Commercial Skills for Chemists: Finance
SmithChem Case Study
Developed by Professor Colin Pulham, University of Edinburgh and Kevin Parker, KKI Associates Ltd
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?