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Your company's profitability depends not only on sales, but also on effective cost management.

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Managing business costs is one of the top areas affecting our clients. As you know, your company's profitability depends not only on sales, but also on effective cost management.

It is part of every financial manager's role to ensure that overheads are managed and maintained at an appropriate level to support the business.

The starting point to monitoring and controlling your overheads is to prepare an **overhead budget** in conjunction with your sales budget for the year

#### Tips for preparing an overhead budget

- Make it realistic
- Don't skimp on the detail
- Don't forget to include your payroll taxes
- Take in to account seasonality
- Consult the right people in the organisation and get them connected to the budget
- Review last year's actual overheads and consider any agreements in place in relation to this year
- Calculate the breakeven point for sales i.e the level of sales required to cover the business costs

The next stage in the process is to prepare monthly management accounts

#### Management Accounts

- Prepare monthly management accounts
- Compared management accounts to your budget
- Investigate, discuss and act on variances to the budget immediately

Your job is to keep your eye on the ball and to ensure that your business is on track. Preparing monthly management accounts will provide you with up to date key performance indicators which will allow you to make the correct financial decisions to allow your business to flourish.

OSK is authorised by Chartered Accountants Ireland to carry on Investment business.  
This fact sheet provides a general guide only and specific advice should be sought before any action is taken.

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### **Actively Monitoring Overheads Costs**

It is vital to the success of your business to control costs. Management should consider the following points to assist them in controlling and reducing costs

- Shop around for Insurance, telecoms and IT
- Look out for discounts
- Challenge the discretionary spend
- Review staff costs
- Review rental costs, consider subletting spare office or warehouse space
- Monitor phone usage
- Monitor stationery costs
- Put procedures in place for ordering and checking stationery usage
- Consider financing insurance and professional fees over a defined period
- Consider outsourcing your finance function i.e bookkeeping, management accounts and payroll

To keep control of costs you need to prepare accurate budgets which are reviewed monthly in conjunction with your management accounts so that the actual costs and variances to the budget can be identified promptly which gives management the information required to make timely interventions if necessary. To maximize your business' potential, ensure that you allocate sufficient resources to the monitoring of costs.