

Commercial Skills for Chemists: Finance

SmithChem Case Study

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This resource was produced as part of the National HE STEM Programme



SmithChem Ltd

SmithChem Ltd is a small chemical consultancy founded by Jo Smith – advising customers on safe materials handling, and the disposal of chemicals

INCOME

In January, SmithChem does one project for MegaChem PLC and has received payment of £2000 for this work. It has done some work for Midshire University and has invoiced them £1500. This missed the end of January payment run but the money is expected in mid February. They have also received an order to do work for LittleChem Ltd estimated at £2500, but this is expected to take place later in February and paid early in March.

EXPENSES

In January, Jo visited MegaChem, spending £40 on travel, Midshire spending £50, and LittleChem spending £60.

SmithChem has one part-time employee whose salary costs are £6000 per year.

SmithChem received a telephone bill of £300 in early February relating to the three months ending on 31st January.

SmithChem carries various insurances totaling £600 per year, paid on a monthly direct debit.

SmithChem operates from a small office (costing £600 rent per quarter), and has £5000 of office equipment, furniture and PC's which will fully depreciate over 5 years

Jo would like to go on a ski-ing holiday in February and asked SmithChem's accountant how much profit the Company had made in January.

Calculate the profit SmithChem made in January. Can Jo spend this money on a holiday?

SmithChem Profit

- Sales in January
- Costs
 - Travel
 - Rent
 - Wages
 - 1 month telephone
 - Insurance
 - 1 month depreciation
- Profit in January is

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SmithChem Cash Flow

Cash from Sales

Cash spent in January

- Travel
- Rent
- Insurance
- Wages

Cash to be spent February

- 3 months phone bill
- Rent
- Insurance
- Wages

'Holiday money'

And what about tax?