

## Finance Director

### SPECIFIC TASKS YOU ARE RESPONSIBLE FOR:

#### *Beginning of the year:*

- Obtain start-up capital through fund raising or share capital
- Open bank account
- Set up cash receipts and payments system

#### *Weekly:*

- Report on cash position of company to director's meeting
- Reconcile bank statement
- Write cheques and have approved by meeting for payment
- Monitor accounting controls
- Invoicing customers
- Receipting money received

#### *Monthly*

- Prepare cash budget and financial performance statements and compare against budget. Any variances should be explained.

#### *End of the Year*

- Prepare end of year financial statements
- Pay dividends and tax
- Close bank account

### Finance Director's Annual Planning:

Month	Finance
<b>Feb/Mar</b>	Open Bank account, Pay registration, Break Even Analysis, Budgeted Cash flow and Performance, Set up cashbook, Share Issue, Monthly report
<b>Apr</b>	Accounting Systems, Monthly report
<b>May</b>	Banking, Monthly report
<b>Jun</b>	Financial Data for oral presentation, Invoicing and Receipting, Budget vs Actual
<b>Jul</b>	Performing, all involved in production and selling
<b>Aug</b>	Budget vs Actual
<b>Sept</b>	Financial Statements, Financial Analysis, Graph results
<b>Oct</b>	Pay dividends and Tax, Close Bank Account Wind up

## Chow Down Case Study

Chow Down is a Young Enterprise Company that has created the top ten Asian recipes used in New Zealand in a recipe book with an accompanying DVD.

### Break-Even Analysis

A Break-Even Analysis calculates the number of items you need to sell in order to make a profit. It is an excellent tool for setting prices, and enables the company to set profit and sales targets.

#### Breakeven Point

$$BE = \frac{\text{Fixed Costs}}{(\text{Sales Price} - \text{Variable Cost})}$$

The following costs have been determined for producing the books:

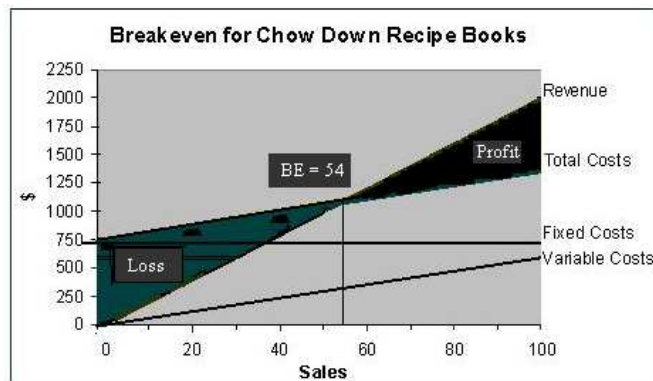
30 blank DVDs cost \$59.95, ingredients for cooking the 10 meals \$285, video equipment hireage, editing and converting to DVD \$170 (someone in the group has editing skills), packaging and label costs per DVD 88c, printer's set-up costs \$240, printing \$3.20 each if 1,000 books are produced. Sales price is \$19.95; company registration fee is \$50. A first batch of 200 DVDs and 1,000 books are to be purchased in April.

- a) Classify the costs as either Fixed (You have to pay whether you produce 10 or 10,000) or Variable (the cost is extra per unit produced)

Fixed		Variable	
Total	\$745.00	Total	\$6.08

Breakeven Point equals:  $\$745 / (19.95 - 6.08) = 54$  books have to be sold.

Graphing the breakeven:



- b) Which lines intersect to make the breakeven point?  
 c) What two lines are added to calculate the total cost line?  
 d) Estimate the profit if 100 books are sold

### Calculating profit/loss:

The breakeven point for Chow Down is 54 recipe books. The profit can be calculated on any number of sales. Profit equals the number sold, less 54, multiplied by the contribution margin (difference between the sales and variable cost price).

Calculate the profit/loss given the following sales figures:

Sales	Calculation	Profit/loss
e.g. 80 recipe books	$=(80-54) \times (\$19.95-\$6.08) = 26 \times \$13.87$	\$360.62
a) 35 recipe books		
b) 120 recipe books		
c) 400 recipe books		
d) 1,000 recipe books		