

For immediate release

Manage your business better by using your financial information more effectively

“Do you really understand your accounts and how they will be used by the different stake holders,” Riz Akhtar, from RA Accountants, asked local businesses at the recent Richmond Chamber of Commerce breakfast at The Tea Box.

Banks, potential investors, suppliers, HMRC and business owners will use and view your accounts in very different ways – and it is essential for a growing business to understand the needs of the different stakeholders.

“Banks, for example”, explained Riz “will be interested primarily in a business’s capacity to repay their loan and interest. Will your business be able to generate enough cash to pay back any loans that you have taken out, no matter how profitable you are on paper? Also, banks are very interested to see what other obligations and commitments your business might have?”

“Whilst potential investors in your business will be more interested in return on investment. How quickly will they get back their original investment – and what additional returns could they expect?”

“Suppliers will take a different perspective. When they look at your accounts, they will be assessing how good you are at paying your bills by looking at the average number of days it takes to pay your suppliers.”

“HMRC’s view of your accounts will be purely to check that you have paid the correct amount of tax for each year. You have twelve months after the year end to file your

tax return, which means that this information could be nearly two years old and of little real use to a business owner.”

“Business owners will use their accounts to help their business in a number of ways, such as effectively managing the business and supporting loan applications,” continues Riz.

“The statutory requirement for filing accounts is 9 months after the year-end – which renders most of the information too old for effective business management purposes. It is far more useful for you to sit down with your accountant and work out the key performance indicators (KPIs) relevant to your business - such as staff costs, food costs, stock turnaround etc. You can monitor these KPIs on a monthly basis and compare them with the same period for the prior year to really assess how well your business is doing. KPI’s can also be a useful basis on which to incentivise staff.”

“As a business owner you might also choose to improve your credit rating by submitting a condensed profit and loss account to accompany your abbreviated accounts filed at Companies House. This could help you should you wish to apply to a bank for a loan. Landlords will also require last year’s accounts when drawing up the lease agreement.”

“Making good use of appropriate key performance indicators can help your businesses quickly adapt to changing circumstances and be better managed. Furthermore, by being aware of the requirements of the different stakeholders and the information they will use from your accounts means you will present them with appropriate information,” concludes Riz Akhtar.

Riz Akhtar (FCCA, ACMA)

Riz is a partner of RA Accountants and is a member of the ACCA council. Riz has an extensive knowledge in tax planning and works with clients helping them develop strategies for growth and to raise finance. He is an expert at guiding business owners, from new start-ups to mature companies, advising on compliance, strategy & development.

RA Accountants LLP

RA Accountants is a growing accountancy firm based in Eastcote, Middlesex. Their SME clients come from a broad range of sectors – including fast food franchises, recruitment companies, financial services and the healthcare sector. RA Accountants provide a full range of accountancy services with tax planning being a particular specialism.

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September 2010

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