



Beyond the Spreadsheet

Writing About Numbers

Bowker Comm 390

Writing About Numbers

- ▶ **Necessary for:**
 - ▶ Demographic data
 - ▶ Pricing
 - ▶ Market research
 - ▶ Sales analysis
 - ▶ Net present value calculations
 - ▶ Financing
 - ▶ Business Valuation
 - ▶ Financial Statement Analysis
 - ▶ Operational Efficiency Planning
 - ▶ Etcetera



The Challenge

- ▶ To interpret data so that it can be used to make sound decisions.
- ▶ To avoid overwhelming the reader.



Excerpted from the Financial Statements

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	CAD \$ in 000's	
	<u>2012</u>	<u>2011</u>
Inventory at Year End (BS)	2,000	2,000
Revenue from Sales (IS)	15,000	16,000
Cost of Goods Sold (IS)	12,000	11,000
NI (IS)	1,500	3,500
Additional information:		
Gross Margin (15-12=3M)	20%	30%
Inventory Turnover Ratio (COGS/Avg. Inventory)	6	
Average # Days Inventory Held (365/inventory turnover)	60	
(up from 50 days last year)		
Average Year End Inventory (2008-2010)	1,000	



Background Information

- ▶ **Industry** - Equipment manufacturing.
- ▶ **Economy** – In 2013 companies are beginning to buy again but the economy overall is still recovering.
- ▶ **Suppliers** – Strong relationships with 3 key suppliers.
- ▶ **Competitive Environment** - One major competitor who is significantly bigger than we are and is putting downward pressure on selling prices.
- ▶ **Sales** – A 10% drop in sales will mean a 20% drop in NI.
- ▶ **Sales Process** – Improvement needed.

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Sales Process – Improvement needed

- ▶ Losing sales we ‘should’ have got
- ▶ Recently lost 2 important accounts
- ▶ Hired new sales executive with considerable experience in the industry
 - ▶ Salary \$30,000 more than the previous sales manager
- ▶ New manager is expected to increase sales by 10% or more by:
 - ▶ keeping existing clients,
 - ▶ gaining back at least one of the two recently lost, and
 - ▶ bringing in new accounts.



Sample Exercise



Assignment:

We have been asked to write an analysis on inventory and sales that our managers will use to consider future plans for production and marketing.

Provide a Summary Table

- ▶ Let a summary chart or table do much of your talking
- ▶ It shows your reader the most important numbers so they can understand your position

	2009	2010	2011	2012	2013	2014 <i>(Projected)</i>
Gross Revenue	\$3,100,372	\$3,250,526	\$3,683,318	\$3,514,479	\$4,270,571	\$4,500,000
Normalized Normalized EBITDA	\$634,481	\$676,774	\$923,879	\$892,524	\$1,080,108	\$1,115,200



Tips

1. Let a **summary chart** or **table** do much of your talking.
2. Stick to the **facts**. If you make an assumption, explain it clearly.
3. Keep sentences **short**.
4. Stick to the **highlights**. Leave out unnecessary details.
5. Show comparisons to provide **context**.
6. Be **specific**.
7. Draw **connections** even if those connections seem obvious.



Sample Response

Excerpted from the Financial Statements for the Year Ending October 31, 2012:

	<i>CAD \$ in 000's</i>	
	<u>2012</u>	<u>2011</u>
Inventory at Year End (BS)	2,000	2,000
Revenue from Sales (IS)	15,000	16,000
Cost of Goods Sold (IS)	12,000	11,000
NI (IS)	1,500	3,500
Additional information:		
Gross Margin (15-12=3M)	20%	30%
Inventory Turnover Ratio (COGS/Avg. Inventory)	6	7.3
Average # Days Inventory Held (365/inventory turnover) (up from 50 days last year)	60	50
Average Year End Inventory (2008-2010)	1,000	

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Sales & Inventory Analysis

The inventory turnover is currently 60 days, 20% higher than in 2011. We attribute this to slower than usual sales, however our production has remained consistent with previous periods. As a result, we are now carrying an oversupply of inventory.

Our concerns stem from 3 factors:

1. Production costs (COGS) have increased.
2. Sales have dropped 6% while prices have been held constant.
3. Our Gross Margin has declined by 50%

Sales are down for the first time in 5 years, partly due to our competition putting downward pressure on pricing, ~~and partly due to a previously weak sales team in house.~~ A new sales executive has been hired specifically to improve sales. It is expected that the new sales executive will increase sales by 10% or more by keeping existing clients, gaining back at least one of the two recently lost, and bringing in new ones.

Our Net Income declined more than 100% in 2012. Continued loss in sales represents considerable risk to the long term health of the company. Unlike our competitor, we cannot afford to lower prices further and still remain profitable. Our solutions are to find savings in our manufacturing process or increase sales – a strategy for which has already been determined and has begun to be implemented.

In Class Assignment

- ▶ Answer one of the following 2 assignments. Details including due date can be found in the file titled, “Writing About Numbers Assignment.”

1. Accounts Receivable
2. Pricing



End

