

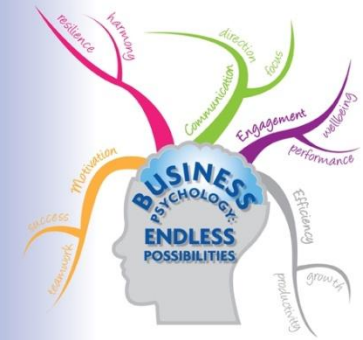


10th Annual Conference

6th - 8th May 2010

Robinson Executive Centre Wyboston MK44 3AL

www.theabp.org.uk



Jo Haigh

COMMERCIAL ACUMEN FOR THE NEW ECONOMY. PRACTICAL TIPS FOR THE PSYCHOLOGIST IN BUSINESS

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YOU AND YOUR BANK



- What they want
- What you need
- How to get both right



Handout



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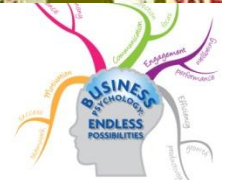
R.I.Ping INTO IT!



Receivables $\frac{\text{Trade debtors}}{\text{Sales}} \times 365 = \frac{1500}{12,000} \times 365 = 45 \text{ days}$
 $= \frac{1500}{45} = \text{£33k}$

WIP $\frac{\text{WIP}}{\text{Cost of goods sold}} \times 365 = \frac{900}{8,000} \times 365 = 41 \text{ days}$
 $= \frac{900}{41} = \text{£22k}$

Purchases $\frac{\text{Trade Creditors}}{\text{Cost of services sold}} \times 365 = \frac{700}{10,000} \times 365 = 26 \text{ days}$
 $= \frac{700}{26} = \text{£27k}$



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Early Warning Questionnaire



To be completed monthly for each account with an exposure in excess of £ _____.

1.	Has an excess position been seen in the last 3 months?																		
2.	Was the excess taken without request?																		
3.	Has the average debit balance (hard core) increased over the last 6 months?																		
4.	Has turnover on the Bank account increased or decreased by more than 10% per month over the last 3 months?																		
5.	Have there been delays in the receipt of funds?																		
6.	Has it been necessary to return cheques?																		
7.	Has the frequency of returned cheques inwards increased over the last few months?																		
8.	Are cheques being issued in round amounts?																		
9.	Have there been delays in production of agreed figures or information, eg. cash flow?																		
10.	Has the business been attempting to raise finance elsewhere?																		
11.	Has there been any change in key personnel?																		
12.	Is the business pursuing a policy of expansion by acquisition?																		
13.	Where a budget and/or cash flow is being monitored, is there any material divergence from the forecast figures?																		
14.	Are profit margins being eroded?																		
15.	Is there any evidence that time is being taken from creditors or debtors being called in early?																		



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Nobody expects the Spanish Inquisition



- What to do if they turn up



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THE ARMADA



- Personal Guarantees
- Investigating accountants
- Personal credit ratings
- Bank re-negotiations



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Some Must Do's for a Successful Business



- **Business type:** company, partnerships, sole trader.
- **Agreements:** shareholder, partnerships
- **Meetings:** records and the law



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THE EFFECT ON GROSS PROFIT OF A MARK DOWN



IF YOU CUT YOUR PRICE

WITH YOUR PRESENT GROSS PROFIT BEING

	10%	15%	20%	25%	30%	35%	40%
5%	100.0%	50.0%	33.3%	25.0%	20.0%	16.7%	14.3%
6%	150.0%	66.7%	42.9%	31.6%	29.0%	20.7%	17.6%
7%	233.3%	87.5%	53.8%	38.9%	30.4%	25.0%	21.2%
8%	400.0%	144.3%	66.7%	47.1%	36.4%	29.6%	25.0%
10%	-	200.0%	11.0%	66.7%	50.0%	40.0%	33.3%
11%	-	275.0%	122.2%	78.6%	57.9%	45.8%	37.9%
12%	-	400.0%	150.0%	92.3%	66.7%	52.2%	42.9%
15%	-	-	300.0%	150.0%	100.0%	75.0%	60.0%
16%	-	-	400.0%	117.8%	144.3%	84.2%	66.7%
18%	-	-	900.0%	257.1%	150.0%	105.9%	81.1%
20%	-	-	-	400.0%	200.0%	133.3%	100.0%

i.e. you have to do 50% more business if your margin is 30% and you cut your price by 10%

IF YOU INCREASE YOUR PRICE

THE EFFECT ON YOUR GROSS PROFIT OF PUTTING YOUR PRICES UP

WITH YOUR PRESENT MARGIN BEING

	20%	25%	30%	35%	40%	45%	50%	55%	60%
2%	9%	7%	6%	5%	5%	4%	4%	4%	3%
4%	17%	14%	12%	10%	9%	8%	7%	7%	6%
6%	23%	19%	17%	15%	13%	12%	11%	10%	9%
8%	29%	24%	21%	19%	17%	15%	14%	13%	12%
10%	33%	29%	25%	22%	20%	18%	17%	15%	14%
12%	38%	32%	29%	26%	23%	21%	19%	18%	17%
14%	41%	36%	32%	29%	26%	24%	22%	20%	19%
16%	44%	39%	35%	31%	29%	26%	24%	23%	21%
18%	47%	42%	38%	34%	31%	29%	26%	25%	23%
20%	50%	44%	40%	36%	33%	31%	29%	27%	25%
25%	56%	50%	45%	42%	38%	36%	33%	31%	29%

i.e. if you increase your margin by 10% & your margin is 30% you can do 25% less business

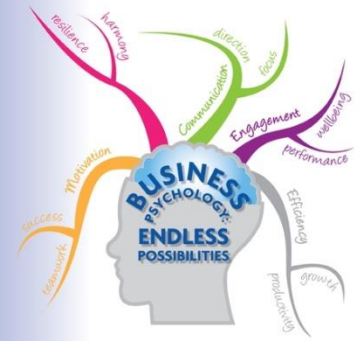


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Live long and Prosper!!

