Money, Numbers & Funding

Can we afford it?

SESSION 2

Session 2 of 4 | Business NSW Northern Rivers | Southern Cross University

Outcome: I've got a handle on my numbers, not the other way around

BUSINESS NSW

Welcome & Acknowledgment of Country

Jane Laverty

Regional Director

Business NSW Northern Rivers

This is Session 2 of 4

01
Strategy & Growth
Where are we going?

→

02
Money, Numbers & Funding
Can we afford it?

→

03
Customers, Brand & Digital Content
Do they get it?

→

04
People, Leadership & Tech
Can we deliver it?

Last session was about direction.
Today is about whether your
business can actually support it.

Emcee Welcome

Ed Riley

Managing Director

Max Sam

TABLE PROMPT –

INTRODUCE YOURSELF TO YOUR TABLE & DISCUSS

Do you check your numbers weekly, monthly, or only at tax time?

Profit doesn't mean cash.
And cash doesn't mean safety.

Sound familiar?

You don't look at your numbers regularly

You rely on your accountant to tell you how you went

You're surprised by cash flow — every quarter

You're not alone. But it's costing you.

Most businesses don't have a revenue problem.
They have a visibility problem.

NUMBERS

What your financials should actually be telling you

Financial Clarity for Decision-Making

Nicole Bryant

Director | Macro Group

the macro
chartered accountants group

WHAT DOES YOUR PROFIT & LOSS TELL YOU?

"Income Statement" / "The bottom line" / "Statement of Financial Performance" / P&L, PNL / Trading Statement

This statement can show you answers to the following:

→ Your sales and expenses.

→ Trends over time.

→ If your company is profitable.

→ Gross Margin on your product and service.

It cannot tell you:

→ How much cash you have in the bank.

→ Whether you have enough inventory to meet your sales target.

→ How much GST you owe.

This is a historical report over a period of time!

SAMPLE — PROFIT & LOSS

Shows your profits or earnings for a period of time – Year, Month, Quarter:

Sales	1,000,000	100%
Less Cost of Sales	450,000	45%
Gross Margin	**550,000**	**55%**
Less Expenses		
Admin Costs	50,000	5%
Sales & Marketing	25,000	3%
Occupancy	100,000	10%
People costs	200,000	20%
Total Expenses	**(375,000)**	**38%**
EBITDA (Gross Margin less expenses)	**175,000**	**18%**
Interest	8,000	1%
Depreciation	12,000	1%
Net Profit before Tax	**155,000**	**16%**
Less Tax (25% of NPBT)	(38,750)	4%
Net Profit after tax	**116,250**	**12%**

This number is important if you want to sell your business

SAMPLE — METRICS

Sales	100%
Less Cost of Sales	25% to 55%
Gross Margin	**75% to 45%**
Less Expenses	
Admin Costs	5 to 10%
Sales & Marketing	4 to 6%
Occupancy	3 to 10%
People costs	10 to 15%
Interest	<3%
Depreciation	Depends
Net Profit before Tax	**12 to 25%**
Less Tax (25%)	25%
Net Profit after tax	**8 to 12%**

GROSS MARGIN – KEY ITEMS

Sales

→ Goods and/or services actually delivered to customers.

→ Deposits are not sales!

COS

→ All the direct costs of selling your product or service

→ **Services** – can include wages of production staff for services actually **delivered.**

→ **Products** – includes all of the cost of the items that have been sold including import cost.

→ Does not include items that you have purchased and are sitting in your warehouse (these are not sold yet!)

INVENTORY BUSINESS — NEED TO KNOW

→ Accounting for inventory/product business can be quite complex. We see many accountants struggle with this if they are not product company specialists.

→ The amount of inventory that you have on hand must be accurately counted and valued regularly. Only when the inventory count on the balance sheet is correct, the COS in the Profit and Loss account is correct. If your profit and loss account is not correct, you do not know if your business is profitable.

→ Many product businesses do not accurately know the real cost of their product and therefore set their prices too low.

→ Sitting on excess or unsaleable inventory is very costly as real cash from the balance sheet has been used to buy that inventory.

→ Therefore, cashflow for product businesses must be managed very carefully… I cover this topic further in the next section.

TO IMPROVE YOUR PROFITABILITY – 2 OPTIONS

↑ Increase Sales

→ Marketing to get new customers or sell more to existing customers.

→ Increase prices or reduce prices.

→ New products.

→ New regions.

↓ Decrease Expenses

→ Organisation/Operational structure.

→ Deliver your product or service more efficiently

→ Negotiate better deals.

→ Look at every line and see if you can reduce.

UNDERSTANDING YOUR PROFITABILITY

→ Track it monthly – know your numbers! Watch the trends and act.

→ Download to excel and look at your costs in detail – the power of 1%

→ Group your expenses into 3 or 4 categories that are relevant and then look at each category.

→ Multiple 1% improvements across different areas – revenue, COGS, and expenses – can compound to create a much larger overall impact.

→ The impact of owner's wages/drawings/on profit and loss.

→ Understand key metrics for your industry.

Useful resource: ato.gov.au/business/small-business-benchmarks

→ Ask AI for Key Metrics for your industry.

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CASH FLOW & WORKING CAPITAL

Assets
"What you own"

MINUS

Liabilities
"What you owe"

EQUALS

Equity
"Net Worth"

→ Current Assets – minus – Current Liabilities (Current means 12 months or less). We like 2 : 1 ratio.

→ How much cash do you have in your business and how much cash can you generate over the next 3/6/12 months to pay for short term expenses/liabilities/administrative obligations (bills, rent, tax liability (if any), emergency costs, one-off expenses).

→ Must have sufficient working capital to run business, pay staff, buy inventory. We recommend having working capital equal to 3 months of all your expenses.

→ Most business failures are due to insufficient working capital.

LIABILITIES & LEVERAGE

Have a look at your Balance Sheet and see if your Liabilities outweigh your Assets.
Liabilities can include:

→ Loans

→ Mortgage (chattel mortgage, finance on motor vehicles)

→ Money owed to suppliers (account payable).

→ Wages owed to employees.

→ Taxes owed to the ATO

→ Some level of liabilities are good to help expand. How much is too much?

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What to do next?

→ See where you can improve by decreasing the liability accounts. This may include refinancing or negotiating better terms to suit your business with the bank or lenders

→ If you are struggling with cash flow, consider negotiating payment plans with your suppliers

→ If you usually get hit with a big tax bill at the end of the financial year, consider payment plans with the ATO or paying instalments throughout the year (PAYGI) and ensure you are regularly including your tax in your monthly accounting.

→ Can your assets be readily converted to cash to pay off any liabilities?

WHAT LEVERS CAN YOU PULL?

Collect faster	review and tighten your payment terms, invoice as soon as practically possible.
Spend smarter	negotiate payment terms with suppliers and timing of payments
Operating expenses	review expenses and reduce costs where possible without compromising quality
Forecast ahead	review trends within your business to ensure that you are prepared for the tighter months.
Build buffers	have sufficient funds put aside if something unexpected happens

THE IMPORTANCE OF BUDGET & FORECASTS

A forecast is a future prediction for the business. A budget is based on the forecast and is set at the beginning of the year and guides the business on what it should be achieving.

Most small to medium business can operate with a Profit and Loss budget with 2 reforecasts and some high level cashflow estimates. More established businesses or business with heavy capital investment require a full 3-Way Budget (P&L, Balance Sheet, Cashflow) and monthly reforecasts.

1. In April work out what you would like your Revenue and Net Profit to be each year for the next 3 years.
2. Set a 12-month budget by month for all revenue and expenses to achieve the first-year goal.
3. Undertake a monthly comparison and adjust.
4. Look at a potential reforecasts twice in that 12 months.
5. Repeat every year. The more you budget and forecast, the better you will get at it.

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DECISIONS

Linking your numbers to your strategy

Nathan McGrath

Senior Business Advisor

Strategy360 by Collins Hume

Collins Hume Strategy360

Strategy, Through Numbers

The Goal Isn't Better Numbers. The Goal Is Better Decisions.

Collins Hume

Strategy360

Are we improving performance or just getting busier?

Collins Hume

Strategy360

What does good performance look like?

KEY INDUSTRY BENCHMARKS AND PERFORMANCE INDICATORS

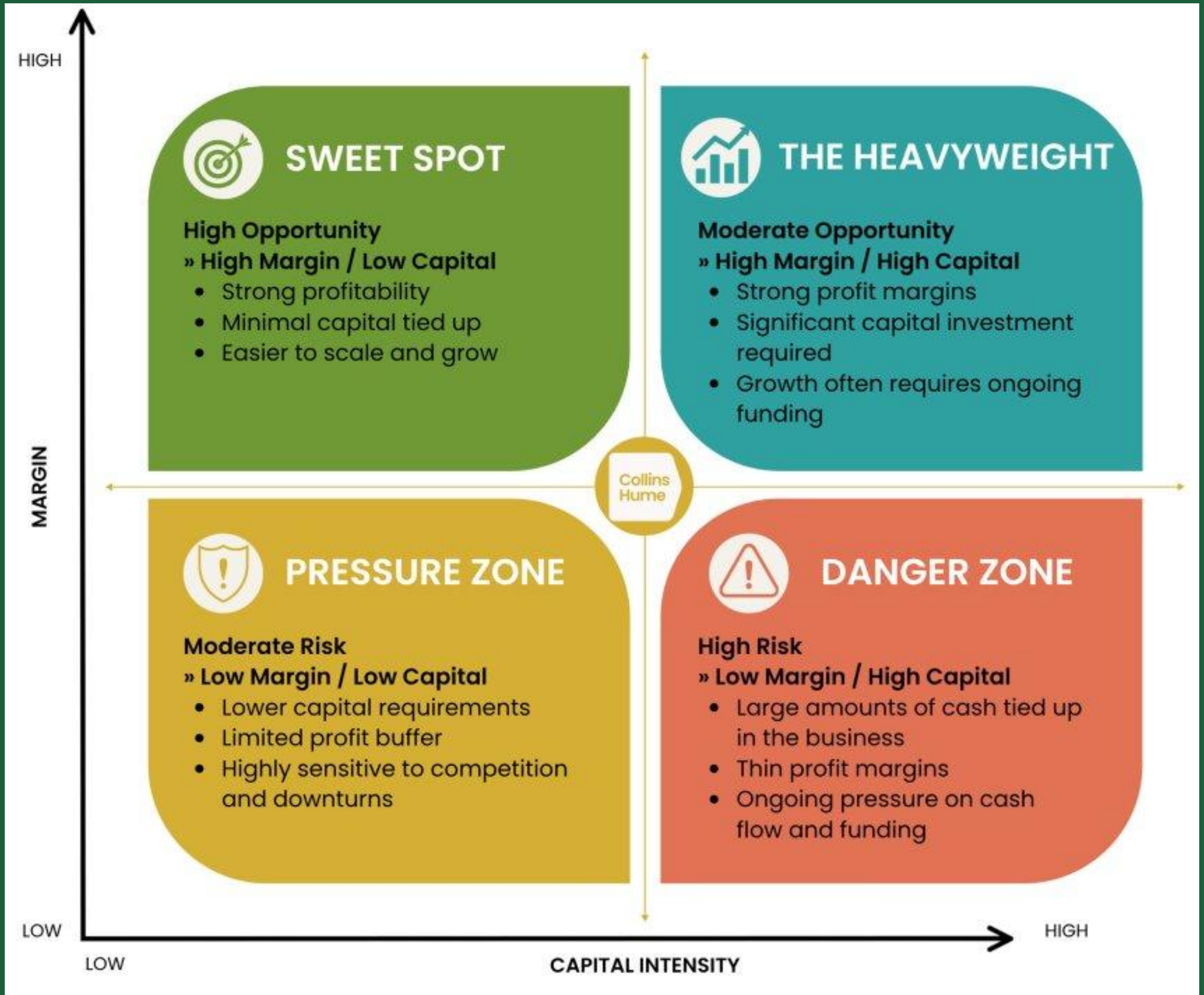
The following tables list your industry's average and top 20% performer's performance benchmark indicators.

		Industry Average	Industry Benchmark
GROWTH	Sales Growth	8.3%	49.4%
PROFITABILITY	Gross Profit Margin/Sales	37%	56%
	Salaries, Wages and On Costs/Sales	24.6%	14.4%
	Net Profit before Tax/Sales	8.7%	19.1%
CASH FLOW AND FINANCE	Work in Progress and Debtors Days	48	15
	Stock Turnover Days	6	0
	Trade Creditor Days	39	4
	Current Ratio	2.1	3.8
	Working Capital Ratio/Sales	8%	1.1%

What gets measured matters

Driver	KPI
Profitability	Billable Utilisation
Productivity	Revenue per Employee
Operational Performance	Delivery On-Time in Full %
Cash Flow	Invoice Lag Days
Cash Flow	Inventory Days / WIP Days
Revenue Quality	Distribution of Order Size
Sales	Win / Loss Ratio

Margin & Capital Quadrant



Relationship Between Profit & Cash

Profit		Cash Flow	
Revenue	4,300,000	Cash from Customers	4,101,013
Cost of Goods	3,100,000	Cash to Suppliers	3,272,090
Gross Margin	**1,200,000**	**Gross Cash Profit**	**828,923**
Overheads excl Depreciation	701,999	Overheads excl Depreciation	701,999
Operating Profit	**498,001**	**Operating Cash Flow**	**126,924**

7 Levers of Working Capital

1. Price Increase
2. Volume
3. Cost of Goods Sold
4. Operating Expenses
5. Debtor Days
6. Inventory Days
7. Creditor Days

Cash & Profit Impact

			Impact on Cash Flow	Impact on Operating Profit
Price Increase	- 1.0 +	%	28,011	43,000
Volume Increase	- 1.0 +	%	-9,224	12,000
Cost of Goods Reduction	- 1.0 +	%	37,235	31,000
Overheads Reduction	- 1.0 +	%	7,698	7,698
Reduction in Accounts Receivable Days	- 1.0 +	days	11,781	
Reduction in Inventory Days	- 1.0 +	days	8,493	
Increase in Accounts Payable Days	- 1.0 +	days	8,493	
			↑ 92,487	↑ 93,698

Actual Case Impact

			Impact on Cash Flow	Impact on Operating Profit
Price Increase	0.0	%	0	0
Volume Increase	0.0	%	0	0
Cost of Goods Reduction	0.0	%	0	0
Overheads Reduction	2.0	%	15,396	15,396
Reduction in Accounts Receivable Days	11.0	days	129,589	
Reduction in Inventory Days	10.0	days	84,932	
Increase in Accounts Payable Days	2.0	days	16,986	
			↑ 246,903	↑ 15,396

Better numbers create better choices.

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Strategy360

Better Choices = Funding Ready

Funding Ready Business
•Maintains healthy cash reserves
•Funding is planned
•Decisions are strategic
•Growth can be managed
•More choices available

Under Financial Pressure Business
•Managing cash month-to-month
•Funding is often urgent
•Decisions are reactive
•Growth creates strain
•Fewer options available

What do Funding Ready Businesses Look Like?

- Reliable and timely financial reporting
- Visibility over cash flow and future funding needs
- Clear plans and priorities
- Understanding of business performance drivers
- Awareness of risks and contingency plans

The Goal Isn't Better Numbers. The Goal Is Better Decisions.

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Risk & Protection

Insurance, protection and financial preparedness

Matt Williamson

Founder & Principal Broker

Good Cover

good cover INSURANCE SOLUTIONS

Risk & Protection

How many people here have had their business genuinely disrupted in the last five years?

THE BERNSTEIN REFRAME — 01 / 04

For most of human history, disaster was fate.

THE BERNSTEIN REFRAME — 02 / 04

“The future is not a whim of the gods.”

It can be understood. · Measured. · Managed.

— Peter Bernstein, *Against the Gods* (1996)

THE BERNSTEIN REFRAME — 03 / 04

Insurance is the **oldest risk transfer mechanism** ever invented.

> We can't stop the flood. But we can decide — right now — who bears the financial consequence when it arrives.

THE BERNSTEIN REFRAME — 04 / 04

Every risk demands a response. There are four.

01

Avoid.

Remove the risk entirely.

02

Mitigate.

Reduce likelihood or impact.

03

Transfer.

Insure it — *where available.*

04

Plan.

Business Continuity Planning.

THE RISK MATRIX — 01 / 03

You've probably seen a risk matrix before.

— KISS. Keep It Simple.

THE STANDARD

5×5 matrix — the Australian standard (AS/NZS ISO 31000). Could be 4×4. Could be 20×20.

THE TRUTH

A 4×4, a 5×5, or a 20×20 — *if you're not using it* , they're all equally useless.

So today → we keep it simple.

A simple 2×2. Four quadrants. Four responses.

	LOW LIKELIHOOD	HIGH LIKELIHOOD
HIGH IMPACT	LOW LIKELIHOOD · HIGH IMPACT **Contingency.** PLAN	HIGH LIKELIHOOD · HIGH IMPACT **Priority.** TRANSFER or PLAN
LOW IMPACT	LOW LIKELIHOOD · LOW IMPACT **Monitor.** ACCEPT	HIGH LIKELIHOOD · LOW IMPACT **Routine.** MITIGATE or AVOID

IMPACT →

LIKELIHOOD →

The scores are not the point. The conversation is.

Academic research tells us risk matrices are imprecise by design. What they are is useful — as a prompt to ask the question most business owners never ask.

> “What could go wrong — and have we actually thought about it?”

Source: Wall, K.D. (2011). The Trouble with Risk Matrices. DRMI Working Paper 2011-2.

YOUR BUSINESS — WORKED EXAMPLE

Five risks. Where do yours sit?

RISK	LIKELIHOOD	IMPACT	RESPONSE
Extended power outage	Medium	High	PLAN / MITIGATE
Key person leaves or becomes ill	Medium	High	PLAN / TRANSFER
Cyberattack or data breach	High	High	TRANSFER / MITIGATE
Major client loss	Medium	High	MITIGATE / PLAN
Weather / flood event	Variable	High	PLAN insurance: location dependent

Nicole showed you what healthy records look like. Here's what they're worth when something goes wrong.

WHAT NICOLE SHOWED YOU	WHAT IT'S WORTH AT CLAIM TIME
Your P&L statement	The basis of your loss-of-profits claim
Your revenue trend (12–24 months)	The projected revenue your insurer uses to calculate your loss
Your gross profit margin	The indemnity figure your policy actually pays
Clean, current, reconciled records	The difference between a full payout and a partial one

Loss of Profits insurance — also called **Business Interruption cover** — replaces your income while a covered event prevents you from trading. It does not pay the building or the stock; that's your property cover. *It pays the revenue gap.*

Most businesses aren't uninsured. They're **under-insured** — and they don't find out until it's too late.

1	**Messy or incomplete records**	Your insurer can't calculate what you lost. Disputed claims, delays, and settlements below your actual loss.
2	**Under-declaration**	You set your sum insured once — your revenue grew, your cover didn't. The gap between them is the loss you absorb yourself.
3	**Wrong indemnity period**	Covered for 12 months to recover, but your type of business takes 18. The last six months come out of your pocket.

THE THREE THINGS THAT DETERMINE WHETHER YOU SURVIVE

Three things. Every business. No exceptions.

1	**Cash Flow Continuity**	Can you keep paying your bills while you can't trade? Business interruption cover, an emergency fund, or a line of credit. One of the three. Ideally all three.
2	**A Plan That Exists Before the Event**	Businesses with a Business Continuity Plan resume trading faster — not because the plan is perfect, but because someone already made the hard decisions.
3	**Knowing Your Gaps**	Not what you're covered for — what you're *not* covered for. Every policy has exclusions. Every business has risks that can't be transferred. The ones that survive planned for those gaps too.

You don't get to choose when something goes wrong. You only get to choose what you do before it does.

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THE ONE THING I WANT YOU TO DO

One action. Three risks. Five minutes.

Write down three risks your business faces. Just three. Then ask yourself — have I actually thought about each one?

Avoid it. | Mitigate it. | Transfer it. | **Plan for it.**

If you want to talk about what you have, what you don't, and whether your cover is actually fit for purpose — *that's what I'm here for.*

good cover
INSURANCE SOLUTIONS

Get in touch with Matt

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MORNING TEA

15 Minutes

Right —
now we stop listening
and start stress-testing.

STRESS TEST YOUR BUSINESS

A scenario-based workshop | 40 minutes

REFLECT

3 minutes | Individual

Financial Habits Check

How often do you look at your P & L?

How often are you looking at your balance sheet?

How often are you reviewing your insurances?

How often do you review your cashflow position or forecast ?

REFLECT

3 minutes | Individual

How well do you know your numbers?

Do you know which products/services are making you money (and which aren't)?

Do you know your gross margin - and how it's trending?

If revenue dropped 20% tomorrow, would you know exactly what to adjust first?

Can you confidently explain your key cost drivers and where margin is being lost?

DISCUSS

5 minutes | At your table

Share with your table

What are you actually tracking right now?

What do you *know you should be tracking but aren't?*

GROUP SHARING

Now let's pressure test it

What happens to your business when something goes wrong?

DISCUSS

10 minutes | At your table

Your business just got hit. What happens next?

CHOOSE A SCENARIO FOR YOUR TABLE

Fuel Shortage

Fuel prices spike. Supply is uncertain for 4+ weeks.

Cost Spike

Key input costs jump 35% overnight.

Flood

Your premises are inoperable for 8 weeks.

Internet Outage

Major data center failure. No internet for 10 days.

Work through these at your table:

1. What happens to your cash flow?
2. What happens to your P&L?
3. What funding or buffers do you need?
4. What insurance or risk exposure does this trigger?
5. What decisions do you make — immediately?

Go deeper:

How long could your business survive this scenario?

What would you wish you had set up before it happened?

What strategic response would you take beyond the immediate crisis?

GO EVEN DEEPER

"What would you cut first?"

"Who would you call — and what would you ask them?"

"What number would you need to know right now?"

GROUP SHARING

DECIDE

5 minutes | Individual

What is the ONE financial action you need to take this month?

Not a goal. Not a wish.

An action.

Something you will start / stop / change

GROUP SHARING

PANEL DISCUSSION

"What's the most common financial mistake you see in SMEs?"

"When should a business owner worry about cash flow?"

"What does 'funding ready' actually mean?"

"What's the one number every owner should check weekly?"

LEADERSHIP INSIGHT

A real story from Matt Williamson about what he's seen — the businesses that survived and the ones that didn't.

Get in touch with Matt

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WHAT ALL THIS MEANS IN PRACTICE

1 Profit is not cash

A profitable business can still go broke. Know the difference.

2 Numbers should guide decisions

If you're not using your financials to decide, you're guessing.

3 Risk needs to be budgeted

Insurance and buffers aren't overhead — they're survival.

REFLECT

3 minutes | Individual

1 **What did you come here to learn today – and why?**

2 **What did you realise or learn?**

3 **What are you going to do differently in your business tomorrow?**

NEXT SESSION

Customers, Brand & Digital Content "Do they get it?"

You understand your numbers now.
Next time, we'll make sure your customers
and marketing can drive them.

"Attend one session and gain value. Attend all four and transform how your business operates."

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The Business of Doing Business — 2026 Program

THE BUSINESS OF DOING BUSINESS

A FOUR-PART BUSINESS WORKSHOP SERIES

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THANKS TO OUR EVENT PARTNER

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INTELLIGENT DIRECTIONS

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MIND YOUR GRIT.