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# Consultancy Services in England

V. C. Huggett

When called in by top management to review the resources and potential of any business, the following items must be considered:

1. Are the resources of the business sufficient for present trading and future expansion?
2. Has the business a future or should it be remodelled for present markets?
3. Are all the sales profitable and are they in the right proportions according to the production or stock availability?
4. Is top management capable of revitalising or improving the efficiency of the business?
5. Is a team spirit prevailing throughout the organisation from the youngest member to the longest serving member?
6. Are all departmental heads capable of forward thinking and progressive in their future outlook?
7. Draw up a plan on budgetary control showing that on the present sales a sensible net profit can be obtained for the money invested.
8. Generally speaking, in any business, sales at suitable profit margins are vital for budgeting purposes.
9. Emphasis should be given as to whether national publicity is necessary to stimulate sales, direct mailing shots or personal cold calling.

Having assumed that all the above questions have been answered satisfactorily, budgeting, if not already present, should be commenced in a simple manner and should allow for natural economies which would function, as consultants review the business as a whole.

## *Overheads.*

This must be continually reviewed in the light of whether they are necessary, excessive, or require refinement in accordance with general practice throughout the country.

## *Materials.*

These should be considered very carefully to ascertain that the latest techniques are being used in the manufacture or the latest type of products being factored. Value analysis plays an important part in the build up of any manufacturing products—this also relates to any new position which may be necessary.

Control of raw material or stocking is an essential part of any business to ensure that the stock which is purchased is carefully

watched through all processes to avoid any loss, direct or indirect. Labour must be carefully scrutinized from direct operators through to indirect operators.

It is essential to ascertain that no unnecessary functions are carried out and that a capital budget is in existence to fully improve machining techniques and the full utilisation of indirect labour to make sure that everyone is not “working hard” but working effectively towards lower costs.

Unfortunately in these days the word “Profit” has taken the wrong interpretation, but we will all agree that without profit there cannot be any future.

The theme will always tend towards improvement of efficiency, lower operating costs, more efficient handling, and simplification of financial, bookkeeping and accounting administration. With this must go careful analysis of all operations.

The future of expansion always depends upon the surplus profit earned after dividends or returns to the owner are made—less, of course, the tax paid.

These profits will always guide the administrator of a business in his future plans, particularly when expansion on an ever increasing scale is envisaged.

But many times do we hear that the functions of the business are not being carried out satisfactorily, and these we would list as follows:

### 1. *Inadequate Service*

This can cover poor stock availability. Inadequate transport and planning and inadequate advice when called for by the customer.

### 2. *Slip-Shod Accountancy Methods*

This can range from invoices not being priced promptly and despatch of statements being up to three months from the end of the month of delivery.

### 3. *Poor Sales Service*

This would cover the salesman who is not fully versed with his materials, who takes an order in a slip-shod manner and forgets a few important items when placing his order at the warehouse; inadequate calling and calling too frequently which is a nuisance to the customer.

### 4. *Wrong articles supplied, due to Order Control not functioning correctly.*

## 5. *False Promises*

Always remember that you can get away with a false promise once, but when it starts to hurt the customer, he will look for a new supplier. It is suggested, therefore, as in all businesses, it is advisable to be strictly honest and not make a promise which cannot be kept, but due to poor systems of control an Order Department may suggest that the articles are in stock when in fact these could have been sold previously by another salesman or department. In this case, it is suggested that you contact the customer immediately explaining the position and giving a new delivery promise.

## 6. *Overhead Expenses*

Are you using the cubic capacity area for the rates you are paying? Are you paying an extortionate rent and would it pay you to borrow money to build a more efficient area? Have an insurance survey every two years to see that you are adequately covered or to ascertain if your premiums can be reduced with the same coverage. If you have any part of the premises empty are you paying rates on these? Can you empty any of the premises by better handling?

If at any time finance is required it is possible to sell premises and to rent these back and if a clear profit is being made from the investment this can be a useful measure of efficiency, but one must bear in mind what would be the value of the premises in years to come. If they are likely to appreciate very considerably it might be better to loan money from the bank against the capital appreciation of the premises.

### *Budgetary Control*

Always budget beforehand for your profit rather than let a loss be a shock to you or a little extra profit a nice surprise.

Never be satisfied with small nett profits. This satisfaction can only cause a downward trend in the business.

We have so often heard in the past the "Oh, our nett profit was only down 1%." Satisfaction appears to be present and once this occurs it can occur again and again until losses are involved. Be dynamic with your profit acceptancies. Look for savings, look for efficiency, look for better margins.

Industry as a whole should carefully study and implement the packaging of materials. Quite a lot can be done quite quickly by the simple use of such items as cellophane bags and this would also train customers to carry small stocks themselves.

### *Incentives*

In all industries incentives should apply.

Improvement of wages and salary standards, giving an incentive in simple but effective measure, can assist in obtaining extra nett profit.

### *Complaints*

Deal with complaints quickly. We would suggest that at least 90% of the complaints turn out to prove that the customer is right and usually 10% or below are only attributed to the customer himself. It would appear, therefore, useful to have one person specialising full time or part time on dealing with all complaints.

### *Team Spirit*

In every successful industry the team spirit prevails. In other words no one man organisation can continue very long without expanding; other employees have to be engaged.

Keep all your employees in the picture as far as possible. Let them know of your views and your plans so that they feel they are part of a whole organised team. Under this heading can be included the education of the staff; and suppliers are only too willing to lecture and show films on their products which can easily be arranged during evenings and will help you to have a more competent staff.

### *Sales*

Assuming you have received your customer's order, check that it does not contain any special provision with which you cannot comply, and watch, of course, for a penalty clause, which, like an insurance policy, is usually in such small type that it could be easily overlooked.

Check also the credit rating of your customer. Every ledger card should clearly show the credit limit which has been decided upon for each customer, and at this stage, reference should be made to the ledger card before acceptance of the order.

In transcribing the order on to your own order form, check that the interpretation is correct, and that clear copies are distributed to all departments, particularly the warehouse, which will be making up and despatching the order to your instructions. Depending upon the volume, the location of staff dealing with them will govern the method of issuing these orders. Obviously sets in some form or another will be used, but whether these are handwritten by counter staff, typed or processed by the office, is your decision. Where the volume would be too much for one typist, consider the use of continuous stationery or other means.

Having completed the order, the most important thing now from the office side, is to keep on top of the invoices by daily posting if practicable, or in the most convenient batch

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working students comes from Louise Murphy of the Tucson Chapter No. 58 of the American Society of Women Accountants.

Your son or daughter in college will get a break on summer earnings under the new tax law, which provides a minimum standard deduction of \$300.00. Thus only earnings over \$900.00 will be subject to income tax instead of all over \$675.00, as before. Taxes still will be withheld, but a refund can be claimed on the new basis. And so long as you provide more than half of total support, you still can claim a \$600.00 exemption for your child.

### Consultancy Services

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form. In too many cases, pricing holds up the flow of invoices and leads to a last minute rush at the end of the month, or even half-way through the next month.

Unless invoices and statements are rendered promptly payment of your accounts can often be delayed, and who can blame the customer for taking full advantage of this.

### Credit Control

And now to the most complex subject of credit control. It must be borne in mind that a sale is not complete until the cash is received. Again, the first stage towards this is to render your invoices and statements promptly; make sure your ledger cards all bear the correct rating of your customer. If you are unable to assess this yourself, guidance can be given by your bankers; but there are other ways and means, one, through various friends in the trade who these days work on a very happy reciprocal basis, or, of course, through the many well-known credit houses in the country.

Having established the credit limits, form a system of credit control by showing the outstanding balance each month against the month to which it refers, correct cash allocation, and following up immediately an account becomes overdue. Your ledger can be indexed by colour tabs marking the danger spots and ensuring that once an account has reached this state, no further goods are supplied. The follow up of accounts which become one month, or two months, overdue can be covered by stickers on the statement, or by series of standard letters, which, despite veiled criticism, do prove highly successful.

Credit control must be approached in a flexible, but aggressive manner, and a friendly chat over the telephone may produce the required results. Quite often a personal visit to a customer is more than appreciated by him; he may not be in any difficulty. It may be on your side if your accounts are not in first

class order; maybe a credit note has not been issued for goods returned.

Find out the facts, but do not relax pressure on habitually slow or unsound payers. Decide your credit limits, the length of credit to be allowed, and keep your staff completely in the picture with the facts at all times.

### Finally Correspondence

In most cases this can be the first impression formed of your Company. Always make sure this is to your credit—letters neatly typed, well laid out, without alterations and correctly punctuated, always reflect the attitude of management.

I have already referred to the use of standard letters for credit control but these can be effectively used for other purposes. I do not necessarily mean stencilled, in this respect. Many like instances occur in your organisation so why not have an indexed file of letters which can always be suitably adapted for specific cases and in the hands of a competent typist using her own initiative can save hours of executive time.

Another saving, of course, is the use of window envelopes. Many organisations frown upon these and use them only in the accounts department but more and more these days the use of window envelopes for correspondence is an accepted fact.

May I from a woman's point of view, quite apart from general efficiency, emphasize the importance of attention to correspondence early in the day. Only too often have I seen a typist spending the morning in comparative ease whilst the afternoon becomes mad rush to get the work through, often ending in badly typed letters, errors and a great deal of irritation and bad feeling on both sides. Make effective use of your typist time and mutual cooperation will produce the desired results.

Remember the grass in other fields is no greener than your own, unless the other field has been fertilised regularly and consistently. In other words, action is continually taking place.

Yesterday has gone.

Today is nearly finished.

Tomorrow offers the opportunities—do not miss them.

\* \* \*

Confidence is the foundation for all business relations. The degree of confidence a man has in others, and the degree of confidence others have in him, determines a man's standing in the commercial and industrial world.

—William J. H. Boetcker, D.D.