



The Importance of Planning

- Writing a plan might not be interesting – but it is the key to success
 - Imagine what would happen if you were going abroad on holiday and hadn't planned ahead
- In the same way, planning ahead will help a business to :
 - Avoid running out of cash
 - Make the most of its resources
 - Work towards their objectives
 - Deal with financial problems





What Needs to be Planned?

● A business must plan for:

➤ **Expansion**

- Expansion requires careful planning
 - ◆ E.g. new staff, new buildings etc

➤ **Unexpected Events**

- This may have serious financial implications

➤ **Financial Changes**

- Any change will inevitably lead to:
 - ◆ Changes in costs
 - ◆ Changes in revenue
 - ◆ Changes in profit





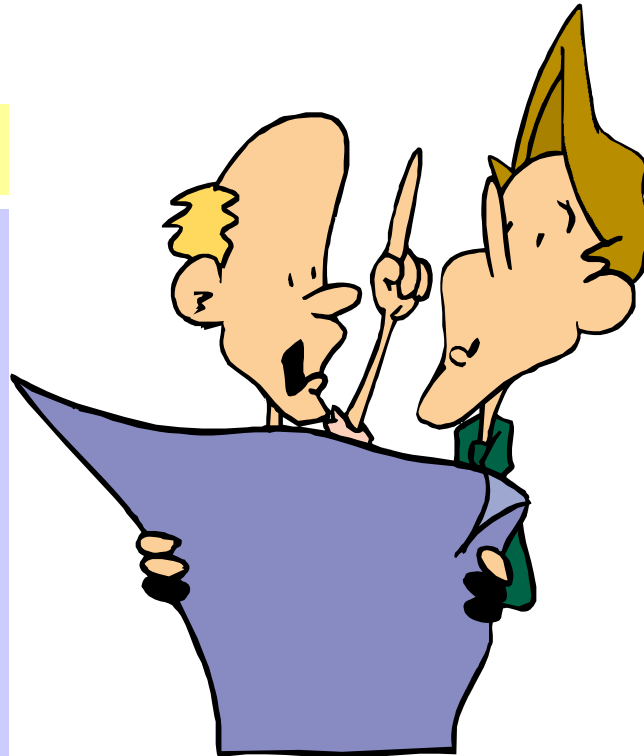
Types of Plans

- There are 2 broad types of plan:

Business Plans

This document is likely to include:

- Cost Information
- Break-Even
- Cash Flow Forecast
- Budgets



Contingency Plans

These are plans made by a business to deal with serious problems.

It will outline what the business will do in such a situation e.g. a fire



The Use of Plans

- Financial plans are used to:
 - Set targets
 - Can be used to help departments work towards achieving the overall objectives of the business
 - Keep Stakeholders informed
 - **Owners**
 - ◆ Will want to know what profits they can expect
 - **Creditors**
 - ◆ Will want to know if it is safe to lend the business money
 - **Investors**
 - ◆ Will want to know whether they will get a good return on their investment

