

M M MONITOR MILENIUM

HIGHER PROFITS BY PROFESSIONAL FINANCE



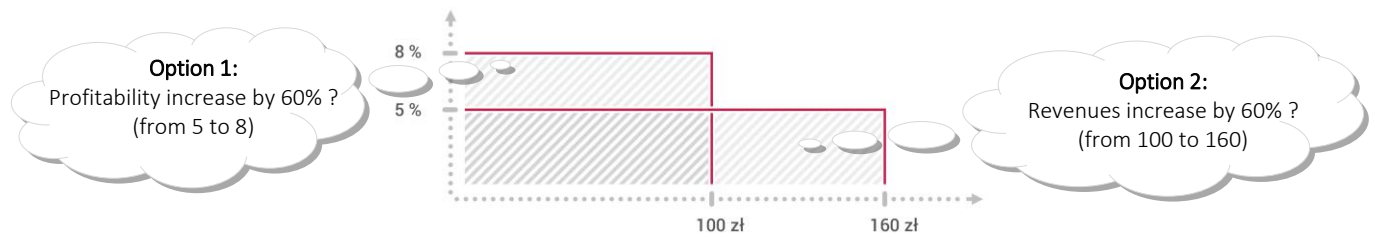
Periodical
review



Here is a boring introduction on this page ;-)- for those who think that to make company grow, first You should buy another machine / building / etc. and look for another customer. If You already know that you shouldn't start from this, go to the next page to find out the details.

Are You managing like a blind man ?

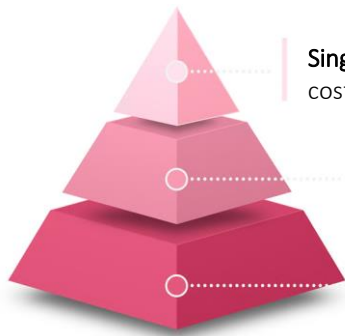
Short example: Let's assume the company sells for 100zł and get a 5% profit. Wanting to grow, it must increase profits from 5zł to let's say 8zł (by 60%) and how do you think: what most companies choose to do?: to focus on increasing profitability from the current 5% to 8% or to achieve the same by increasing sales by 60% (have in mind all these investments, marketing, etc.)?



Most of them choose Option 2 (first investment, product in portfolio, customer) and without any deeper idea they build a giant on clay feet. This is just an example showing that without professional finance you can make large investments, struggle with competition, market not achieving Your goals. The fact that the current financial support "is not perfect" doesn't mean that it's not possible. Interesting is the fact that there are no large companies without the head of finance and according to research they are the best-paid employees right after the CEO. Professional finance is a tool for those who don't want to manage like a blind man.

Where to begin ? ... from periodical review

Financial management can be simplified to three elements (later we will focus on Periodical Review):



Single improvements - aimed at particular areas, i.e. investment analysis, change of product costing methods, implementation of budgeting, break-even analysis, etc.

Periodical Review – checking if "we are on the right course" and detecting in advance things to be repaired / need attention

Operational activities - accounting to collect the data and operational activities: purchase invoice authorization, debt collection, operational reports, etc.

3 things a good gardener cares for

Within Periodical Review, a good comparison is to compare the CEO of company to the gardener in a fruit garden. The gardener periodically review 3 things and CEO of the company should do the same:

- the final effect: **fruit**
- healthy plant **growth**
- **water** and minerals supply



Fruits are the **profits**. As the ultimate goal for gardener are fruits so in the company its profit.

Plant growth is a company **result** increase measured by costs, revenues and various KPI's

Water is a **cash**. As a tree needs water to grow, the company needs cash to finance growth.



Profits



Do You have a problem ?

Real, precisely calculated profit divided into products or customers in most companies very rarely goes in linear way and usually looks like this:

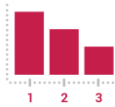
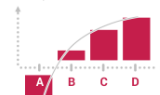


- Do You know how it looks like in case of Your company ?
- And how much would it bring just to eliminate loss-making products ?
- And if you know how much you earn on the most profitable products to better set up the prices ?
- And what if you also knew which of the costs are exceeded ?

Knowing the answer to these questions do you think that, you can still reduce your monthly profits to one figure at the end of financial statement ?

How ?

- Every month profit should be divided into products, clients, orders, calculating profitability in PLN and %
- Make rankings of the most and least profitable products and customers according to different criteria
- Show the reasons by analyzing the costs of materials / trade goods, the production or trade process, general costs and indicating where they deviate from the norm
- Establish a set of corrective actions resulting from the analysis: change of norms, reorganization of production, extinction of unprofitable products



materials	xxx zł
labour	yyy zł

Example

- Certain company monthly profit was ~220.000 zł. Its split into products and customers showed that it consist of 2 parts: 560.000zł profit and 340.000zł loss
- Product rankings revealed dozens of products with an incorrectly calculated sales price
- The rankings showed that 2 customers with the largest losses were responsible for over 200.000zł loss
- Products with additional production processing showed lower margins (too low valuation of some production step)



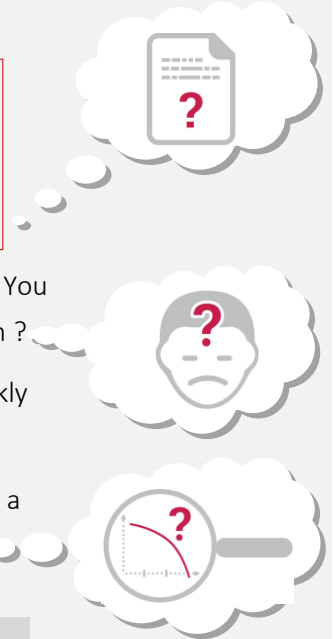
Results



Do You have a problem ?

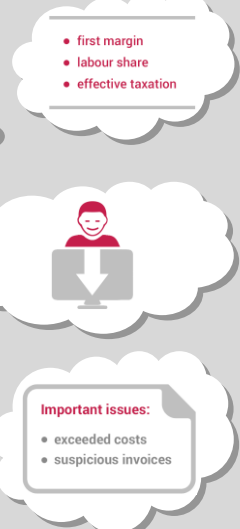
Monthly financial data is usually so general that beside general picture, they don't give any support in controlling whether company is performing properly and in detecting problems reasons:

- How many times Your monthly financial data didn't tell You why You have loss/profit and from where it comes from ?
- Is information given to You in easy way so you can quickly understand it and change into conclusions / actions ?
- Can you identify what has been spoiling in company for a long time, but you can't see financial damages yet ?



How ?

- At the beginning, financial controller with company CEO set up parameters which are the best to describe growth and correct structure of the financial result
- Every month financial controller analyzes profit and loss statement, KPIs, invoices and transactions, identifying issues that require CEO attention
- CEO reviews the analysis in an user-friendly (graphical) form with an insight into the problem context (comparison over time, with budget, access to invoice scans, ...)



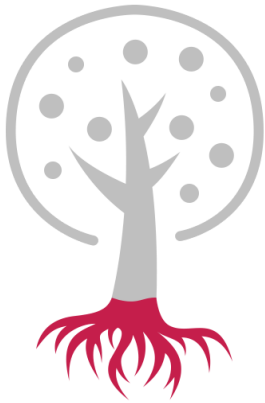
Example

The CEO received analyzed company result for November together with a list of issues requiring attention:

- Profit maintained at the same level but for next month in a row the share of labor costs increased being covered by one time lower material costs (it was detected in advance)
- The lack of profits at summer was wrongly explained by seasonality (but it was a decrease in productivity)
- A strong polish zloty caused losses on exports
- List of purchase invoice scans with "suspicious" items



Cash

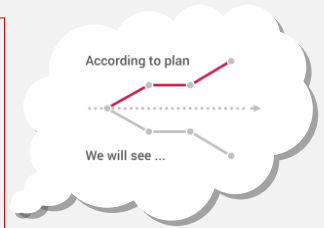


Do You have a problem ?

Someone said: „Cash is king”

Lack of cash means troubles or bankruptcy but wise spending (investments) initiates growth. If you can control it, your company growth, if not you fail.

- Have you ever had situations when you had to organize money for urgent salaries or taxes payments ?
- Did the company has cash problems when fulfilling increased number of customer orders?
- Making investments, did you guess how much cash You needed and when it will start to pay off ?



How ?

- Every day invoices, orders and payments are registered, then cash-flow plan shows how much cash will be available in the future
- CEO reviews when cash runs out and when there is a surplus
- In response to cash lack or excess, it's possible to change invoice payment plans, collect debts, extend the bank credit line
- The long-term forecast shows what will be the effects of new investments



Example

The company struggled with cash liquidity while planning production growth through purchase of expensive machine:

- The weekly plan review determined which supplier invoices were paid, which were postponed and how many invoices were sold to factoring
- Funds for important payments (salaries, taxes) were always secured
- Long-term plan has set when and how much additional cash will be needed to increase production (materials and salaries) after starting the machine

