

s o f i a

Finance

Final Financial Review Document

Document Control

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1.0 Introduction

This document outlines how well our company is doing financially, since the creation of the company in January of this year, up to week five of the Summer Term (the most recent records available as of writing this document). It does not contain any information beyond the end of that week. It gives a breakdown of the predicted and actual costs in running the business and some explanation on the variances. It also contains an overall conclusion of the company's financial progress so far. One other document will be submitted with this one. The documents submitted are:

- Current Cash Management
- ...

2.0 Overview

After the last Financial Review, we got the requested loan from the bank (£65000) in Week four of the Summer Term. This delay means that interest was only paid in Weeks four and five of the Summer Term. The document Current Cash Management takes this into account. It appears that the second financial plan continues to consistently over predict the hours that employees have been working.

The "Financial Statement" sheet in Current Cash Management is the financial statement since the company's formation up to the end of week five in the Summer Term. The "Labour Breakdown" sheet shows the Labour Cost in more detail, such as the type of labour breakdown for each employee.

Our Labour Cost was underestimated every week in our initial financial plan ("Plan 1") and overestimated every week in our second financial plan ("Plan 2"). The predictions in Plan 2 have generally gotten worse as time progresses, as shown in the "Overview on Labour Cost" sheet in "Current Cash Management". The type of labour that we predicted worst was Software Implementation, followed by Testing and Meeting Hours, as shown in the "Overview of Labour Breakdown" sheet in "Current Cash Management".

"Overview on Labour Cost" compares Plan 1 and Plan 2 against actual spend regarding Labour Cost. "Overview on Labour Breakdown" shows how many hours we underestimated for each type of labour and compares them to each other. The next section will give an in depth explanation of our current financial state as a company, focusing on labour costs.

3.0 Financial Statement Spreadsheet

3.1 Explanation of discrepancies in Financial Statement

This document is based on the Revised Financial Plan, which has not been approved yet as mentioned in the previous section. This means that we only started paying interest on the loan when it came through. Contracts were paid (to us and our contractors) as predicted. Infrastructure, Rent, and Utilities have all been paid as predicted. The only aspects of the financial plan that were incorrect were Capital

(when we got the loan), interest (getting the loan late), and Labour Cost (the main focus of this document) and “Current Cash Management”.

In the Financial Statement red cells indicate items that cost significantly different than was expected. The red cells highlight that Labour cost is difficult to predict; labour predictions will almost certainly be slightly off regardless of how we predict them. The first few weeks (week's two to six of the Spring Term) were 'predicted' correctly as the financial plan we have used for most of the project up to now was created after we had already compiled that information.

3.2 Explanation of Overview on Labour Cost

This sheet shows how far out our predictions were for Plan 1 and Plan 2, as a ratio between the predicted cost and actual cost of labour for every week so far. A positive percentage indicates that the company went over budget, and a negative percentage indicates the company went under budget.

Our initial plan understated how many hours employees would work overall, and so required immediate attention through the construction of a second financial plan. The average percentage of how much we overspent was 48.1%; after the first four weeks we had spent more than £2000 than we planned for. Plan 2 overestimated working hours and were even more out of scale than Plan one (the average was 67.9%), but underspending is by far preferable to overspending. On Plan 2, we saved over £20000.

This information is also illustrated graphically on the same sheet.

3.3 Explanation of Overview on Labour Breakdown

From Week 7 in the Spring Term, each employee stated what type of work they were claiming for, instead of just claiming generally for Working Hours. The difference between what was predicted and what was actually claimed that week is shown in the “Overview of Labour Breakdown” sheet. It should be noted that each employee predicted their own working hours, by breaking down how many hours on each type of labour they were expecting to work.

This sheet shows that the type of labour we predicted the worst was by far Software Implementation. Meeting Hours and Testing were also badly predicted, though not as severely. This is shown most easily by the pie chart “Labour Breakdown So Far: Which Type of Labour Was Predicted Worst?” where Software Implementation accounts for more than half of the underestimated working hours. If Testing (16%) and Meeting hours (15%) are accommodated with Software Implementation (52%), then over three quarters of time that the company over budgeted for is accounted for.

The radar chart “Labour Breakdown So Far: How Many Hours Were Each Type of Labour Over/(Under) Predicted?” shows the total number of hours the company over/under estimated labour performance. As usual, negative numbers indicate working less than expected and vice versa; only Presentations was over budgeted for (by 0.75 hours). This is unimportant; that is less than £10 over the whole project

so far, and is easily paid for by the many hours people didn't work in every other labour type. The type of labour most accurately predicted was Presentations, but that is due to not having any presentations between week seven in the Spring Term up to now.

The Average Per Week (Spring Week 7 onwards) also highlights that Finance and User Experience weren't, on average, predicted well. According to the Average Per Week, Marketing was predicted fairly accurately.

That we have overestimated the number of working hours has meant that we have a considerable amount of money left over. This can help pay for ongoing costs, although the large loan we took out means that the interest on the loan is considerable and the loan will take longer to pay off.

4.0 Action Plan

4.1 Review of previous Action Plan

- The Contracts and Documentation Manager has gone over and reviewed each employee's timesheet to ensure consistency and accuracy. All the financial data (including labour) is up to date to week five.
- Timesheets have been submitted to the Contracts and Documentation Manager. Penalties have not been introduced for handing in late timesheets.
- Financial backer has approved our loan.

4.2 New Action Plan

- See Future Predictions.

5.0 Conclusion

We have got the loan, although late. This has saved money by not paying interest on the loan from weeks nine in the Spring Term to week three in the Summer Term.

We predicted the cost of the media handlers accurately, as we did for Infrastructure Cost, Rent, and Utilities.

Estimating Labour hours is very difficult. We went under budget considerably regarding Labour cost, but this is preferable to going over budget.