

**GOOD**  
**DECISIONS**  
**ARE BASED ON**  
**KNOWLEDGE**



**MANAGEMENT INFORMATION**  
**IS YOUR**  
**KNOWLEDGE**



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## **Why do you need Management Information?**

The obvious answer is so you can make management decisions

.....even if you're running the smallest of businesses you need to know how well your business is doing. As you can see from our video on the homepage of our website we are OBSESSIVE about Management Information. With it companies are able to highlight their strengths and weaknesses with our formats and identification of these aspects can help the company improve their business processes and operations.

## **Does it always have to be financial information?**

No, management information will also help to give an overall picture of the company and act as a communication and planning tool with internal or external parties. Information can also take the form of customer data and feedback which will help the company to align their business processes according to the needs of their customers .

The effective management of customer data can also help the company to perform direct marketing and promotion activities.

## **So what about financial information?**

It's important to know at all times whether you're making a profit, and if so, how much. More importantly, if you want your business to become more successful you need to understand why it's making money, whether it's making as much money as it used to, or is planned, and what needs to be changed to improve it's profitability.

You also need to keep a keen eye on the cash flow in your business. Even profitable enterprises can run out of cash if they don't plan ahead. This is why regular cash flow reporting and planning are essential for any small business and something we stress to all clients.

## **What's the best way to prepare and review Management information?**

The best way to extract your financial management information is to prepare monthly, or quarterly depending on the size and complexity of your business, management accounts.  
*So what are they?*

Management Accounts tend to be specifically designed for functions rather than conforming to a standard template so each set of management account formats will be suited to your requirements and meet the needs of your business and industry sector.

## **Do we suggest you should keep different sets of books?**

No ...we can use your existing records to prepare Management Accounts and there is no requirement for you to do anything.

Do you use Sage? If so we have management account tools which link directly to sage

## **So what's the difference between Financial Accounts and Monthly Management Accounts?**

Management Accounts are very different from statutory accounts, which are aimed at users external to the organisation and often produced much less frequently. The Statutory Accounts, or referred to often as Annual Accounts, are produced for Companies House and HM Revenue & Customs.

They are produced annually and must comply with fixed accounting rules and regulations (accounting standards) and are produced in a consistent format so that an external user may compare different businesses. As a management tool they are normally ineffective, as not only are they way out of date, but the manner in which information is presented does not aid decision making processes.

## **What should you expect to see in Management Accounts then?**

The detailed reporting that should be included in Management Accounts will show all the key performance indicators for the business, depending on what's relevant to you. Examples could include:

- detailed breakdowns of income and costs
- margins and pricing
- analysis against forecasts
- analysis against budgets and previous periods
- variances between actual values and those used for planning

A detailed commentary should highlight the main points, provide explanations and steer management into the areas that perhaps need their attention. All of the content will be included in the accounts for you to drill down at a later date should you need to.

## **What are the main advantages of Management Accounts?**

Management accounts should be both timely and useful.

By timely we mean that the information produced should be within a few weeks of the month or quarter end (the size and nature of the business would indicate how often they are needed). Our view is that to be of use to a business management accounts need to be current so that any issues can be reviewed and addressed.

For example, would you want to wait six months to discover that delivery costs have doubled and that you haven't passed this on to the end customer? Whether you can pass the cost on or not is a separate issue for you to then decide, but if you aren't aware it is an issue you can't make the decision.

Management information is of most use to you in making informed decisions in the following three areas:

- Strategic management
- Performance management
- Risk management

Finally ...

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If this sounds complicated have no fear as this is where a good accountant and business adviser comes in. We spend time with you to understand your business so that we can work with you to decide what information is key to you which allows us to produce management accounts that are meaningful to you ... after all, they are your management accounts!

## FOR MORE INFORMATION

[www.c-b.co.uk](http://www.c-b.co.uk)

