



# Finance

*Financial Review Document 3*

# **Document Control**

| <b>Editor</b>           | <b>Date</b>       | <b>Update</b>                                |
|-------------------------|-------------------|--|
| <b>Emmanuel Olutayo</b> | <b>03/05/2015</b> | <b>Document created. Skeleton + content.</b> |
| <b>Penny Nicole</b>     | <b>04/05/2015</b> | <b>Bulked up content, editing.</b>           |

# Table of Contents

|   |          |
|---|----------|
| <b>1.0 Introduction .....</b>   | <b>4</b> |
| <b>2.0 Overview .....</b>   | <b>4</b> |
| <b>3.0 Financial Statement Spreadsheet .....</b>                            | <b>4</b> |
| <b>3.1 <i>Explanation of discrepancies in Financial Statement</i> .....</b> | <b>4</b> |
| <b>3.2 <i>Explanation of discrepancies in Labour Breakdown</i>.....</b>     | <b>5</b> |
| <b>4.0 Action Plan .....</b>  | <b>5</b> |
| <b>4.1 <i>Review of previous Action Plan</i> .....</b>                      | <b>5</b> |
| <b>4.2 <i>New Action Plan</i>.....</b>                                      | <b>5</b> |
| <b>5.0 Conclusion.....</b>  | <b>5</b> |

## **1.0 Introduction**

This document briefly outlines how well our company is doing so far financially, since the last Financial Review. 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 will follow. One other document will be submitted with this one. The documents submitted are:

- Financial Review Document 3
- Financial Review document Excel spreadsheet

## **2.0 Overview**

We are currently working with our revised financial plan even though we have not gotten any feedback on our revised financial plan from the financial advisor; this is why the company is currently in debt. It appears that we have over predicted the hours that we were all going to be spending on our product, especially during the Easter Break.

Every week employees have worked less than predicted. Since we came back from the Easter Break every employee has been involved with deadlines and this has affected both our meeting and labour hours; therefore people have not been working for as long as we predicted they would be. We also edited the labour breakdown document and added a new row for meeting hours, as the number of meeting hours has varied since the start of the Summer Term. The next section will give an in depth explanation of our current Financial State as a company, whilst putting the labour breakdown document into perspective.

## **3.0 Financial Statement Spreadsheet**

### **3.1 Explanation of 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 are not paying interest on the loan. Contracts are being paid (to us and our contractors) as predicted.

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.

Every week we severely overestimated the number of labour hours employees would work, especial since the start of the Easter Holiday. The last two weeks of the Spring Term we over budgeted by roughly a grand each; every week of the Easter Holiday we over budgeted by roughly two to two and a half grand each; the first two weeks of the Summer Term we over budgeted by nearly two grand each. These are all rough approximations and the details of by how much we overestimated labour costs are in

the Financial Review document Excel spreadsheet, but these approximations highlight how different the reality is from our predictions.

### **3.2 Explanation of discrepancies in Labour Breakdown**

Total labour costs for weeks nine and ten of the spring term were overestimated, and the weeks after were severely overestimated. This is discussed in more detail in the previous section.

People not meeting their target in terms of hours during the first two weeks of the summer term was as a result of having many deadlines (eg. the Design and Construction Final Report) but work is expected to pick up after week three as assignments finish. However there are still exams in the upcoming weeks which will affect most people, though some more than others. For this reason some people are expected to work more than others.

In the financial report the meeting hours seem to be incorrect for the weeks during the Summer Term. This inconsistency is a result of poor documentation by the team, also caused by the stress of other commitments. This is not acceptable, and is expected to be rectified for the next financial hand-in.

## **4.0 Action Plan**

### **4.1 Review of previous Action Plan**

The new financial plan was submitted. There was no other aspect of the previous Action Plan.

### **4.2 New Action Plan**

- Keep a close eye on meeting hours and make sure they are documented properly and promptly. Ensure that every employee knows how long each meeting is so that they fill out their timesheets correctly and are consistent with the rest of the company, which is the responsibility of the Contracts and Documentation Manager.
- Insist that timesheets are submitted to the Contracts and Documentation Manager. Consider discussing penalties to late timesheets with the rest of the company.
- Speak to financial backer on approval of the new loan.

## **5.0 Conclusion**

Time sheets have not been consistent or handed in on time and employees are already aware of this, however there is still an issue and we may need to consider penalties to prevent this from continuing. Time spent working has lowered but is expected to rise as employees get back into programming from the Easter Holidays. Nevertheless we have not under budgeted, so assuming that we get the loan we are not at risk of bankruptcy.