

Today's panellist

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Thought for the session

"The budget is not just a collection of numbers, but an expression of our values and aspirations."

- Jack Lew

Agenda

1. Why you need to know your numbers.
2. Overview of the reports.
3. The difference between profit and cash.
4. The key drivers of business value.
5. Protecting your assets.
6. Adopting best practice.
7. Next Steps.
8. Questions.

Why you need to know your numbers

1. They tell the story of your business.
2. Symptoms vs root causes.
3. Early warning signs.
4. Areas of strength (and weakness).
5. Support better decision making.
6. Knowledge is power.



Overview of key reports

- Trading Account
- Profit & Loss
- Balance Sheet
- Statement of Changes in Equity
- Depreciation Schedule
- Shareholder Current Account

Trading Account

- Sales, less costs and gross profit
- when your margins are improving
- Use multiple Trading Accounts to track results for different divisions or product lines
- Small adjustments have a huge impact on all results

Trading Account
- Foods Co.

Account	2020	Adjustment	New	Difference
Operating Revenue				
Sales	1,017,925	10%	1,119,717	101,792
Total Operating Revenue	1,017,925		1,119,717	101,792
Cost of Sales				
Opening Stock	56,880			
Purchases	326,835			
Closing Stock	(64,953)			
Total Cost of Sales	318,762	-5%	302,824	15,938
Gross Surplus from Trading	699,162		816,893	117,731
Direct Costs				
Delivery Costs	109,255			
Direct Wages	253,288			
Developmental Expenses	1,500			
Packing Material	65,768			
Sales Commissions	20,468			
Shopify Fees	133			
Total Direct Costs	450,413	-5%	427,892	22,521
Gross Surplus	248,749		389,001	140,251
Gross Profit %	24%		35%	

Profit & Loss Statement

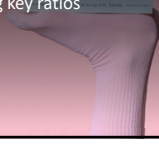
- Tracks overall performance of the business
- Matches income and expenses for a given period
- Provides a framework to benchmark results
- A fundamental driver of business value

Profit & Loss Statement
- Foods Co.

Account	2020	Adjustment	New	Difference
Gross Surplus	248,749		389,001	140,251
Expenses				
Accountancy Fees	4,488		10,000	(5,512)
Advertising & Marketing	2,720		2,720	0
Bad Debts	2,500		2,500	0
Bank Charges	1,804		1,804	0
Depreciation	57,534		57,534	0
Loss on Disposal of Fixed Assets	35		35	0
Food Health & Safety Hygiene	1,970		1,970	0
Heat Light & Power	21,891		21,891	0
Insurance	11,249	-5%	11,351	597
Interest - Bank Overdraft	1,483		1,483	0
Interest - Loans	29,220		29,220	0
Laundry & Dry Cleaning	8,559		8,559	0
Legal Fees	1,211		1,211	0
Loan Fees	7,350		7,350	0
Motor Vehicle Expenses	5,213		5,213	0
Other Overhead Expenses	33,033		33,033	0
Rates	(5,340)		(5,340)	0
Rent	57,366	-5%	54,498	2,868
Repairs & Maintenance	13,096		13,096	0
Staff Training	911		911	0
Subscriptions	3,653		3,653	0
Sundry Kitchen Equipment	744		744	0
Superannuation Contributions	7,820		7,820	0
Telephone & Tolls	8,040		8,040	0
Travel & Accommodation	11,399		11,399	0
Total Expenses	299,338		301,385	(2,047)
Operating Surplus (Loss) before Other Income	(50,589)		87,616	138,205
Surplus (Loss) before Owners' Remuneration	(50,589)		87,616	138,205
Owners' Remuneration				
Shareholders Salary	63,269		63,269	0
Net Surplus (Loss)	(111,858)		24,346	138,205

Balance Sheet

- Measures the 'net worth' of the business at a point in time
- Shows if your business is solvent
- Comparisons between periods possible
- Useful for tracking 'strength' of the business
- A basis for calculating key ratios



Account	2020
Equity	
Paid Up Share Capital	100
Retained Earnings	(305,153)
Total Equity	(205,153)
Assets	
Current Assets	
Cash and Bank	
Bank - Current Account	0
Credit Card	1,335
Petty Cash	20
Total Cash and Bank	1,355
Trade and Other Receivables	75,167
Inventories	64,953
Total Current Assets	141,475
Non-Current Assets	
Property, Plant & Equipment	375,436
Goodwill	2,500
Branding	23,614
Total Non-Current Assets	401,550
Total Assets	543,025
Liabilities	
Current Liabilities	
Bank	
Credit Card	0
Bank - Current Account	13,795
Bank - Revolving Credit Account	12,847
Total Bank	26,642
Trade and Other Payables	96,960
GST Payable	1,993
Employee Entitlements	13,660
Shareholders' Advance Accounts	21,873
Finance Lease Liabilities	1,166
Total Current Liabilities	168,299
Non-Current Liabilities	
Loans	693,376
Finance Lease Liabilities (Non-Current)	0
Total Non-Current Liabilities	693,376
Total Liabilities	861,675
Total Assets	(318,650)

Balance Sheet - Foods Co

Debtor Days: Debtors / Sales * 365
 $\$72,167 / \$1,017,925 * 365 = 26$

Improvement (5 days): Sales / 365 * No. Days Improvement
 $\$1,017,925 / 365 * 5 = \$13,944$

Inventory Days: Inventories / Cost of Sales * 365
 $\$64,953 / \$318,762 * 365 = 74$

Improvement (9 days): Cost of Sales / 365 * No. Days Improvement
 $\$318,762 / 365 * 9 = \$7,860$

Statement of Changes in Equity

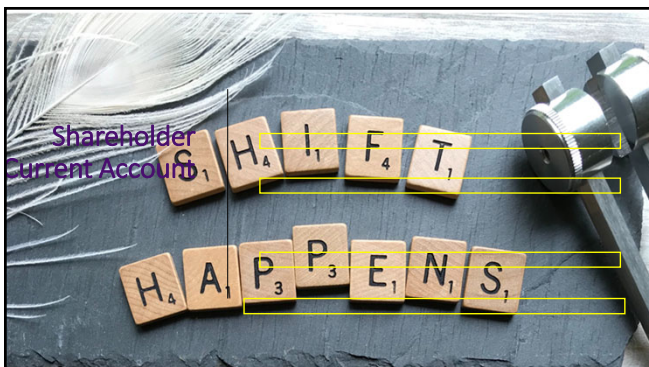
- Shows if profits are paid out as dividends or retained
- Captures the value of the business - assets less liabilities
- Shows if the company is solvent

Statement of Changes in Equity - Foods Co.

Account	2020	2019
Equity		
Opening Balance	(191,560)	(139,096)
Increases		
Profit for period	-	-
Total increases		
Decreases		
Loss for the period	113,858	52,463
Dividends paid	-	-
Total decreases	113,858	52,463
Total Equity	(305,418)	(191,560)

Shareholder Current Account

- A running record of funds introduced and taken from the business by shareholders
- A way of monitoring personal expenditure made from the business
- Ensures a record of different balances for each shareholder is maintained
- Shows what's owed to each shareholder by the business (or if overdrawn, how much the shareholder owes the Company)



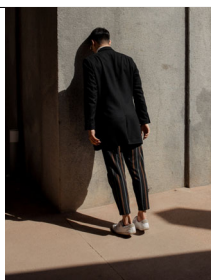
Fixed Asset Register

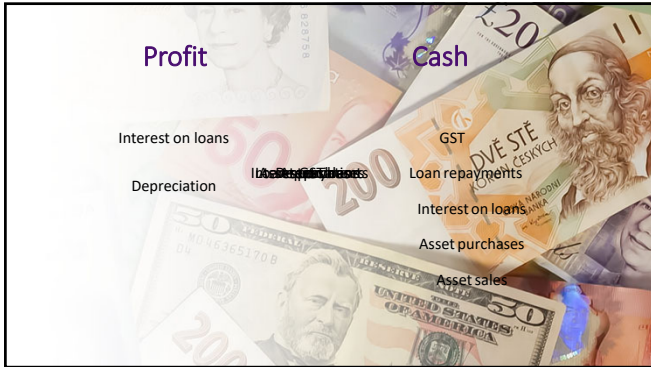
- Records fixed assets, e.g. vehicles, plant & equipment
- Facilitates the spread of the cost of assets over their useful lives
- Basis for keeping track of business assets
- A useful guide as to an annual asset replacement budget
- Helpful when selling the business

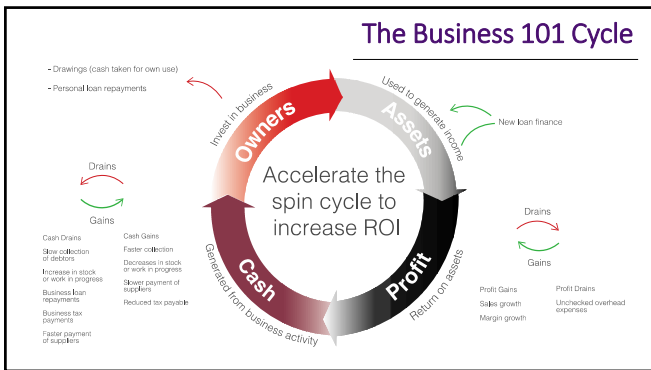
Fixed Asset Register - Foods Co.	Asset	Cost	Opening Value	Purchases	Disposals	Rate	Method	Depreciation	Closing Acc. Dep.	Closing value
Motor Vehicles										
	Van	22,087	7,846	0	0	30.0%	DV	2,354	16,595	5,493
	Car	7,826	5,870	0	0	30.0%	DV	1,761	3,717	4,109
	Total Motor Vehicles	29,913	13,716	0	0			4,115	20,312	9,602
Office Equipment										
	Software	1,821	1	0	0	60.0%	DV	0	0	0
	Computer	1,303	9	0	0	30.0%	DV	0	0	0
	iPad	556	7	0	0	50.0%	DV	0	0	0
	Computer & Printer	3,658	81	0	0	50.0%	DV	40	3,618	40
	Website	8,955	0	8,555	0	50.0%	DV	1,426	1,426	7,129
	Total Office Equipment	15,893	97	8,555	0			1,466	5,043	7,169
Plant & Equipment										
	Plant	39,341	10,129	0	0	15.0%	DV	1,300	30,792	8,549
	Generator	1,037	116	0	0	24.0%	DV	28	949	88
	Oven	4,152	1,069	0	0	15.0%	DV	167	3,250	902
	Freezers	8,777	2,880	0	0	13.0%	DV	374	6,271	2,508
	Food Processors/Equipment	2,367	397	0	0	20.0%	DV	79	2,049	318
	Signage	719	309	0	0	10.0%	DV	31	441	278
	Kitchen Equipment (Pooled)	35,850	18,257	0	0	10.0%	DV	1,824	19,418	16,413
	Bin Washer	25,784	10,899	0	0	13.0%	DV	1,422	16,267	9,517
	Traps	2,951	3	0	3	87.0%	DV	0	0	0
	Tins	6,770	1,544	0	0	40.0%	DV	617	5,844	926
	Chiller	10,430	2,674	0	0	10.0%	DV	767	3,353	6,907
	Flow Wrapper	110,916	74,837	0	0	13.0%	DV	9,711	45,790	65,128
	Fancy Machine	185,777	95,806	0	0	13.0%	DV	13,913	56,063	79,724
	Double Oven	42,065	31,509	0	0	13.0%	DV	4,096	14,672	27,413
	Freezer Room	30,823	26,845	0	0	8.0%	DV	2,148	6,136	24,697
	Security Camera System	10,106	0	10,106	0	50.0%	DV	2,105	2,105	8,001
	Total Plant & Equipment	467,885	278,166	10,106	3			36,886	213,551	251,181
	Total	571,756	278,166	18,661	20			45,366	267,808	297,316

The difference between profit & cash

1. Turnover is vanity.
2. Profit is sanity.
3. Cashflow is reality.








The key drivers of business value

- Different for every business
- Knowing yours is essential
- Examples:
 - Monthly recurring revenue
 - Revenue growth
 - Revenue per client
 - Sales
 - Profit



Enhancing Business Value

- Implement a clear plan
- Document organisation structure and roles
- Establish cloud-based, real-time reporting
- Review and document systems and processes
- Reduce reliance on owners
- Identify and manage risks



Protecting your assets

1. Limitation of liability.
2. Directorships.
3. Security for loans provided.
4. Ownership options for high value assets.
5. Terms of Trade and credit policies.
6. Insurances.
7. Financial planning.
8. Estate planning.



Adopting best practice

1. The 3 essential tools:
 - Annual Business Plan
 - Annual forecast
 - Ongoing reporting & accountability
2. Knowing your numbers is just the beginning!



Your next steps

Get started now!

- Write down three actions or projects that will add value to your business
- A problem is an opportunity to create a project
- Doing nothing should not be an option!



How we can help you

1. Business Planning - \$2,500+GST
2. Cashflow Forecast - \$800+GST
3. Quarterly Coaching - From \$2,000+GST per annum
4. Management Reporting - \$400+GST per month
5. Complimentary Meeting - FREE

