

Case Study - Small Forex Turnover To determine the impact on profitability of forex currency management		
Music Industry Company Paying for licences, tours, fees, and services and receiving foreign earned income	Values in Home Currency	Percentages
Information about the Company		
Company's gross turnover	5,000,000.00	
Company's current net profit before tax	750,000.00	15.00%
Forex value of foreign payments / percentage of turnover	2,500,000.00	50.00%
Gross forex value of foreign revenues / percentage of turnover	3,250,000.00	65.00%
Total value of forex activity before any net off	5,750,000.00	
Payment frequency is high with foreign transfers occurring regularly	100	
Company pays a bank charge for foreign payments and receipts	21.00	
Forex Bank charges	2,100.00	
Gains and Costs as a result of Valufin's services		
Margin gained by Company due to rate negotiation	172,500.00	3.00%
Margin gained by Company due to portfolio management	115,000.00	2.00%
Valufin Annual fees charged to the client	-28,750.00	0.50%
Saving on bank charges	2,100.00	
Net improvement to profitability	260,850.00	4.54%
Projected profitability for Company with a managed forex portfolio	1,010,850.00	20.22%
Improvement to net profit before tax		34.78%

Company is in the music industry, the business involves musicians, tours, records, licences, managers, staff, events, venues, travel etc. The Company incurs costs to be paid locally and internationally and generates revenue locally and internationally.

The international revenues equate to 65% of total income and the company pays costs internationally which equal about 50% of the total revenue.

Certain income and costs are net off when income and costs relating to a tour tie into the same accounting period. The net of values are not material and prudent forex management provides the required currency when needed.

The band members and staff use local credit and debit cards internationally. For prudence, the extra 3% that is seen as additional savings on this kind of spend has not been factored into the calculations.

The manager has full visibility of transaction, and has 24/7 access to the online banking portal to plan payments, check receipts, fund debit cards and arrange currency conversions. When conversions are larger than the average (figure is agreed) then a call to Valufin secures an even better rate.

Valufin provides proactive input to converting currency when the markets reflect improved rates and proactively engages to negotiate these rates.

Valufin works with the financial person to ensure that the accounting entries reflect the correct conversion rates, the profit and loss is reflected per transaction accurately and supports the preparation of the relevant accounting reports for forex risk.

The company has improved its cash profit return by £260 850 from £750 000 to £1 010 850, which has increased the net profit percentage from 15% to 20.22%, an improvement in cash of 34.78%.