

The Profitable Practice: No More Cash Headaches

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Action
COACH
BUSINESS COACHING

*I acknowledge the traditional owners
and custodians of the land
that I live and work on as the
First People of this Country.*



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What People Tell Me



What are the key Mastery areas?

- ✓ Know your...
 - ✓ Profit & Loss
 - ✓ Balance Sheet
 - ✓ Break Even
 - ✓ Cash Flow



Why do 80% of businesses fail in the 1st 5 years?

No Cashflow

+

No Profits

=

No Business!

Understanding your numbers leads to:

Better Business Decisions

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Today you are going to learn...

- ✓ About your Profit & Loss statement
- ✓ About your Balance Sheet
- ✓ How to work out your Break Even point
- ✓ A Cash Management Strategy to

Transform Your Business and Life

Some things to consider...

- ✓ **Your books are up to date**
 - ✓ Everything is entered into your accounting software and reconciled each month
- ✓ **You review your financials on a MONTHLY basis**
 - ✓ Have a system in place for keeping yourself on track
- ✓ **You have your Adviser check your numbers**
 - ✓ It's a good idea to have your numbers checked & Verified

The Profit & Loss Statement (P&L)

Records

- Sales/Income
- COGS/COS/Variable
- Gross Profit
- Fixed Expenses
- Net Profit

XYZ Widgets Pty Ltd	
Profit & Loss statement	
Sales / Income	
Red Widgets	\$ 50,000.00
Blue Widgets	\$ 44,000.00
Green Widgets	\$ 21,000.00
Yellow Widgets	\$ 7,000.00
Total Sales	\$ 122,000.00
Cost of Sales	
Red Widgets	\$ 25,000.00
Blue Widgets	\$ 15,000.00
Green Widgets	\$ 17,000.00
Yellow Widgets	\$ 6,000.00
Total Cost of Sales	\$ 63,000.00
Gross Profit	\$ 59,000.00
Fixed Expenses	
Bank Charges	\$ 2,500.00
Bookkeeping	\$ 4,100.00
Interest	\$ 2,200.00
Misc. Expenses	\$ 1,500.00
Office Supplies	\$ 3,000.00
Postage	\$ 1,200.00
Printing & Stationary	\$ 2,000.00
Rent	\$ 5,000.00
Sales & Marketing	\$ 4,000.00
Staff Ammenities	\$ 800.00
Telephone	\$ 3,500.00
Wages & Salaries	\$ 12,000.00
Total Fixed Expenses	\$ 41,800.00
Net Profit/(loss)	\$ 17,200.00

Here's how it works....

$$\begin{aligned} &\text{Total Income/Sales} \\ &\quad - \\ &\text{Cost of Sales/Variable} \\ &\quad = \\ &\text{Gross Profit} \\ &\quad - \\ &\text{Fixed Expenses} \\ &\quad = \\ &\text{Nett Profit / (loss)} \end{aligned}$$




Some common questions...

What is COS or COGS?

- **Cost of Sales OR Cost of Goods Sold**
 - (Sometimes referred to as Variable Costs)
 - These costs are **ONLY** incurred when you make a sale...
 - This could be the cost of a Product, Fee for Service, etc.

For example, if you use contractors that **ONLY** get paid when seeing a patient, then this would be a COS. If your service professional were paid a fixed salary, regardless of whether or not they produced income, this would be a Fixed Cost

Product costs are recorded as an expense when the item is sold.



**The Balance Sheet shows the
VALUE and indicates the
HEALTH of your business!**

■ Assets

■ Liabilities

■ Equity

ABC Trading Co				
Balance Sheet				
As of June 2005				
1-0000	Assets			
1-1000	Current Assets			
1-1110	Cheque Account	22,546.00		
1-1140	Petty Cash	200.00		
	Total Cash On Hand		22,746.00	
1-1200	Trade Debtors	165,551.00		
1-1210	less Prov'n for Doubtful Debts	(1,000.00)		
	Total Accounts Receivable		164,551.00	
1-1300	Inventory	150,000.00		
1-1400	Prepaid Insurance	0.00		
1-1800	Deposit Bond - Rent	5,016.00		
	Total Other Current Assets		5,016.00	
	Total Current Assets			342,313.00
1-2000	Fixed Assets			
1-2500	Vehicles			
1-2510	Vehicles - at Cost	73,174.00		
1-2520	Vehicles - Accum Dep	(16,940.00)	56,234.00	
	Total Fixed Assets			56,234.00
	Total Assets			398,547.00
2-0000	Liabilities			
2-1000	Current Liabilities			
2-1200	Trade Creditors	171,897.00		
	Total Trade Creditors		171,897.00	
2-1310	GST Collected	38,122.00		
2-1330	GST Paid	(47,947.00)		
	Total GST Liabilities		(9,825.00)	
2-1410	PAYG Instalment	1,882.00		
2-1430	Provision for Annual Leave	3,500.00		
	Total Payroll Liabilities		5,382.00	
	Total Current Liabilities			167,454.00
2-2000	Non Current Liabilities			
2-2050	HP Creditor	25,000.00		
2-2100	Bank Loans	50,000.00		
	Total Non Current Liabilities			75,000.00
	Total Liabilities			242,454.00
	Net Assets			156,093.00
3-0000	Equity			
3-1000	Shareholders Equity			
3-1100	Paidup Capital - Ordinary	2.00		
	Total Shareholders Equity		2.00	
	Retained Earnings			
3-8000	Retained Earnings	61,245.00		
3-9000	Current Year Earnings	94,846.00		
	Total Retained Earnings		156,091.00	
	Total Equity			156,093.00

The Balance Sheet



- **Assets are what you OWN**
- **Liabilities are what you OWE**
- **Equity is the OUTCOME**

Break Even Point...

The Revenue required to pay all your expenses

- Should include all cash outgoings

How to Calculate your Break Even Point...

Work out the Break Even point for XYZ

Fixed Expenses

\$41,800

÷

÷

Gross Profit Margin

48.3

X

X

100

100

=

=

Break Even Point

\$86,542.44



PROFIT FIRST

BEHAVIOR NOT LOGIC

**SALES – PROFIT =
EXPENSES**

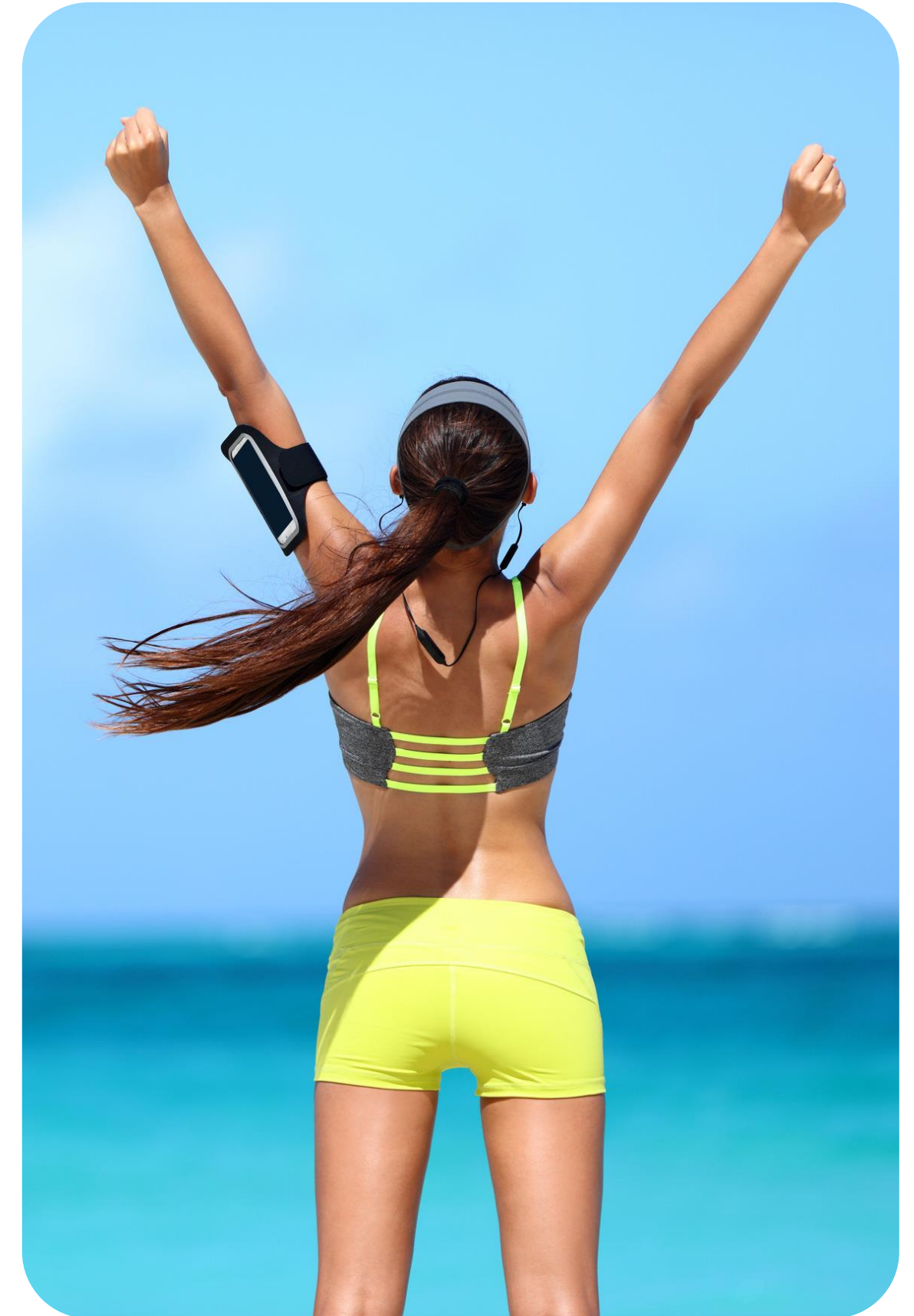
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BE FIT

PLATES. VEGGIES. TEMPTATION. FREQUENCY.



1. SMALL PLATES

PORTIONS



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PARKINSON'S LAW

BEHAVIOR



Allocation % for \$0-\$250K Business



Profit - 5%



Taxes - 15%



Income - 100%



Owner's Pay - 50%



Expenses - 30%

2. VEGGIES 1st

ALLOCATE FIRST

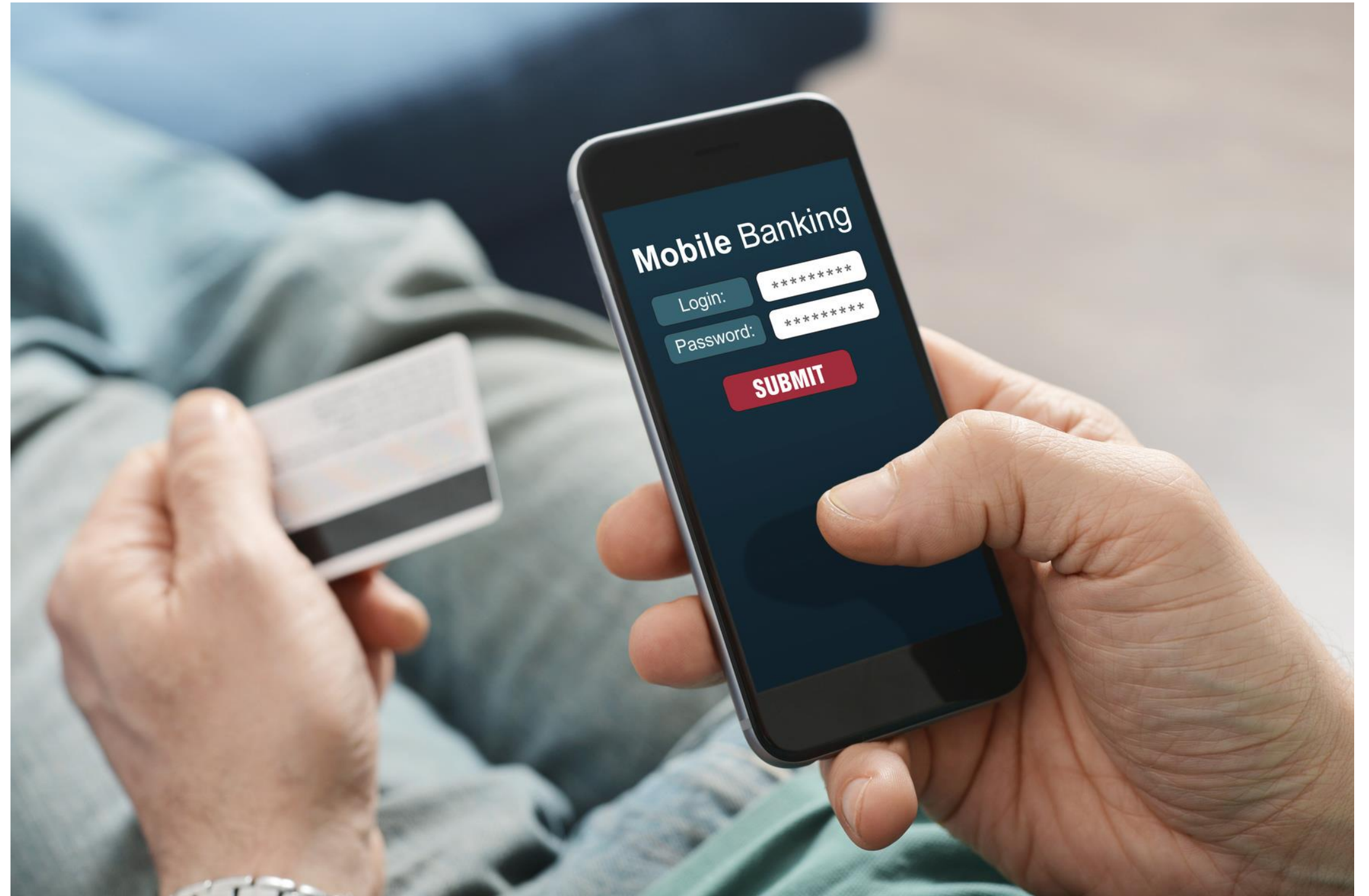


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REALITY

BANK BALANCE ACCOUNTING



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3. REMOVE TEMPTATION



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4. RHYTHM

THE COMPLEX, SIMPLE



THE 10/25 RULE

Rhythm



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YOUR CASH

KNOW CASH



MORE CASH

GROW CASH



QUARTERLY

REPEAT REPEAT
REPEAT REPEAT



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STICK WITH IT

DISTRIBUTE AND ADJUST



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3 Lessons

3 Actions

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PRIMARY
HEALTH
NETWORK

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