

## **5. FINANCE**

### **5.1 Financial Procedures**

Financial control of the business is shared between Bill & Mary Donaldson. Financial planning is carried out annually at the start of each new financial year and unless there are any interim requirements, decisions on any necessary investment are taken and planned at that stage.

Mary Donaldson produces monthly accounts. These are shown and discussed with the bank manager, with whom meetings are usually arranged at least twice a year.

The business adopts the Invoice accounting procedure and the accounts are prepared using an accounting software system.

The terms of credit are 30 days from date of invoice. Approximately 75% of invoices are paid within these terms and it is unusual to have any outstanding beyond 60 days. Mary Donaldson is responsible for credit control and payment of all accounts. The business currently has no bad debts and has not incurred any substantial unpaid invoices in the last two years.

Creditors are normally paid within their terms – most of these are 30 days but the timber merchants do allow some flexibility, where we can take advantage of early settlement discount if paid before the due date.

All VAT payments and National Insurance contributions are paid up-to-date.

### **5.2 Loans & Borrowings**

The business currently has no bank loans but has a bank overdraft facility of £6,000, though this is very rarely used.

As previously mentioned, the business is looking for further funding to finance the move to new premises and invest in new equipment and an additional vehicle in order to streamline its operation and increase turnover. It is anticipated that the bank will wholly or part finance the required sum of £25,000. If the full amount cannot be borrowed from the bank, the business may have to use Hire Purchase facilities to purchase equipment and an additional vehicle.