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MAGAZINE

FREE
BUSINESS
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EVERY ISSUE!

A BOOKKEEPERS GUIDE TO
FINANCIAL FREEDOM
WITH KATIE HURST

HABITS TO CREATING WEALTH
WITH CHRIS HERBERT

3 BASICS TO BETTER FINANCES
WITH TONY CROSSIN

HOW QUOTIS CAN TEACH
YOU BUSINESS FINANCE
WITH NICK PSAILA

DOUBLE TROUBLE

HOW A LIFE-CHANGING EVENT SPARKED
THE IDEA FOR A LIFE-SAVING BUSINESS

ISSUE NUMBER FOUR | JULY 2020

MESSAGE FROM THE EDITOR

There are many factors that determine your businesses success or failure. However, none have a greater effect than your cash flow and income.

You see, without this life-source, all efforts are simply in vain.

Now, this may sound drastic but if you look at the reason behind why you are in business, it really is about making money. Be it to survive or to purchase the superyacht of your dreams, commerce is what makes the economy and your business viable.

It's with this in mind that I keep repeating the same question over and over in my head:

Why are so many business owners then, financially illiterate?

I mean it's the single most important piece of the puzzle in your business. However, on a general scale its the least cared about (in my experience).



I usually receive the following responses when it comes to finance :

“Nick, my accountant looks after this”...

“I don’t really know how to read a P&L”...

“I’m not sure what my break even is”...

“Figures aren’t my strong suit”... (and so on)

Crazy right? It would be the same as hopping in a car and not knowing what the brake pedal does.

I feel the problem is around **EDUCATION**.

Many business owners have never been taught about business finances. I mean, it’s not really taught at TAFE or University (especially in regards to running a small to medium business).

The hardest thing to know is where to start.

Is it about income or is it about cash flow?

Is it about savings or is it about the velocity of return?

What happens with tax?

Now, before you start panicking, there is an easy way to understand numbers.

What comes in VS What goes out.

Let’s start with that. It’s pretty simple most of the time.

In this edition we are talking everything numbers and finances.

How to generate more of it, the power of compounding, interviews with successful business owners, bookkeepers and more.

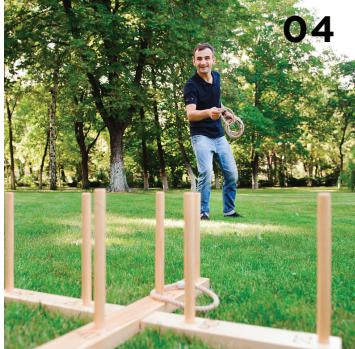
So enjoy the next few pages.



NICK PSAILA
FOUNDER OF UPCOACH

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BY NICK PSAILA

HOW THE GAME OF QUOITS TAUGHT ME EVERYTHING ABOUT BUSINESS FINANCE

Have you ever heard of the \$1 Business Strategy?

I believe every business needs one or at least, needs to set one up. In fact, all successful businesses have one, including Upcoach. In order for your business to guarantee consistent revenue, we believe you need to have a “One dollar-business” strategy running for you. This is how you do it.

Most of us learn about money in different ways. I can tell you, when it comes to money, finances, business cash flow and everything related, the simpler the better. I find that if you can teach someone a valuable lesson or strategy using an “experience”, the lesson is sure to stick. And that’s why I love the game Quoits.

For years now, we have taught the “One dollar-business” strategy at our Masterclass events, by using the game Quoits, and here’s how it works:

Quoits is a traditional game which involves throwing a ring over a set distance, usually to land over or near a pole. The winner of the game is whoever gets the most rings over the pole.

Enter the business participant (this is where the game gets interesting).

At our events I gather all the business owners in a circle and run through the rules. Being able to secure a consistent level of cash flow, (albeit not a high volume) but a constant flow, just makes good sense.

Every time you land a ring over the pole this represents a customer paying you money. The amount of money is determined by which line you stand at. See below:

\$1 = line is .5 mtr away from the pole
\$10 = line is 1.5 mtrs away from the pole
\$50 = line is 2.5mtrs away from the pole
\$100 = line is 4 mtrs ish away from the pole

If you miss, you dont earn any money. Every business owner gets TWO goes and ultimately, the further you throw from, the greater the reward.

So with that in mind, I then ask each business owner to pick a spot to throw from and the game begins. They can throw from anywhere (except from behind the pole), it's completely up to them.

Simple enough...right? Wrong !!!

People start to complicate things from the get go. "*What happens if I miss?*", "*Can I take a shot again*", "*I don't like playing games*" and the list goes on.

At this point, again, I remind them that they only have two goes, and if they want to get paid by the customer, they should think about where they are shooting from.

The plot thickens and usually semi panic sets in. So they step up, all take their turn and then I share the THREE most valuable lessons when it comes to the game of money and Quoits.

1. The \$1 Business Strategy

The single most important factor to keep business operational is cash flow. Without it you can't pay bills, pay wages, pay yourself or spend money on marketing.

However the shocking reality with the majority of business owners is that they are NOT happy with only making \$1 from a customer. They want to catch the big fish.

You see the power of repetition is actually what makes a business really successful. If you can create a revenue stream that pays you \$1 all day, every day, you have created a consistent revenue stream.

In my game of Quoits, the pole from the \$1 line is only 50cm away...super easy to hit the target. Even if you missed your second shot, you still have \$1 in the bank.

By setting up a \$1 business strategy, you have now created a revenue generating machine, that will ensure you can pay the bills, pay your employees and help you sleep at night. Please also note, the “\$1” I refer to is really a metaphor for a small value product. Your \$1 strategy could be for a \$20 product or a \$99 service etc.

It is the SINGLE MOST IMPORTANT cash flow strategy you should set up in your business.

2. Multiple Streams of Income

The cool thing about getting the \$1 business strategy sorted, is once you systemise it, it becomes a cash flow machine that can operate without you. You can employ a team to run that process for you, and replicate the process with other products. If you do this two or three times, you have now created multiple \$1 cash flow streams or multiple streams of income.

I often preach a simple theory...not all eggs in one basket. So in order to protect your business (using the \$1 business strategy) you can also start to leverage yourself to create other opportunities and form multiple streams of income.

Here's an example: Let's say you run a construction business and have a \$1 business strategy under your belt. It could be a Government contract that ticks along efficiently. It's not sexy or highly profitable but it's steady and pays the bills, every week.

Once this is in place, you can now look for other opportunities in your market. Perhaps you could venture into the residential market, and create home & land packages for first home buyers. This product however, would have slightly better margin and could become your \$10 throw in our game of Quoits. Slightly higher risk, (shooting further from the pole) but also better reward.

So let's do the math:

1. You have the \$1 strategy that's reliable and consistent every week.
2. Then you add your \$10 strategy that's on its way to being fully functional.

You have now created multiple streams of income, cashflow is multiplying and now you're putting money away and growing the business. Profits are the key.

3. Big Fish

Some business owners during the game love to play it risky. They stand at the \$100 line and take both throws in an attempt to “win big” and walk away happy. Very few ever do.

The “Big Fish” strategy comes with a large risk. By shooting from 4 mtrs away, the bullseye window is very small, however the risk also comes with a massive reward.

In your business it's good to stretch yourself and go for GOLD. The key with this strategy is to be able to face the risk with a high probability of failure. If you have your other revenue streams in place, you will be more comfortable to try and land the big fish client, however, if you miss and fail, your business is still supported by consistent cash flow.

Your Big Fish payoff could be from a tender that you win, or from a larger commercial client you convert or could be a contract confirmation that has taken years to establish. Winning Big Fish clients are great, as they can really take your business to the next level.

So your key takeaways from the game of Quoits are:

- Set up your \$1 business strategy first and get this happening to secure your cash flow.
- Don't be in a rush. Business is a marathon sport, so once this is set up, paying everyone and feeding yourself is important.
- Next, look at adding another stream of income to the business. Start compounding what you do. Remember don't try to go the whole hog at first, just shoot from the next line.
- Get to work on new opportunities and slowly increase the margins. Now it's time to stretch those legs and let the horses run. Plan and execute like a boss and shoot to win the Big Fish!

I can tell you that I have personally learnt so much from this simple game. In business, it helps if you can make finances easy to understand. You don't have to have an accountancy degree or an MBA.

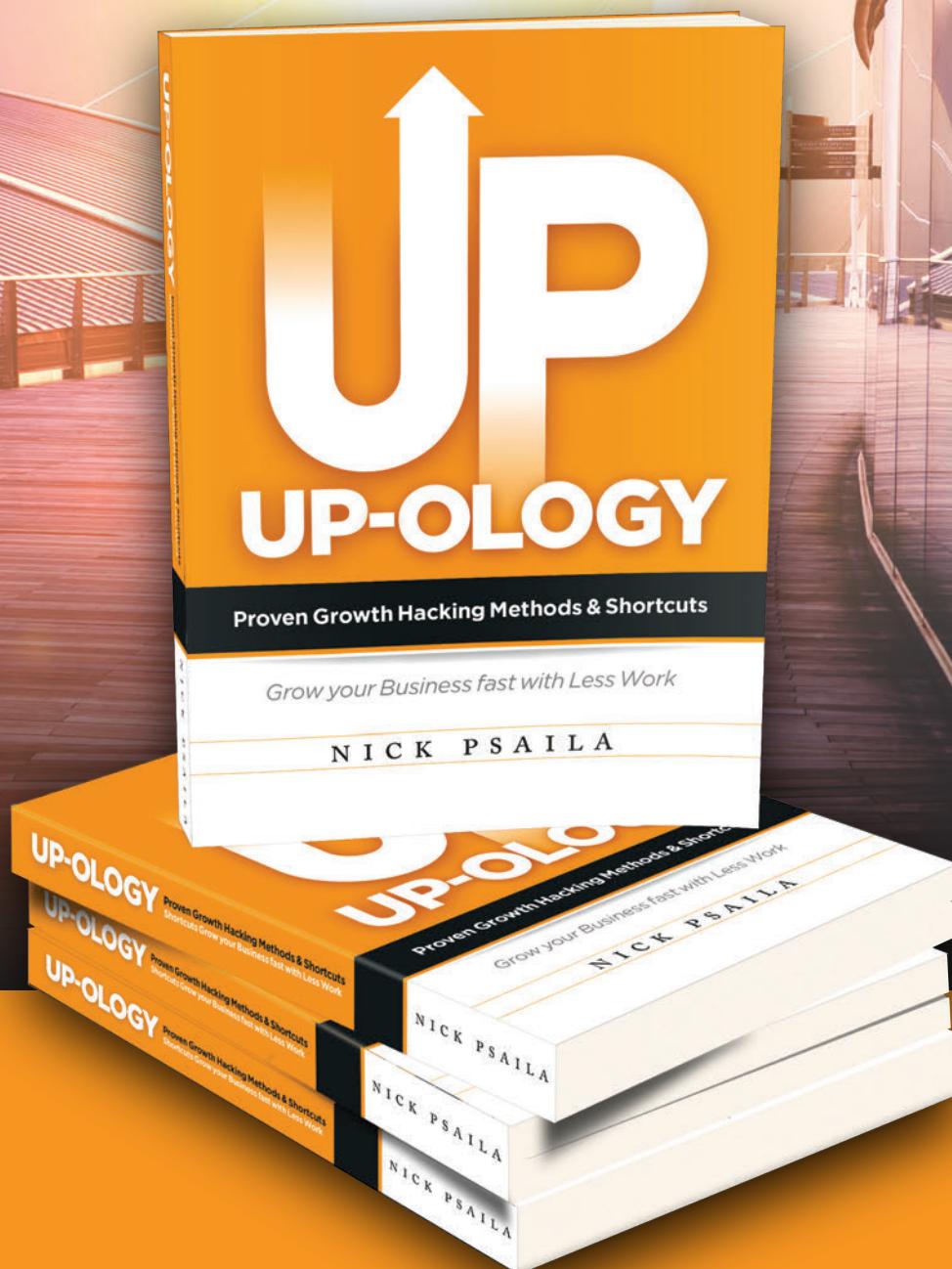
**You simply have to play the game.
Plan, practice and most importantly
play to win!!!**

Nick is the Founder of Upcoach Business Growth Programs. As a celebrated business speaker, coach, thought leader and author of Up-ology, Nick has helped thousands of business owners to achieve success.



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DOUBLE TROUBLE

WITH NATASCHA & ANGELA FROM COOLKIDS FIRSTAID

How a Life-Changing Event Sparked the Idea for a Life-Saving Business.

It was 18 years ago when Natascha, witnessed a young mother pass away from a brain injury while working as a nurse at the emergency department at Frankston Hospital. The greater tragedy of this event was that the mother's child, her three-year-old daughter, sat by her mother's side for almost three hours until her husband arrived home.

Natascha believes that if the daughter had participated in any form of first aid training, she would have potentially been able to save her mother's life. It was Natascha's heart-wrenching experience that sparked a realisation that kids are simply not taught what to do in an emergency. This, coupled with her sister Angela's passion for teaching, prompted Ange & Tasch to put their heads together to create educational first-aid programs for kids, and hence started Cool Kids First Aid - Small Steps to Saving Lives.

I caught up with the girls (via phone) during their recent move to their new headquarters and training centre in Oakleigh, Melbourne, where they shared their journey to date, the ups & downs and what's on the horizon for the business.



So, tell the readers a little bit about yourselves:

Ange: "Well, I'm Ange and I've come from a background in early childhood education. I spent 10 years teaching and inspiring kids in early learning environments, as well as teaching first aid in other locations. I live in Melbourne with my family and my fur babies and when I'm not working, I love to travel anywhere that's hot and has a beach!"

Tasch: "Hi, I'm Tasch and I've been a registered nurse for the past 25 years. As well as nursing, I've worked across many areas in the medical industry including middle management & educating. I love reading, socialising with friends, travelling and I also live in Melbourne with my hubby and two kids".

It's hard to believe that it was only back in July 2018 that Cool Kids was brought to life, with the sole purpose to help teach children about the essential information they need to know and what they should do in an emergency. Catering for ages from 3+years, Cool Kids is fast becoming a well known first aid educator across schools, kindergartens, sports clubs and community groups, all across Australia.

Dedicated to the companies WHY - "Believing that everyone needs to have basic first aid skills no matter your age. If we can teach someone the skills and it saves just one person we have fulfilled our requirement" both Ange and Tasch have worked tirelessly to grow the business, recruit and train the team and plan ahead for future growth.



Now offering a wide range of First Aid Courses, including their signature Children's First Aid and Disability First Aid Programs, plus the launch of their own Triple 000 Trainer App, the passionate sisters have diversified their services, but are still deeply driven by purpose.

Ange, tell us what you enjoy most about running Cool Kids?

"The creativity of coming up with new programs and the implementation of these programs to our customers. We also enjoy the freedom of being our own bosses and being accountable to ourselves and staff. I would also say that a big part of our growth has been attributed to loving the learning process that's involved. The personal development that is required to move from being an employee to a business owner is all part of the challenge".

Challenge is a word the girls don't take lightly. In only two short years, they have grown from just the 'dynamic duo' in a small office to employing two full-time team members, one part-time admin assistant and a team of 10 casual First Aid Consultants across Queensland, New South Wales, Victoria, Tasmania, and South Australia.

With revenues growing steadily by a whopping 56% in the last financial year and an increase in overall bookings by over 500% from 2018, it's clear to see that Cool Kids is an in-demand service that has a widespread appeal. But success hasn't come easily for the pair. With repeated hurdles including limited business knowledge, lack of capital, challenges with scaling and the impact of COVID-19, Cool Kids has taken the blows just like any business in the education industry.



Tasch, tell us about what's challenging about running the business.

"Well, Pre COVID-19, I would have said that teaching children was sometimes a challenge. They have their very black and white views on the world and are always truly honest (which is also the best thing!)"

"During COVID-19 however, this time has been stressful and difficult, as teaching any form of classes has come to a stop. Luckily we had invested time and energy into our website and the mobile app, (Triple 000 Trainer App) so we do have an online presence, which helps a little."

"I would also say that coming up with new ideas to remain viable as a business, being able to keep connected with our customers and provide value and exploring ways to keep our staff linked to the business has also been challenging. Particularly as a lot of them rely on teaching classes every week."

COVID-19 has affected many businesses nationally. How are you navigating through this event?

"While we have been somewhat stagnant, we have paid for our staff to complete their Training and Assessment Courses, so when we are able to start services again, they will be able to deliver Nationally Recognised First Aid courses in their locations once qualified. This will help open up new courses and offerings to all age groups in First Aid."

"We have launched our online learning portal for childcare educators, and will start marketing this post-COVID-19 and we are also currently in the process of opening up our first public venue that will have the capacity for four training rooms in Oakleigh, Melbourne. This will allow training of Nationally Recognised First Aid for Adults, expand our reach into Mental Health First Aid, plus offer public classes for our children's programs."



Wow, you have been busy! Ange, since this is the finance issue, do you have any special financial tip's AND can you share with the readers your "secret sauce" to success?

"It's pretty simple. Hard work, determination and a never give up attitude. We also share an unshakeable belief in ourselves and we feel that surrounding ourselves with people who want to see us succeed, helps us to grow."

"In terms of the finances, my advice would be to stick to a budget, to view your finances daily and to get a good accountant. Plus, get a business coach on board. Working with Tony from Upcoach has really helped towards our success. We had the ideas but not the confidence or the know-how. Tony allowed us to brainstorm and map out a clear path so we could achieve what we wanted. Initially, we started coaching as brand new business owners, but Upcoach gave us the confidence to really push the envelope. It was the constant feedback, support and accountability that allowed us to grow as rapidly as we did."

"I would also advise that before growing and scaling, ensure you have your business model completely worked out, tried and tested. It needs to be stable. We tested rigorously before we scaled to make sure we had the model right. The first phase is always the hardest - ironing out issues, developing a budget, hiring appropriate staff. Once all of these are in place, and you have a solid customer base, the second phase is much easier."

It is with their infectious energy and "can-do" attitude that has allowed the team at Cool Kids to flourish and to take the business, step by step, to delivering essential quality first aid training to a national level. Shortly, they are looking at expanding the number of staff around Australia by the start of 2021, in order to further deliver more of their signature children's first aid programs.

Plus, they aim to set up more training venues across Brisbane, the Gold Coast, Sydney, Adelaide and Hobart and are about to launch their third children's book "Leo Goes to Hospital".

The future looks bright for the team at Cool Kids First Aid.

If you would like to get in touch with the team at Cool Kids, please email them at info@coolkidsfirstaid.com or visit them at www.coolkidsfirstaid.com

WRITTEN BY CHRIS HERBERT



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THE HABITS TO CREATING WEALTH

BY CHRIS HERBERT



It doesn't take a rocket scientist to realise that if you do something repeatedly your probably going to get good at it. So if you really want to master the art of cashflows, increase your profit margins or lift your revenue game, doesn't it make sense to pay attention to them more often?

I am constantly astonished when I speak to struggling business owners about their financial positions, only because the usual response I receive when I'm asking them how much time they spend managing their finances is... "not much!"

I'm no accountant, but I do know that your path to prosperity is determined by only one person...YOU! So let's take some responsibility for our actions and get our finances sorted!

I believe that your financial future is based upon your ability to practice great financial habits. Just like an athlete that gets better and better, day by day, by practising the same drills, techniques and exercises that give them the edge to get good at sprinting or running the hurdles, great business owners can practice the same disciplines when it comes to their business finances.

You see, it's your HABITS around managing your cashflows, your margins and your expenses that affect the outcome of your financial statements. You can learn all the techniques, tricks and shortcuts, but if you don't apply them, regularly, then they're simply not going to work. So let's get GREAT at practising bulletproof financial habits first! Here we go...



MINDSET - Once you commit your mind to something, you can achieve anything. Many business owners shy away from their finances, saying things like "*I let the accountant deal with that*", OR "*I only look at the P&L when my bookkeeper sends it to me*". This is like saying "*I only check my account balance when the bank sends me a statement*" (Sounds silly right?)

If you really want better cashflows, revenues or margins, then it pays to apply yourself to learning how to best manage them. Train your mind so you CAN master this skill, and follow the next steps



KNOWLEDGE - Sometimes, the negligence towards the businesses finances is because the business owner just doesn't understand what they are reading. Real growth occurs through friction & challenge, so sure it's going to be difficult at first, to learn the lingo of your accountant, but without the knowledge, you'll never have the skills to shape the future of the business.

To overcome this, go get some education. Sit down with your accountant or bookkeeper, do a course online, speak to your coach. Just like learning how to drive a car, it's a skill that you will never lose and will help you for the rest of your life.



MAKE IT A PRIORITY - Listing management of money as a priority elevates the need for you to do it more often. As I mentioned earlier about repetition, we need to prioritise the need to practice good money habits to ensure we have enough 'dough in the bank'.

To do this, set aside time every week to make this happen, and block out all distractions. Make it your "Money-Day" and dedicate time to reading your cashflow summaries, to invoicing, to chasing accounts receivables and to review your budgets against your actual sales figures. Doing this every week will also grant you peace of mind.



MAKE IT ROUTINE - Now we have the basics in place, its time to practice them regularly.

Create some rock-solid money routines or money habits that you fulfil weekly until it becomes a habit, like a non-negotiable. Remember, perfect practice makes perfect, so by doing it well, over and over, will help to lock in the habit and it will no longer be a loathsome task on a Sunday afternoon.

Robin Sharma, one of the worlds leading authorities on leadership, explains that it takes 66 days to lock in a new habit. So look at your calendar and decide at which point you will become a Master of Money for your business.

Let's face it. The payoff for knowing how to read and manage your finances is undeniable. No more stress around money, no more sleepless nights, no more hasty decisions based on what you can afford.

All of these "money hurdles" are solved by simply applying greater focus and discipline around practising great money HABITS.

As the legendary Jim Rohn once said, "Success is nothing more than a few disciplines practised every day." What money habits will YOU be practising?

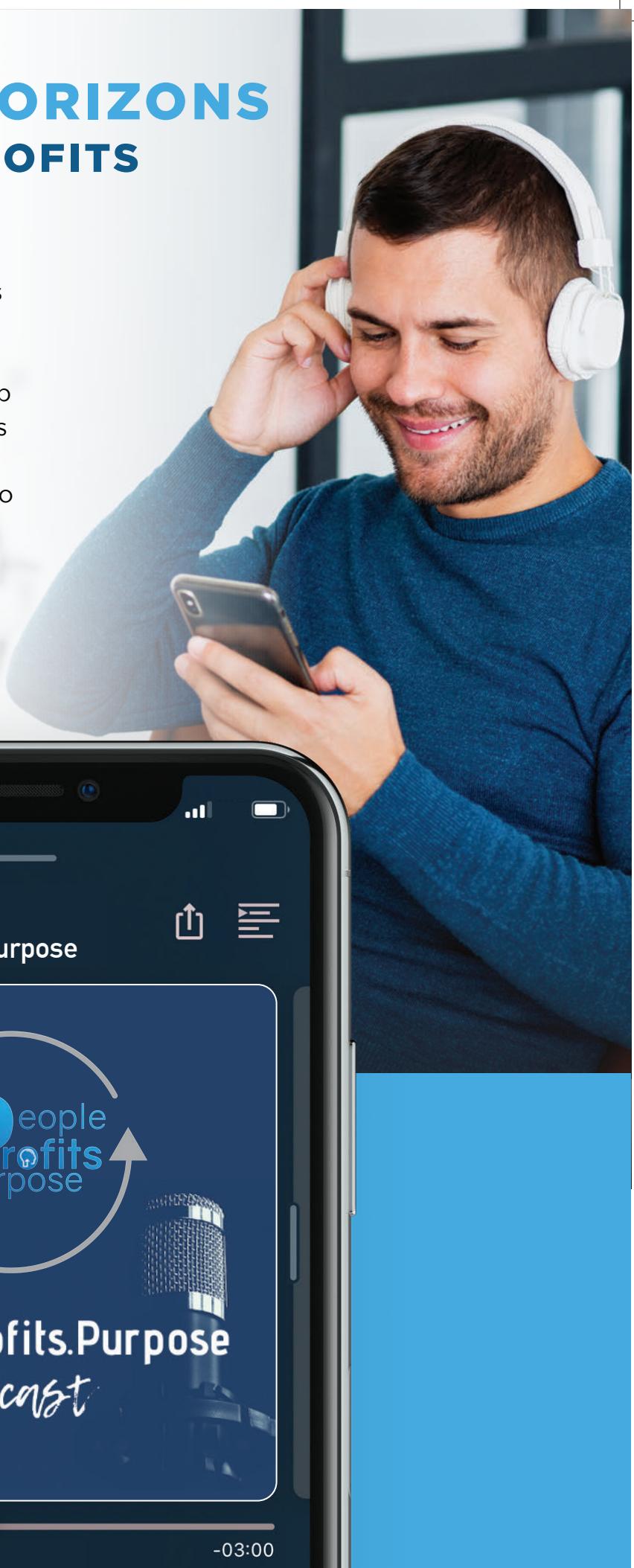


Chris is the curator of the Upcoach Magazine and is a Business Growth Expert with Upcoach. Chris oversees the coaching programs at Upcoach and personally works with over a dozen clients to help grow and scale their businesses.

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11:06 ↗

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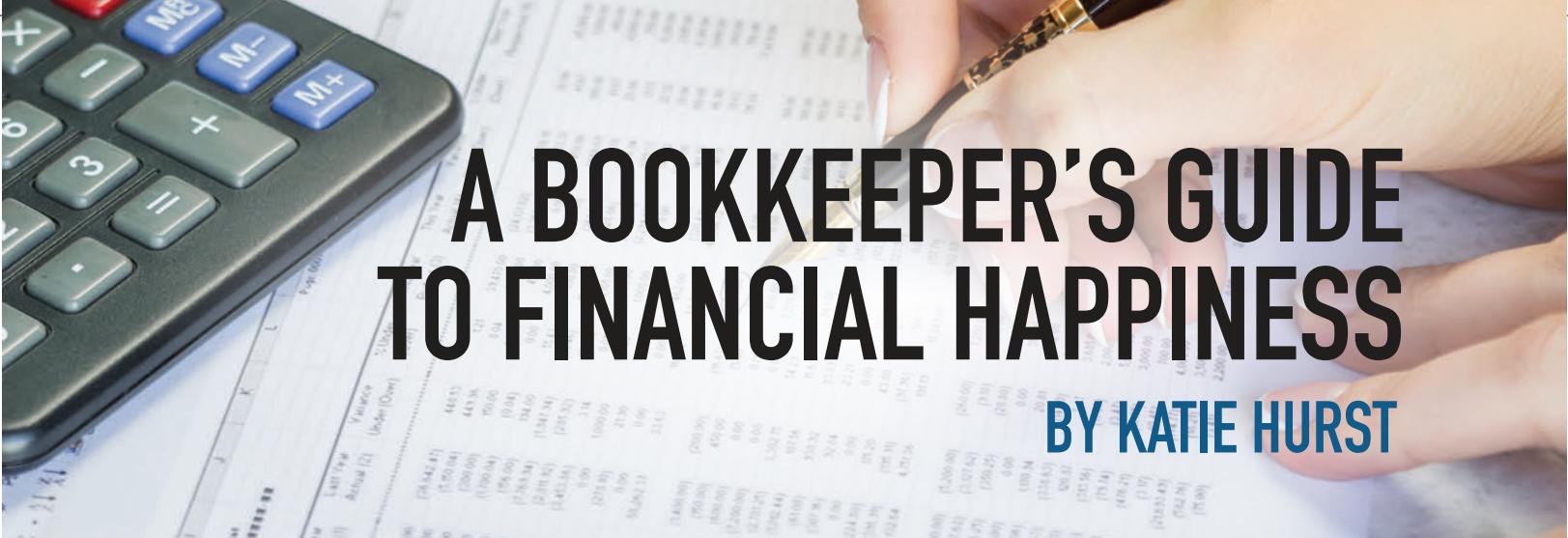


**People.Profits.Purpose
Podcast**

02:12

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A BOOKKEEPER'S GUIDE TO FINANCIAL HAPPINESS

BY KATIE HURST

What emotions and thoughts enter your mind when I mention the word 'TAX'? Or how about when I start talking about 'CASH FLOW'?

These are just a few 'words of the trade' that spur on nasty financial emotions, but as business owners, we all know that time IS money. Therefore, as a bookkeeper & financial educator, I feel it's critically important to help people understand what they can do, to speed up and stabilise their businesses finances, FAST! Let's begin here...

I can guarantee you that if you're still prepared to read on (albeit with some trepidation) then you're the type of business owner that feels you need to know more about money and business finances, but perhaps you don't know where to start?

First and foremost, it's really important for me to acknowledge that the uncomfortable feelings and anxiety that most business owners feel when managing their business finances is normal. We are all prone to feeling the financial pinch at some point in business. What's not normal or healthy, however, is thinking that the problem will go away!

Plenty of clients share with me that their accountant doesn't adequately explain their financials with them. Business owners also inform me that they're too busy bringing in the money, keeping clients happy and trying to manage staff to even get a look-in at their monthly financial statements. Their strategy is: if I work harder, I'll make more money!

And I'm sorry to inform them, but it simply doesn't work like that.

Financial happiness starts with a proactive approach to your finances. And it's not as hard as you think.

What if I told you, that by tracking THREE key areas in your business and taking the time to review those numbers monthly you'd be better off financially and feel far less stressed at tax time? If this sounds good to you, then you're going to love the next few lines.

1. SALES

If you're dead serious about making money you've got to know where the money is. Start by tracking your monthly sales net of GST over the next 12 months. For each month consider:

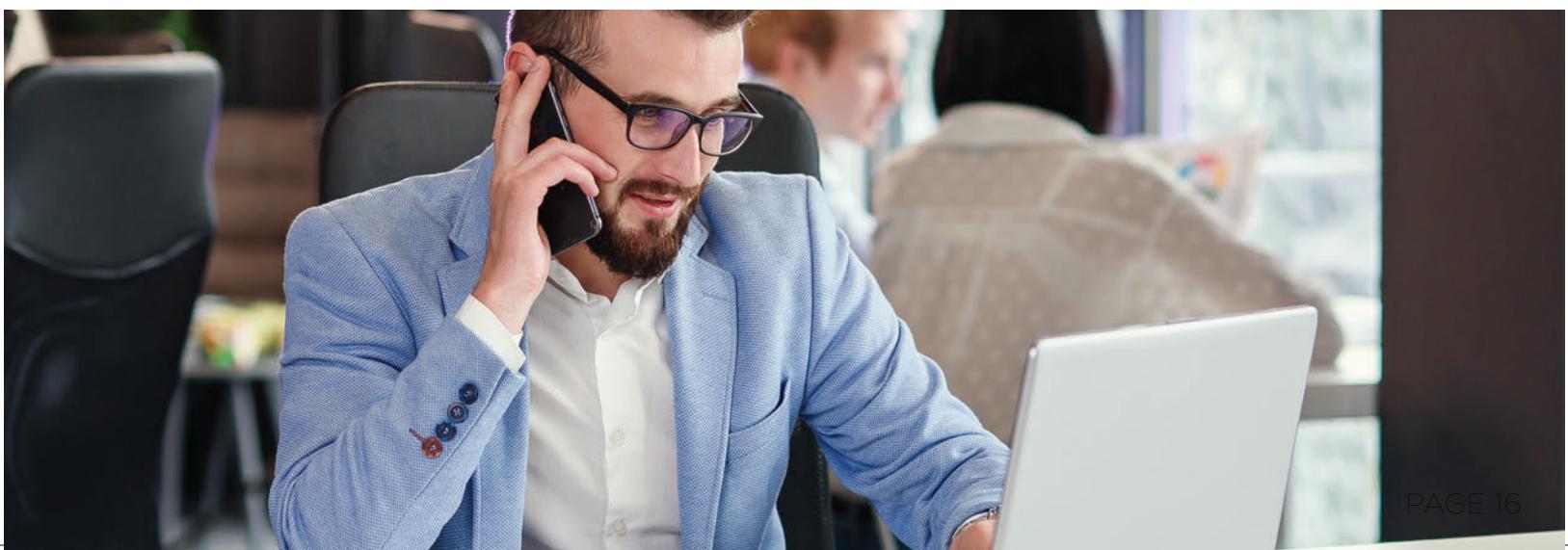
- Total value of sales by product line, service, territory or shop location.
- Total sales per client.
- Percentage of sales by product line, service, territory or shop location.
- Percentage of sales by client.
- Percentage of new business compared to ongoing client sales.
- What is your average sales value?

What patterns do you see emerging? Most business owners can tell me on the spot what the sale price is for a product/service and even what it costs them, but when I ask them more specific questions, it gets a little grey.

Generally money flowing in and out of your business does so consistently and there is always a pattern. Your monthly sales could be made up of predominantly one to five main clients, and it's important to understand if those clients are high maintenance, good payers and whether you have long term contracts in place with them, with set prices that guarantee your business going forward?

If you want to assess how well you are delivering a product or service then compare monthly sales for existing clients to new business. Are you bringing on new clients each month or are you great at what you do and your sales are made up of recurring business?

Knowing your average monthly sales value is also really important as it will help with projecting your future income. Essentially, how many sales do you need each month (at your average sales price) to cover all of your business overheads, like motor vehicle running costs, staff wages and your drawings. Once you get a grip on these numbers, you will have greater control over what you NEED to make in sales every month.



2. GROSS PROFIT

It's important here to track your monthly gross profit % over the course of a year. Doing a monthly comparison will show you patterns such as down turns in revenue or even a spike in the direct costs (costs associated with the provision of income). With this in mind, consider then:

- What is the gross profit from the client?
- What is the gross profit by service or product line?
- What is the gross profit by territory or shop location?
- Is every direct cost a necessary expense?

In the example reports below you'll start to see what it is that I'm looking for. Give me the DETAILS, DETAILS, DETAILS, because that's where the magic in numbers really starts to happen.

This is a snapshot of sales for the 2019 FYR. Compare the new sample reports below and tell me which one is easier to read and which one gives you more information?

Income		
Sales	\$5,112,780.53	
Total Income	\$5,112,780.53	
Cost Of Sales		
Materials	\$1,860,522.95	
Direct Wages	\$1,019,465.61	
Direct Superannuation	\$74,015.28	
Labour Hire	\$105,866.40	
Machine Hire	\$347.27	
Machine Reps & Maintenance	\$5,314.83	
Workshop Reps & Maintenance	\$950.00	
Workshop Tools/Consumables	\$87,078.77	
Freight & Transportation	\$60,775.78	
Opening Work In Progress	\$203,210.41	
Closing Work In Progress	(\$195,756.50)	
Total Cost Of Sales	\$3,221,790.80	
Gross Profit	\$1,890,989.73	
Income		
Sales	\$5,112,780.53	100.0%
Total Income	\$5,112,780.53	100.0%
Cost Of Sales		
Materials	\$1,860,522.95	36.4%
Direct Wages	\$1,019,465.61	19.9%
Direct Superannuation	\$74,015.28	1.4%
Labour Hire	\$105,866.40	2.1%
Machine Hire	\$347.27	0.0%
Machine Reps & Maintenance	\$5,314.83	0.1%
Workshop Reps & Maintenance	\$950.00	0.0%
Workshop Tools/Consumables	\$87,078.77	1.7%
Freight & Transportation	\$60,775.78	1.2%
Opening Work In Progress	\$203,210.41	4.0%
Closing Work In Progress	(\$195,756.50)	-3.8%
Total Cost Of Sales	\$3,221,790.80	63.0%
Gross Profit	\$1,890,989.73	37.0%

It's fair to say that the second report is easier to read and actually gives you a lot more information. Imagine now, that you know what percentage of total sales your client makes up each year and what gross profit margin you make on that client.

Consider the example below:

Finbar Group Limited	\$2,500.00	0.0%
Pindan	\$88,011.01	1.7%
Multiplex	\$6,135.00	0.1%
DM Civil	\$548,868.09	10.8%
Probuild	\$26,339.25	0.5%
BGC Construction	\$46,000.00	0.9%
John Holland Group	\$34,845.82	0.7%
JAXON	\$2,069,088.55	40.7%
WA Building Company	\$18,651.60	0.4%
Oswald Homes	\$20,352.16	0.4%

I now know that my average gross profit percentage is 37% and that JAXON (in the example above) makes up 40.7% of my yearly sales. It's fair to assume then based on quotes and contracts going forward that my estimated sales for JAXON, being \$3m for the next financial year will net me roughly \$1.11m in gross profits.

But wait! Based on another report I know that JAXON also costs me on average 3% in additional finance fees. My GP% for this client is now 34% and my net profit has dropped to \$1.02m.

Wow! That's huge, right?! I've just lost \$90k off my bottom line even before I've paid out money for my fixed monthly overheads. This example highlights the need for a greater attention to knowing your Gross Profit and how it affects the overall profitability of your business.

3. EXPENSES

We all know that if you don't control your expenses then it doesn't matter how good your sales are, there won't be anything left profit-wise. It's important then to review your Profit & Loss Statement as a monthly comparison, once again, and not as a stand-alone monthly total or year-to-date figure, so you can see the patterns as they emerge.

Ensure you observe the following:

- Run your year-to-date P&L Statement as a monthly comparison.
- Run the monthly P&L Statement as a percentage of turnover.
- Was there a cost blow out in any given month?
- Why? Could the cost blow out have been avoided?
- Is an expense under-reported?
- What are the top 10 expenses that deliver 80% of your sales or business efficiencies?
- Are any expenses now redundant?
- Are your wages top-heavy?
- What percentage of turnover is your banking, merchant fees and finance costs including interest?
- Can you negotiate better interest rates on finances facilities?
- How do your expenses compare to industry benchmarks?
- Is your business profit seasonal?
- Are there months where you always trade at a loss?

With this information, you can assess how your turnover, gross profit and net profit compare to previous financial years as a dollar value and as a percentage. Essentially, the more you measure, the more money there is to be found on your Profit & Loss Statement.

I consider the numbers, bookkeeping and business finances really like a game of chess. If you want to master money and attain financial freedom then you've got to get in the game.

You have to be the one controlling the moves but you can only do so when you know your starting point and when you're across the board.

Checkmate will only ever be achieved if you master your money, have a financial roadmap and are strategic about your business's success. I know all too well that if you study the numbers, indicative of the moves you've made to date, then this is your best chance to achieving financial success.

If you would like to get in touch with Katie, email her at katie@katiehurst.com.au.



Katie is the Founder and CEO of Better Business Mastery. As a passionate financial educator, mentor and bookkeeper, Katie is dedicated to helping business owners achieve financial prosperity.

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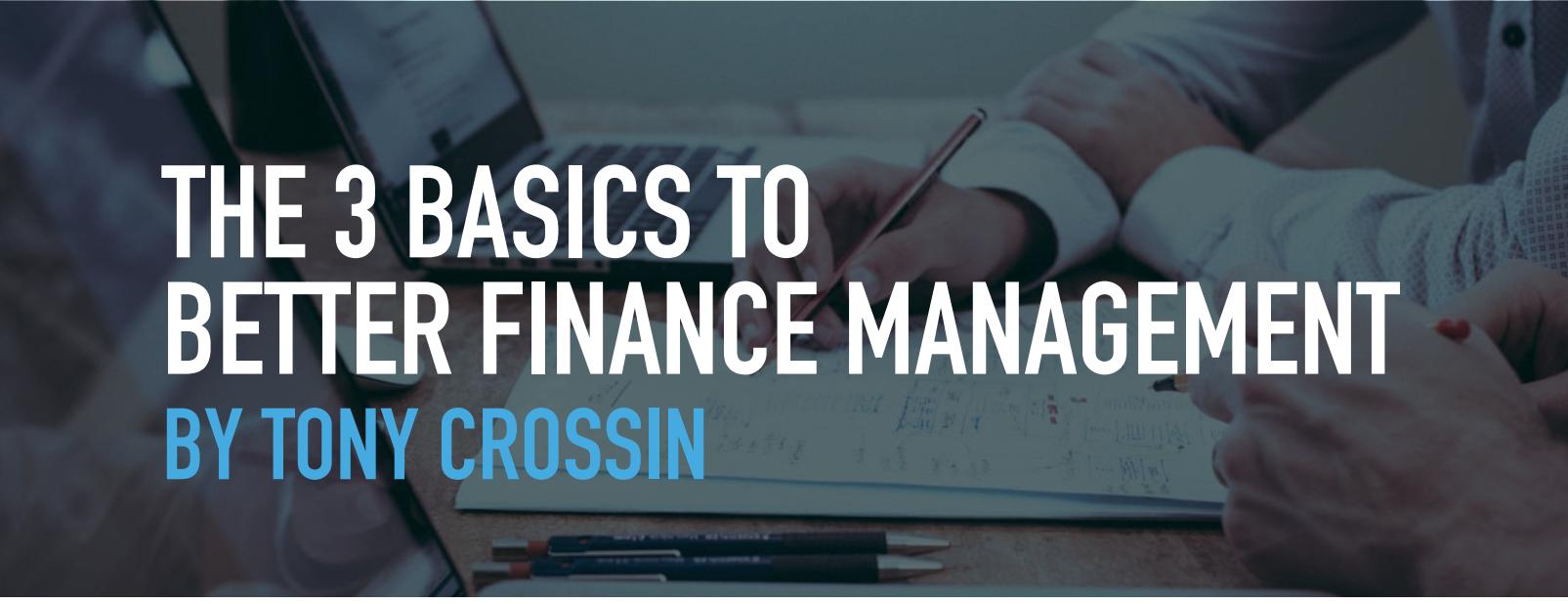
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THE 3 BASICS TO BETTER FINANCE MANAGEMENT

BY TONY CROSSIN

It was five long years in business before I finally sat down with my accountant and asked the question “*why am I not making any money?*” The simple reply came back “*because you don’t understand the numbers and they aren’t that important to you*”. This is when change for me truly happened. So let me share with you, the important lesson from my accountant that day....

As a longtime business owner myself, I can share many of my personal experiences to help you learn from my mistakes and fast track you to become a better business owner and a higher achiever.

For me, there were many lessons I took away from running my own businesses, none more so than understanding business finance. Having worked with budgets and numbers throughout my working life, I thought that just by knowing a few basics I could get by and that it would be ok. What I didn’t understand was the true impact the finances had on my business. For the first time in five years, I was in a bit of a daze. I had spent the majority of my time working on customer service, product development and dealing with the hassle of managing the team.

But I had neglected the biggest factor of them all, my numbers. What my accountant shared with me that day, was that there were 3 key financial basics that I needed to learn, and fast!

Firstly, understanding how a BUDGET works.

Basically this was the finance plan and what we needed to start with. It was built upon information from past performance and from that information, we could add to it with regards to initiatives and changes that we planned, to help the business grow. It was also going to be a tool we would use to measure our performance against and it would clearly indicate what areas we needed to address based on actual results. The more detail we could incorporate into the budget process, the more clarity we had on what we could expect and also what was required to meet our overall objective.

Please see my Budgeting Table to the right, and how it illustrates the impact of setting a budget in your business.

Plan			Actual		
Topline Budget	For the year	By month	Topline Budget	For the year	By month
Income	\$360k	\$30k	Income	385k	32k
Expenses	\$240k	\$20k	Expenses	240k	20k
Wages	\$100k	\$8k	Wages	100k	8k
Profit	\$20k (5%)	\$1.6k	Profit	45k (12%)	3.75k
The principles are simple					
1 Work out what you want to make for the year in profit (20k)					
2 Break your sales down to a weekly or monthly figure (7500 per week or 30k month) Identify your expenses and profit amounts in relation to sales.					
3 Track the actual performance against the planned and take appropriate action where required					
4. Know what the numbers mean. (In the table above, profit has more than doubled with only a 6% increase in sales)					

*Please note: these numbers have been rounded for illustration purposes.

Next up, was my cash flow.

What I really didn't understand in the beginning, was that cash flow was the lifeblood in our business and without it, we would die.

The best analogy I have ever come across in regards to cash flow is that it is just like breathing. We breathe in and out, every day. We need to breathe in order for the body to survive and we must be constantly breathing in order to live. The moment we stop however, bad things start to happen.

Why not try this very simple exercise to really get the understanding of what I am trying to get across here. Try taking short breaths in, and exhale large breaths out. See how long you can do that for before you get into trouble. It's exactly the same with cash flow in a business. You need to keep a constant focus on how much is coming in versus how much is going out and if too much is going out and not enough is coming in, then problems will begin to occur. The fact is, the biggest cause of business failure is suffering from inadequate cash flow.

As a Coach, I see this far too often where business owners are focused on running their businesses but don't have a tight enough grip on what is happening with their numbers.

One of the easiest ways to manage and control your cash flow is to ensure that all business transactions go through ONE bank account and then utilise online banking facilities to keep a close eye (daily) on the balance of your account. Check that your balance is always in the positive and that there is always more coming in than going out each week. You can also assess this from your Cash Summary from Xero or MYOB.

In terms of making cash flow more consistent in your business, I recommend you start the following:

1. Invoice quickly. Ideally, you want to invoice as soon as you have completed a job so you can get the money in the bank faster. However, sometimes this is just not reality.
2. Collect payments upfront. Where possible, collect payment upfront from customers. Not only will you collect that money faster, but you'll also save yourself time in chasing payments.
3. Deposits and part payments. If your business allows, try taking deposits and implement progress payments along the way.
4. Chase your outstanding payments. The more you chase your money, the sooner it gets paid!

Third and most importantly, was the ability to remain agile and make decisions quickly. I believe the most important aspect for better finance management is to always be in control and to know how to respond when things start to change. To be able to act quickly and adapt to your business is key. Think of it as a volume knob, in that you must be able to turn it up and down when you need to.

I always think back to when I ran the cafe. It was vital that I kept an eye on the numbers daily so I knew how the week was unfolding. If I knew by Wednesday that we were having a quiet week, then it was critical that I spoke to the staff and got them to take the necessary action required to boost our figures over the next few days. This was the only way we could make up for it, or it was likely we would finish the week way behind budget. So by upselling, offering more specials, pushing combos and double deals, we did all the things we could to make sure we did not fall behind on our sales target for the week.

The best advice I can give you today is to invest in yourself and gain a deeper understanding of your numbers. Learn them, know them and know what to do to change them whenever you need to. They will be the success story you tell your friends and family. I know this was the case for me and I know that if you learn to become a numbers expert you'll be setting yourself up for success.
Go Well.



Tony is one of the Business Growth Experts at Upcoach. Specialising in business finance, Tony is a regular contributor to the Upcoach Magazine and personally coaches clients to grow and scale their businesses.

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