

# Do you really understand your business accounts?

**Eddie Aickin,  
PKF Francis Aickin Ltd**

In our last article we discussed how it is that some businesses can find that after paying tax and loan repayments there's no profit left for them. This week we're leading up to our next free seminar, "Where did the profit go?"

The trouble with some of the reports prepared by accountants is that you need to be an accountant to understand them. There are two ways to fix this: first, ask your accountant more questions. You know the story: the only stupid question is the one that you don't ask. And if he/she can't speak to you in language that you can understand, find one who does speak your language.

Second, improve your knowledge of financial reports. That's what we're going to do with our upcoming seminars. I can hear some responses now: 'I haven't got time', 'I'll never

understand', 'it's not for me', etc.

But nearly all businesses are having a tough time at the moment, and in these situations a good understanding of your business numbers opens up opportunities for strategic business management. There's another old saying: "If you don't measure it you can't manage it." We could add to that: 'If you can't understand it, why measure it?'

Do you think Graham Henry analyses the figures after each ABs' match? Too right he does. He and his coaches know the numbers, they understand them, and they manage them. Just like you need to be with your business results

And don't forget, if you're operating as a company you have a legal obligation to understand your financial position. It amazes me how easy it is to become a director of a company. Directors have considerable legal and financial obligations, but nobody asks, nor

do you have to show a scrap of evidence that you understand these obligations before registering as a director. The only thing you have to do is provide your address, and there's nothing stopping you making that up either.

The sorts of things you need to know, and will learn at our seminar, are:

■ The answers to the essential questions: where are we now, and how did we get there?

■ If we made a profit, where is it?

■ What do those notes attached to the accounts mean?

■ What is the difference between gross profit, mark up and margin?

■ What is solvency, and how do you work it out?

■ What is a KPI, and how do you find it?

■ **Join us at our next seminar, on October 5. Call Debbie on 408-9366 to confirm your place.**

**PKF**

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business advisers

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- Experienced business advisers
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**Kaitiaki:** 2 Redan Road

**Mangonui:** Waterfront Road

**Office hours:** Monday - Friday 8am to 5.30pm

**email:** [kaitiaki@pkffa.co.nz](mailto:kaitiaki@pkffa.co.nz)

**phone:** (09) 408 9366

