

7 Key Numbers to Drive Profit & Cashflow

1. Revenue Growth Percentage

Formula $[(\text{Revenue This Year} - \text{Last Year}) / \text{Last Year}] \times 100$

My Numbers $\{ (\quad - \quad) / \quad \} \times 100$

Tip! Revenue growth is good as long as the other numbers are managed as well, eg costs etc

2. Price Change Percentage

Formula $\text{Current Revenue} \times \% \text{ Increase}$

My Numbers $\quad \times \quad \%$

Tip! Increasing your prices could have a better outcome than increasing Revenue as the increase goes straight to the Bottom Line.

3. Cost of Goods Sold Percentage

Formula $(\text{Cost of Goods Sold} / \text{Revenue}) \times 100$

My Numbers $(\quad / \quad) \times 100$

Tip! A small reduction in COGS percentage could have as much impact on Profit as a large increase in Revenue.

4. Overheads Percentage

Formula $(\text{Operating Expenses} / \text{Revenue}) \times 100$

My Numbers $(\quad / \quad) \times 100$

Tip! Comparing Overheads to Revenue as a percentage will show you if you're making enough Profit as reward for busting your guts on Revenue building.

5. Days Receivable

Formula $(\text{Accounts Receivable} / \text{Revenue}) \times 365$

My Numbers $(\quad / \quad) \times 365$

Tip! Focusing attention on Debt Collection will have a hugely positive impact on Cash-flow

6. Days Payable

Formula $(\text{Accounts Payable} / \text{Cost of Goods Sold}) \times 365$

My Numbers $(\quad / \quad) \times 365$

Tip! Changes to your Accounts Payable process will pay big dividends in your bank account.

7. Days Inventory

Formula $(\text{WIP or Inventory} / \text{Cost of Goods Sold}) \times 365$

My Numbers $(\quad / \quad) \times 365$

Tip! Try to think of stock as \$100 bills piled up on the floor.

My 7 Key Numbers

1. Revenue Growth Percentage

%

2. Price Change Percentage

%

3. Cost of Goods Sold Percentage

%

4. Overheads Percentage

%

5. Days Receivable

6. Days Payable

7. Days Inventory

Need Some Help with your 7 Key Numbers?

CAD Partners - CFO on Call will **take the stress out of the Financial Management** of your business by helping you get control of your Cashflow & increase your Profits.

Financials in business are important but some numbers are critical to success.

Here's a quick reminder about what the 7 Key Numbers really mean to your business as most are not contained in typical financials, because they are 'Drivers' rather than 'Results'.

Revenue Growth Percentage - Business owners focus attention on Revenue and this is critical. As critical, is what those sales cost to make and fund. When you sell something there are costs involved e.g. goods for sale. It's critical to know these costs because if they exceed revenue you are making a loss. If the other numbers aren't being managed right, revenue growth will exacerbate cash-flow issues.

Price Change Percentage - means the percentage increase or decrease at which you sell your products or services. In a highly competitive market-place it's tempting to sell for the cheapest price possible. That's fine but if you're not covering costs you will not be profitable. Many businesses fail to make regular small increases e.g. (CPI). This can cause margin squeeze and gross profit suffers, due to reduced revenue, compared to the costs of delivering the goods or services. Customers can get a shock if there's a large increase, whereas regular small increases are more acceptable.

COGS Percentage - 'Cost of Goods Sold' means the costs incurred to get the product ready for sale. A small reduction in COGS Percentage can have as much impact on Profit as a large increase in Revenue.

Overheads Percentage - Many business owners focus attention on Overheads in the Profit and Loss Statement without comparing them, (by percentage) to Revenue. If you just look at the Overheads dollar figure, you could be making more Revenue without increasing Net Profit.

It's tempting to pay suppliers who hassle for money and ignore potential better terms to be had from suppliers because you get focused on Revenue.

Days Receivable - is the number of days, on average, customers are taking to pay. Managing this number can have a huge impact on cash-flow. Reduction in Accounts Receivable Days could be put thousands back into your bank account. To improve this number, focus attention on debt collection.

Days Payable - is the number of days, on average, you take to pay suppliers. It's tempting to pay suppliers who hassle for money and ignore potential better terms to be had from suppliers, because you get focused on Revenue. Some changes to Accounts Payables management can pay big dividends in your bank account.

Days Inventory - is the number of days, on average, that goods for sale, or raw materials are sitting in your store-room, from when they are delivered by suppliers, to when they are shipped to customers. These goods often have to be paid for before they are sold. This means you have spent working capital to have the stock waiting to be sold. If you can reduce the number of Inventory Days, this can have a big impact on your bank account and working capital situation.

To get **your 7 Key Numbers in balance** call CAD Partners — CFO on Call and we'll have one of our Partners come to you.

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Or FAX this sheet with your details below to our Toll Free Fax Number 1300 36 24 37 and we'll call you back.

Name: _____ Daytime Phone: _____

Business Name: _____

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