

Financial Review 1

1. Introduction

This document briefly outlines how well our company is doing so far financially. It gives a breakdown of the predicted and actual costs in running the business and some explanation on the variances and what action plan we would follow.

2. Overview

The original finance plan submitted 6th February 2015, where the Labour cost was predicted, was found to be inaccurate; overall employees worked many more hours than predicted causing the company to go over budget. This has resulted in a new timesheet, a new spreadsheet to predict and analyse labour cost and a new loan to be proposed in the near future, from our company's agile philosophy. It is assumed that the loan has been rejected, as no loan has come through.

3. Financial Statement spread sheet

The Financial Statement Breakdown attached in email contains our Financial Statement spreadsheet and our Labour Breakdown spreadsheet. This document outlines the variances between the predicted and actual costs of running the business.

3.1 Explanation of discrepancies in Financial Statement

The reason for the variance is that we estimated the time the software leads would be using for coding and assigning tasks to all the members of the group wrong. We also did not estimate the time expected for documentation correctly and this is the fault of the finance department, predicting less time for documentation.

In the Financial Statement red cells indicate items that cost significantly more than was expected, and pink cells indicate items that cost slightly more than was expected. The red cells highlight that we did not receive a loan, and that we under budgeted labour costs every week. The pink cell has a one penny difference which is due to rounding:

1p difference due to rounding. The "predicted" cell is from the financial plan, where we said the weekly rate was exactly £632.69 per week and then multiplied that by 3. The

*“actual” cell contains the formula “=(1400*23.5/52)*3”, which is more accurate. When we apply for a loan we will not apply for the precise minimal loan, but probably a figure that is a multiple of £500, which will cover any extra cost due to such rounding errors.*

3.2 Explanation of discrepancies in Labour Breakdown

This table is a detailed breakdown of the actual labour costs compared to the predicted labour costs, splitting labour into groups eg. “Financial”. However, the timesheet the company used (which in this document will be referred to as “the old timesheet”) did not break down working hours into these groups, so we assumed that the working hours were split up from the department each employee is assigned to:

- Financials: Assistant Finance Manager, Finance Manager
- Meetings: All employees
- User experience Design: Brand Manager, Lead UX Designer
- Marketing: Marketing Manager
- Software Team: Lead Software Developer, Specialist Software Developer
- Software Implementation: All employees
- Testing: Lead Software Tester
- Management: Project Manager
- Administration: Contracts and Documents Manager

Which is shown in the grey and red cells, eg. assumed the Assistant Finance Manager spent all their working hours on “Financials” and did no other kind of work. “Meetings” is not, as this was separated on the old timesheet (the working hours were split up into “Meetings” and “Working hours”). “Software Implementation” is in red, as there is no way to say how many hours each employee spent on coding and so is assumed to be zero hours. This assumption is incorrect as most employees have done some coding, and it is known that all employees worked on the Tender Presentation which would fall under “Marketing”, which indicates an issue with the old timesheets and the layout in Labour Breakdown.

Variance is the difference between the actual working hours spent and the predicted working hours spent on that department. A positive variance indicates that we underestimated the number of hours people would spend. As is clear, we underestimated the number of hours people would spend in most categories except software implementation, which was assumed to be zero through ambiguity in the timesheets.

4. Action plan

- Revised time sheet with hours justification attached in email
- New financial template to compare predicted and analysed labour cost attached in email
- New template for labour hours breakdown attached in email
- New financial business plan with new proposed loan(s) to be submitted latest next week wednesday.
- Revised working hours to be brought up in the next group meeting
- Suggest to employees to be stricter on themselves when claiming working hours (though justifications)

4.1 Explanation of new timesheet

A new timesheet with justifications is to be used in the future. Not only will this help with comparing our financial predictions with the actual financial cost, it will enable us to question claimed working hours (eg. if an employee claims it took eight hours to do something that probably took two, then the new timesheets will enable us to question this). This may reduce the number of hours people are claiming for in total.

4.2 Explanation of new financial template

The new financial template will acknowledge that an employee may work in an area that does not correspond to their department, eg. Finance Manager may spend some hours working on the Tender Presentation (which would fall under Marketing). This should be possible with the new timesheet.

5. Conclusion

In conclusion, from the documents submitted you can see that we have underestimated the amount of time people would be spending on work, therefore making our initial calculations wrong. Thus we have revised our timesheet and prediction process, and would like to ask for a new loan after a new plan has been produced with these revisions. This new plan with the revised loan figure(s) will be sent to you by email as soon as possible.

