

RENTAL PROFESSIONALS SOCIETY OF NIGERIA

FINANCIALS MADE SIMPLE

Understand your numbers – your business scorecard!

Thursday 28, May / 3:00 PM

ZOOM LINK :

<https://bit.ly/2LSfyEz>



Mrs. Yemisi Peters

Sparkling World Business & Events

Moderator



Mrs. Folasade Odunaiya

ActionCOACH Business Coaching

Guest Speaker

REAL PEOPLE.

REAL RESULTS.

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ActionCOACH[®]
BUSINESS COACHING

A little bit about us...

- We are the *“World’s #1 Business Coaching Firm”*
- We have more than 1000 Coaching Offices in more than 75 countries world-wide ...
- 27 years old globally, started in Nigeria recently ...
- Our Vision is to create *“World Abundance through Business Re-Education ...”*
- We coach over 15,000 businesses each week across USA, Canada, Australia, New Zealand, UK, France, Italy, Malaysia, Vietnam, Turkey, Philippines, Mexico, South Africa, Namibia, Egypt, **Nigeria** etc ...

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Thanks For Your Attendance...



- In business, your **time** is your most valuable asset
- Business does not mean *BUSY-NESS*
- How you invest your **time** is one of the keys to business success ...

To get us started...

This vital question ...

Can I be **YOUR**
Coach for the next
40 minutes?

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Today We'll Reward Your Time...

With an understanding of your financial statements; **some** of the terminologies used in accounting and how to assess your business performance ...



Action's Definition of a Successful Business...

A Commercial, Profitable,
Enterprise

- *that works* -

without YOU!

Remember to work 'ON' your business not just 'IN' your business...

The Statistics on Business...

- 80% fail within 1st 5 years
- 80% of those who survive fail within the next 5 years
- *Possibly, 80% never transit successfully*



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6 Steps to Massive Results



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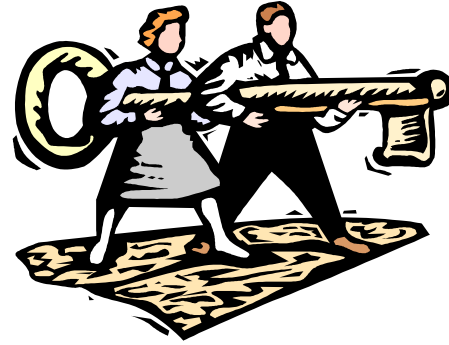
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FROM CHAOS TO...

Control



Sound financial management is the “key” to running a successful business. To be a success, you must know how to collect, track, save, and spend the money you earn. You must be in control of your money...

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BUSINESS OWNERS WEAR...



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...in relationship to money

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FOUR KEY FOCUS AREAS IN ANY BUSINESS...

1. REVENUE

2. PROFIT

3. CASH FLOW

4. EQUITY

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BUSINESS OWNERS WEAR ...

I. REVENUE

Employee



Money paid for doing the job...

- Should be recorded based on work completed & not cash receipts

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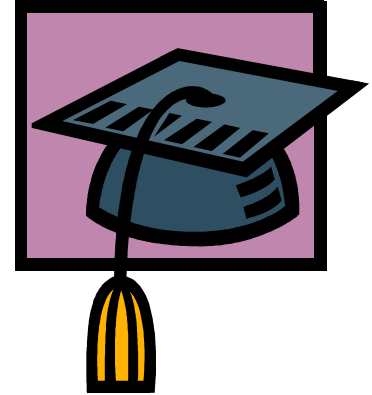
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BUSINESS OWNERS WEAR...

2. PROFIT

Manager



Money left after expenses...

- = Revenue – Expenses
- Expenses – fixed or variable, direct or indirect

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BUSINESS OWNERS WEAR...

3. CASH FLOW

Owner



Money moving through the business... blood line!

- 3 key categories – Operating, Investing & Financing

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BUSINESS OWNERS WEAR...

4. EQUITY

Investor



Money-value of the business itself...

- Based on factors such as strength of cashflows, future prospects & brand strength

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FUNDAMENTAL PRINCIPLE OF ACCOUNTING...

- The ENTITY concept
- A business is a separate entity from its owners and therefore maintains *separate* books of accounts!
- Resources (assets) required by the business must be provided either by the owners of the business or 3rd parties termed Creditors
- Only reports items of money value



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Income Statement

Revenue

Expenses

Assets

Liabilities

Balance Sheet

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1. REVENUE ...

Revenue (Sales)

- Value of Good or Services sold
- Cash vs. Accrual Basis of Recording -
 - a) **Cash Basis** - Income and expenses recorded when cash flows
 - a) **Accrual Basis** - Income and expenses are recorded when they have occurred

Two key variables – Price and Quantity



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2. PROFIT - The Income Statement...

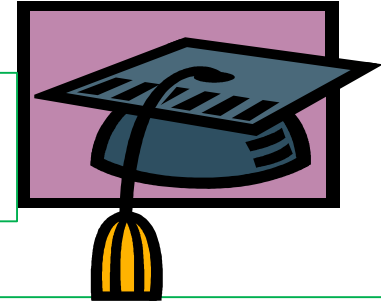
$$R - E = P$$

Revenue (Sales)

Expenses

Profit (Income)

Profits at two (2)
levels ...



Expenses like Revenue should
be recorded either on an
Accrual and not payment basis

Measures the financial performance of the
business over a certain period of time

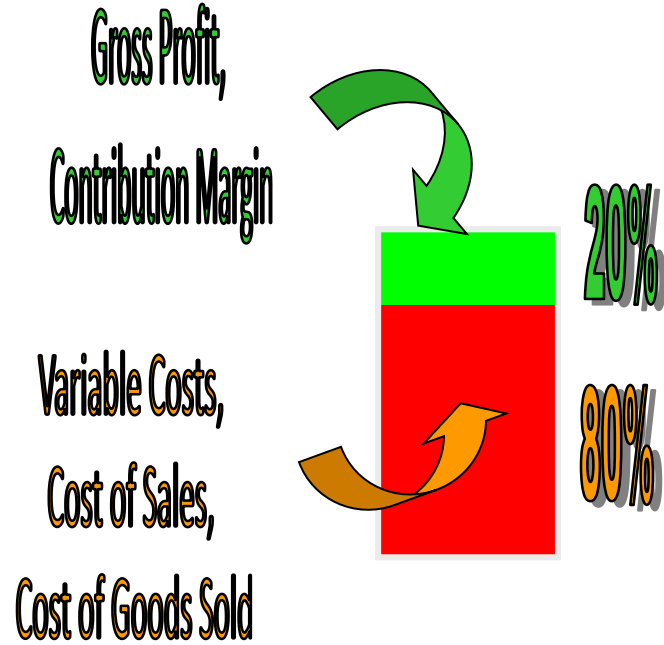
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GROSS PROFIT PER UNIT...



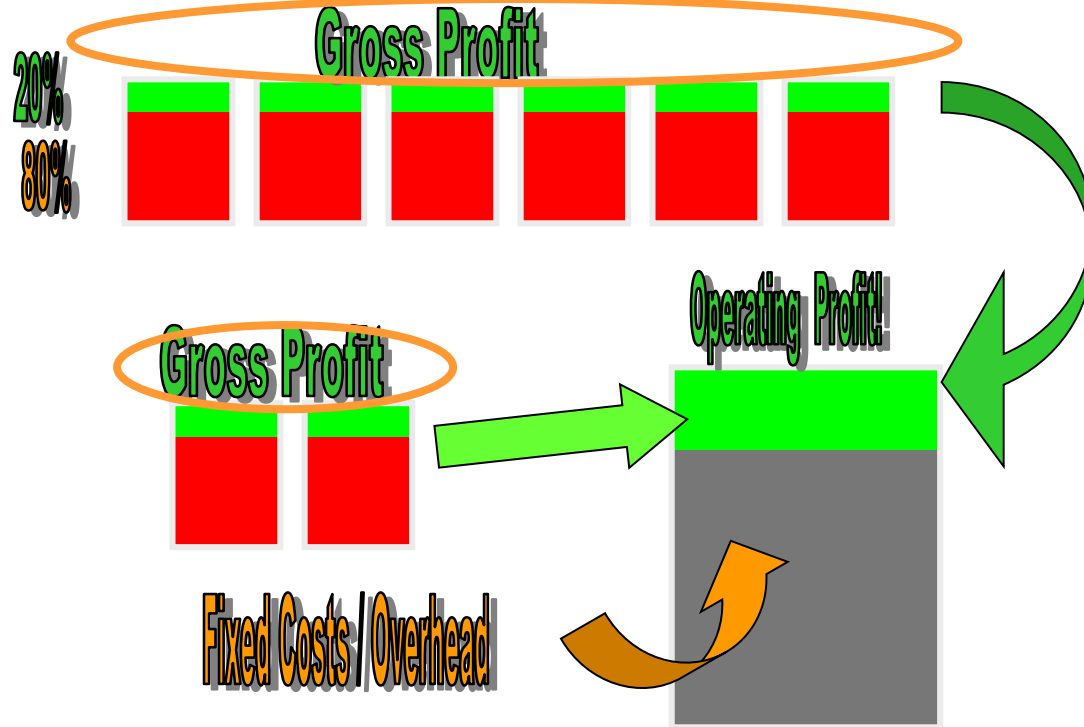
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GROSS PROFIT VS. OPERATING PROFIT..



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How about Net Profit i.e. Profit Before Tax?

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3. Flow ... Cash Flows

$$BC + OC + IC + FC = EC$$

BC - Beginning Cash

OC - Operating Cash

IC - Investing Cash

FC - Financing Cash

EC - Ending Cash



Measures the Cash Flow of the business over a certain period of time

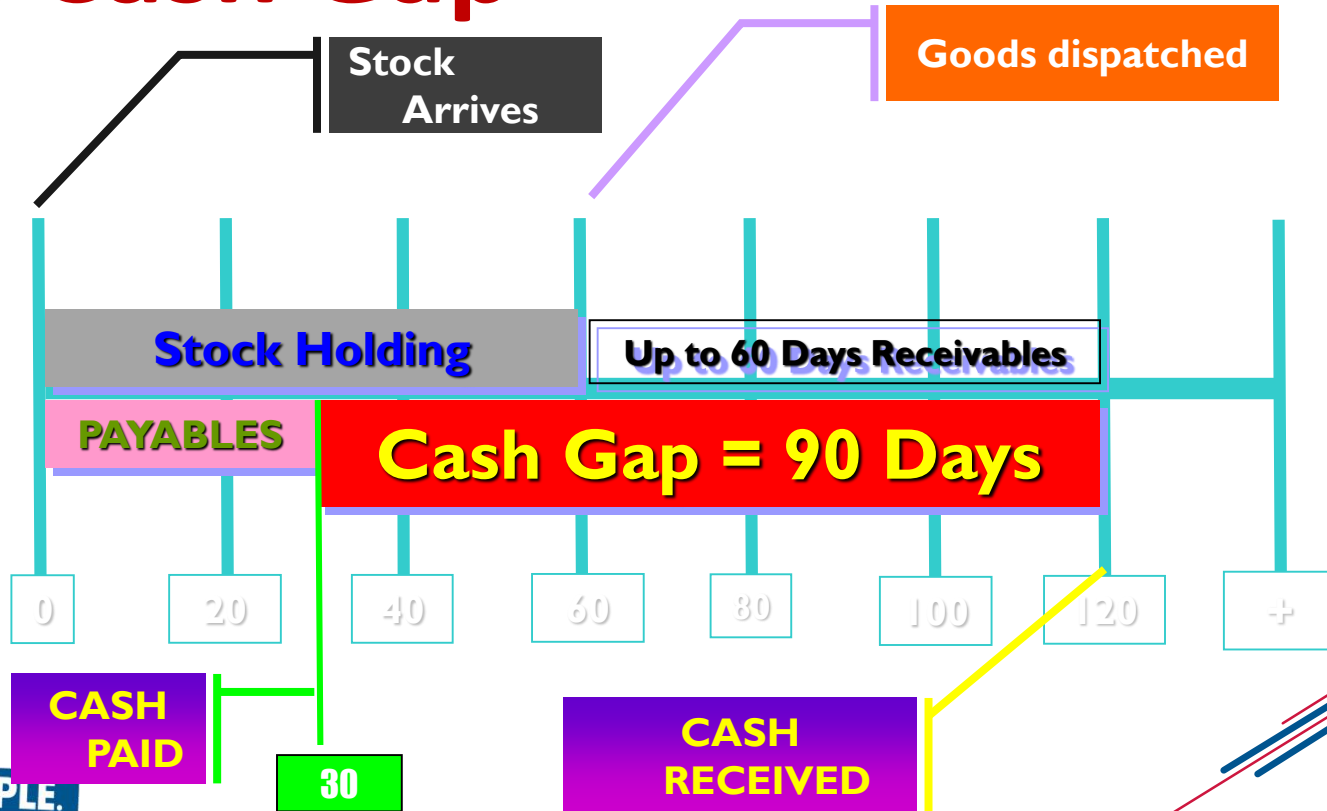
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The Cash Gap



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4. EQUITY ... THE BALANCE SHEET...



$$A - L = OE$$

Assets

Liabilities

Owner's Equity

- a) Shows the financial position
- b) Shows the total resources and how it is being financed.
- c) It's a snapshot of the business that shows what the business owns and what the business owes

Measures the financial condition of the business at a specific point in time

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MASTERY IN BUSINESS REQUIRES...

Measuring!

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MASTERY IN BUSINESS REQUIRES MEASURING ...

THE “VITAL SIGNS”



Just as you measure physical health by tracking a few important numbers...

- Heart rate
- Blood pressure
- Body temperature

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TRACKING YOUR BUSINESS' "VITAL SIGNS"

Vital Signs are **Key Performance Indicators (KPIs)**

- Revenue – are Sales increasing? Volume increasing? **5 Ways**
- Profits – am I making money at the various levels?
 - Gross Profit, Operating Profit, Profit Before Tax and Profit After Tax
 - Interest cost vs Return on Investment
- Flow – do I have enough cash in my business?
 - Positive Operating Cash flow
 - Working Capital Management – Days in Receivables, Days in Payable, etc.
 - How am I financed – interest bearing debt, non-interest debt, equity?
- Equity – is my business gaining or losing value?
- There are other measurements in tracking "Vital Signs"



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KPIs ARE NOT THE SAME FOR ALL BUSINESSES

- A retailer or wholesaler is concerned with inventory turnover and product sales
- A legal firm is interested in billable hours per employee/partner per month
- A manufacturer is concerned with units produced, gross profit per unit sold



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To Finish Up ...



- List 5 New Learnings you need to **ACT** on today ...
- **5** Complimentary Business Coaching Sessions / week
- Q & A Time ...

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THANK YOU!



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