too, and at a rate that eclipses their revenue.



What..?

What should you know?



The Lifetime Value of Your Customer-

If you know how much a customer is likely to spend in the time they are with your company, you'll be able to work out **what you are prepared to spend to get a new client.** This is the amount of money that you're happy to spend to get that customer on board. For example, if you know that your customer might stay with you for 2 years and spend £2,000, then spending £10 on getting that customer on-board, through marketing material, freebies and meeting costs, doesn't seem like an unnecessary expense!

Once you know what you should be monitoring in your company, there are a few places to start looking for information...



Cash statements to measure how much money is going in and out of your business.



Profit statements to look at lists of sales and costs.



Use a balance sheet to monitor assets and liabilities.



Why...?

Why should you know your numbers?

A financial brain is not something everyone is born with, but keeping track of where your money is flowing is vital.

You might prefer to stick your head in the sand, leave it to other employees or be too worried about what you might find when you look at your numbers. But in reality, it's always better once you've got a handle on things.

Set up forecasts

Once you're clear on the amount of money that's going in and out of your business, you'll have a better idea of where you need to be in a month's or a year's time. After all, in order to achieve any goals you need to be able to measure your progress, and your numbers are a great way to show this.

Give staff constructive feedback and guidance

If you've worked out certain areas of your business aren't taking in enough revenue to cover the expenses they are incurring, then you'll know what parts of your business needs more attention. It could be that the department needs better management, clearer policies, or more training.

Know if you're having a good month

Keeping an eye on your numbers lets you see what months and weeks pulled in more net profit than others. Once you know this you'll be able to see what strategies work in your business. Knowing what success and failure looks like is so important in order to expand and grow in the future.

Know when to make some changes

Knowing what doesn't work in your business is just as important as knowing what works well. Making sure you're aware of your cash-flow situation, even if it's a bad month, is still incredibly helpful. Then you're going to be in the best position to do something about it.

Discover Problems before it gets too late

Keeping track of your numbers makes sure that you can have the best opportunity to catch a problem before it even becomes an issue that can cause your business to have a bad month.

How...?

How to get to know your numbers

Numbers aren't everyone's favourite thing, I understand that. But there are some really simple ways to get better and have a greater understanding of your numbers...

1 **Read the right things**

If you're one of those people that doesn't really like reading, then understandably this first pointer isn't going to be welcomed, but the fact of the matter is that there are certain books that will make a vast difference to how you see finance.

Whilst there's no substitute to being truly taught, there are a couple of books that will definitely help you get your financial education off to a good start:

- **Accounts Demystified:** The Astonishingly Simple Guide to Accounting by Anthony Rice

- **Our "Understanding Your Accounts":** A guide to Understanding Your Accounts by Martin Robertson.

In fact, you don't necessarily need to read a business finance book to understand financial principles better. A personal finance book like Personal Finance by Kapoor, Dlabay and Hughes or The Richest Man in Babylon by George Samuel Clason would be a great place to start.

2 **Listen, listen, listen**

When people try to get better at something, they very often focus on how THEY can do it.

When it comes to learning about finance, the best thing you can do in the first instance is consume as much information as possible. Listen to the radio, read the Financial Times, subscribe to some podcasts. Over time, your financial knowledge and understanding will improve.

3 **Ask Questions**

Most SME's don't have finance meetings with their accountant.

One sure-fire way to improve your financial knowledge is to note all of the times when you're in a meeting and someone uses a term that you don't understand. Write them all down, and then make a point of properly learning what they are. Ask the person who used the term, look it up on Google; whatever you do, make sure that within a couple of days you've got a fuller understanding of what it means.

4 Start to think about costs and find out more

Spend a minute thinking about the possible costs and/or profits associated with the things you do is a really smart way to get better at finance.

When you do anything at all, stop for just a second and ask yourself if you know the impact of what you're doing. Is it costing the company money? How much money? Is it making the company money? If so, how much?

If you don't know the answers to these questions, then find out! This will help you be a whole lot more conscious about everything you do, and help you to associate finance with what you do on a day-to-day basis.

5 Always be open to learning more...

Learning finance is not a lot different to learning anything else – the learning never stops! Getting into the mindset where you don't feel like you need to know any more is not a good place to be. As I said at the start, the more you know about finance, the more likely it is that you'll be a success in your business. The more understanding you've got, the more you'll be empowered to perform tasks more effectively. Never, never stop learning, and never assume that you know it all.



Where...?

Where to get help?

If you're keeping a close eye on what's going on with your numbers, you can't go far wrong.

But if your company is on the larger side, you aren't going to be able to dedicate quite enough time to it as you might need.

In order to really see what's going on in your business and set successful strategies in place, the best option is to call in a bit of professional help, and that means an accountant.

If you already have an accountant, they should not only be helping you with your tax returns and your VAT, they should also be giving you advice on your company's strategy and monitor, modify, and report back to you regularly.

If your current accountant isn't hitting the mark or you don't feel fully supported in all areas of your business's accounts, perhaps it's time you got a second opinion.

Here at Robertson Associates we like to work in partnership with our clients, helping them add real value to their business.

We really do think of ourselves as a fresh new breed of accountants, working with SMEs to provide advice, knowledge and cutting edge techniques to proactively...

...Streamline business processes, ensuring that everything is legally up to scratch (tax, VAT and auto-enrolment procedures...) and that business owners really do know their numbers.

...Save as much money as humanly (and legally) possible from the taxman's back pocket.

...Facilitate business growth, through innovative pricing, marketing and management strategies.

Renowned for our approachability, every staff member has been hand-picked for their passion for all things financial and their friendly, conversational attitude (often hard to find in the industry.)

If you're in need of a progressive accountant who'll deliver far more than a yearly phone-call, ring Robertson Associates today on **01324 633 550** It's not just about tax-strategy and accounting; we'll help you to add real value to your business.

Thanks for reading

Martin Robertson

