# Rural Canada business profiles 2018

## Information and notes

**Business Analytics and Research (BAR )**
**Centre for Special Business Projects (CSBP)**

Statistics Canada Statistique Canada

Canada

# Rural Canada Business Profiles, 2018

Medium Business Profiles, profit margin based.

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# Information

## How to obtain more information

For information about this product or the wide range of services and data available from Statistics Canada, visit our website, www.statcan.gc.ca.

You can also contact us by:

**Email at** STATCAN.infostats-infostats.STATCAN@canada.ca

**Telephone,** from Monday to Friday, 8:30 a.m. to 4:30 p.m., at the following numbers:

- Statistical Information Service : 1-800-263-1136
- National telecommunications device for the hearing impaired: 1-800-363-7629
- Fax line : 1-514-283-9350

**Depository Services Program**

- Inquiries line : 1-800-635-7943
- Fax line : 1-800-565-7757

# Notes

## Symbols

| | |
|---|---|
| | not available for any reference period |
| **..** | not available for a specific reference period |
| **...** | not applicable |
| **0** | true zero or a value rounded to zero |
| **0s** | value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded |
| **p** | preliminary |
| **r** | revised |
| **x** | suppressed to meet the confidentiality requirements of the Statistics Act |

## Quality Indicators

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|---|---|
| **A** | Excellent |
| **B** | Very good |
| **C** | Good |
| **D** | Acceptable |
| **E** | Use with caution |

## Industries structure

All industries are included, excluding 52 Finances and insurance, and 91 Public administrations

| *Code* | *Hierarchical structure* |
|---|---|
| 11 | Sector |
| 111 | Subsector |

## Rural/urban definition

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|---|---|
| *Rural enterprise* | Rural businesses refer to businesses located outside Census Metropolitan Areas (CMA) and Census Agglomerations (CA) |
| *Urban enterprise* | Urban businesses refer to businesses located within Census Metropolitan Areas (CMA) and Census Agglomerations (CA) |

for more information : Statistics Canada's Standard Geographical Classification (SGC) 2016 :
https://www.statcan.gc.ca/en/subjects/standard/sgc/2016/index

## Data dictionary

A comprehensive list of variables included in the RCBP and their definitions are provided below.

| Variable/item | Description |
|---|---|
| **Accounts receivable** | This category includes all claims against debtors arising from the sale of goods and services and any other miscellaneous claims with respect to non-trade transactions. It excludes loan receivables and amounts receivable from related parties. |
| **Advertising and promotion** | This category includes all advertising expenses, such as promotions, signs, window dressings and catalogues. |
| **All other revenues** | This category includes revenue from interest, dividends, commissions, rent and other sources of revenue. |
| **Amortization and depletion** | This category includes allocation of the cost of revenue-producing assets (that is expected to last more than a year) among the life of the asset. The items that correspond to this amortization and depletion definition are amortization on capital assets and the amount of amortization on capital cost. |
| **Averages** | The financial performance data provide financial data (income statement and balance sheet items) based on industry averages by each quartile grouping. |
| **Closing inventory** | This is the value of inventory at the end of the reporting period. |
| **Collection period for accounts receivable** | It is the estimate of the average number of days it takes to collect receivables from the day of the transaction. It is calculated as (accounts receivable) / (average daily revenue). Average daily revenue is calculated as (total revenue) / (365 days). This ratio measures liquidity by indicating the effectiveness of the credit and debt collection activities of the business. Increases in the collection period indicate an increasing time lag between credit sales and cash realization. This ratio is not very relevant for financial, construction and real estate industries. It can also be calculated as (365 days) / (accounts receivable turnover). Accounts receivable turnover is calculated as sales revenue (on account) / (average trade accounts receivable). |
| **Cost of sales (direct expenses)** | This category includes direct costs incurred by businesses from the process of selling goods. This item is calculated as wages and benefits + purchases, materials and subcontracts + opening inventory - closing inventory. |
| **Current bank loans** | This category includes all short-term loans and notes payable to Canadian banks and foreign bank subsidiaries, with the exception of loans from foreign banks, loans secured by real estate mortgages, bankers' acceptances, bank mortgages and the current portion of long-term bank loans. |
| **Current debt to equity** | This ratio is calculated as (current liabilities * 100) / (equity). This percentage is a measure of liquidity, which indicates a firm's relative ability to pay its short-term debts. The lower the positive ratio, the more liquid the business. This ratio also provides information on the capital structure of a business and the extent to which a firm's capital is financed through current debt. This ratio is relevant for all industries. |
| **Current ratio** | This ratio indicates the firm's ability to pay liabilities with current assets. It is calculated as (total current assets) / (total current liabilities). The larger the ratio, the more liquid the business. It is not very relevant for financial, construction and real estate industries. This ratio is also known as the working capital ratio. |

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| **Debt ratio** | This ratio is calculated as (total liabilities) / (total assets). It is a solvency ratio indicating a firm's ability to pay its long-term debts. It reports the amount of debt outstanding in relation to the amount of capital. The lower the ratio, the more solvent the business. |
| **Debt to equity ratio** | This ratio is calculated as (total liabilities) / (total equity). This is a solvency ratio that indicates a firm's ability to pay its long-term debts. The lower the positive ratio, the more solvent the business. The debt to equity ratio also provides information on the capital structure of a business—the extent to which a firm's capital is financed through debt. This ratio is relevant for all industries. |
| **Delivery, shipping and warehouse expenses** | This category includes expenses for delivery, shipping, courier and distribution services used by businesses, with the exception of those in the transportation industry, which are included in purchases and materials. |
| **Gross margin** | This margin is calculated as (sales of goods and services - costs of sales * 100) / (sales of goods and services). This percentage provides a relative measure of the profitability or profit margin. |
| **Insurance** | This category includes all types of insurance, such as bonding, car insurance, fire and liability insurance, and premium expenses. |
| **Interest and bank fees** | This category includes all interest expenses and discounts paid by the business, such as real estate mortgages, chattel mortgages, mortgage bonds, advances and demand loans, and bank interest. |
| **Interest coverage ratio** | This ratio is calculated as (net profit + interest and bank fees) / (interest and bank fees). It represents the average number of times that interest owing is earned and, therefore, indicates the debt risk of a business. The larger the ratio, the more able a firm is to cover its interest obligations on the debt. This ratio is not very relevant for financial industries. It is also known as "times interest earned ratio." |
| **Labour and commissions** | This category includes remuneration paid to the employees of the business not shown in the cost of sales (direct expenses) that include salaries and wages. |
| **Long-term assets** | This category includes all other assets not recorded elsewhere, such as long-term bonds. |
| **Long-term liabilities** | This category includes all obligations that are not reasonably expected to be liquidated within the normal operating cycle of the business but, instead, are payable at some date beyond that time. It includes obligations such as long-term bank loans and notes payable to Canadian chartered banks and foreign subsidiaries, with the exception of loans secured by real estate mortgages, loans from foreign banks, bank mortgages and other long-term liabilities. |
| **Net fixed assets to equity** | This ratio is calculated as (net fixed assets * 100) / (equity). Net fixed assets represent long-term investments. This percentage indicates the relative capital investment structure. |
| **Net profit or loss** | It is the profit or loss resulting from normal business operations recorded before income taxes, extraordinary items and other income unrelated to normal operations. For unincorporated firms, the owners' or partners' salaries and withdrawals are included. |

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| **Net profit to equity** | This ratio is calculated as (net profit * 100) / (equity). This percentage indicates the profitability of a business. It relates the business income to the amount of investment committed to earning that income. This percentage is also known as "return on investment" or "return on equity." The higher the ratio, the relatively better the profitability. |
| **Net tangible and intangible assets** | It entails the tangible or intangible property held by businesses for use in the production or supply of goods and services or for rental to third parties in the regular operations of the business. It excludes assets intended for sale. Examples of such items are facilities, equipment, patents, goodwill, etc. The valuation of net fixed assets is recorded net of accumulated depreciation, amortization and depletion. |
| **Non-profitable businesses** | They are businesses for which expenses exceed revenue. |
| **North American Industry Classification System (NAICS)** | It is Statistics Canada's standardized coding system for grouping businesses engaged in similar types of activity into non-overlapping industry categories. The first two digits designate the sector, the third digit designates the subsector, the fourth digit designates the industry group and the fifth digit designates the industry. |
| **Opening inventory** | This is the value of inventory carried over from the previous reporting period and used to calculate average inventory. It also helps determine the cost of goods sold and includes tangible assets held for sale in the ordinary course of business, goods in the process of production for such sale or materials to be consumed in the production of goods and services for sale. It excludes assets held for rental purposes. |
| **Operating expenses (indirect expenses)** | This category includes all expenses incurred in the course of running the business. It includes remuneration paid as labour and commissions, amortization and depletion, repair and maintenance costs, utility fees and telephone and telecommunication fees, rent, interest and bank fees, professional and business fees, advertising and promotional costs, delivery fees and shipping and warehouse expenses, insurance costs, and other indirect expenses. |
| **Other current assets** | This category includes all current assets not accounted for in accounts receivable and closing inventory. |
| **Other indirect expenses** | This category includes all other expenses, such as bad debts, laundry and cleaning expenses, beverage licences, business charges and taxes, interest on taxes, fines and penalties, business taxes, permits, membership expenses, crew share expenses, fishing gear expenses, insurance expenses, meal and entertainment expenses, net and trap expenses, office expenses, office stationery and supply expenses, property tax expenses, salt bait and ice expenses, travel expenses, vehicle expenses, and other expenses. |
| **Percentage of businesses reporting** | It is the percentage of businesses represented in the sample reporting an expense item on their tax return. |
| **Professional and business fees** | This category includes all expenditures for external professional advice or services, such as accounting fees, legal fees, management fees and incorporation fees. |
| **Profitable businesses** | These are businesses for which revenue is equal to or exceeds expenses during the reference period. |

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| **Purchases, materials and subcontracts** | This category includes purchases used to produce revenue for product sales, land costs, land purchased for resale and other recorded direct costs, including costs incurred by businesses that hire outside firms to perform special trade tasks. |
| **Quality indicators** | These indicators provide data users with information on the accuracy of published estimates. Although, as for a census, estimates are not subject to sampling error, the quality of displayed values is still subject to other factors, including imputation. Imputation is a process whereby records with missing data are assigned values based on the data of records with more complete data. It is performed in two cases: when a data point reported by a business is judged to fall outside the limits of statistically coherent values or when a business fails to itemize all or part of the required information. Imputation methods used by Statistics Canada include, but are not limited to, historical imputation, donor imputation and generic-to-detail allocation. The quality indicators below represent a measure of the amount of imputation contributing towards a given value. A (excellent); B (very good); C (good); D (acceptable); E (use with caution) |
| **Quartiles** | Quartiles are the whole of the small and medium-sized businesses that operate within the selected industry distributed into four groups (quartiles) of the same size based on levels of revenue or profit margin generated. Each profile contains groupings within the whole revenue or profit margin range. To define the quartiles, the businesses are first ranked from the lowest to the highest operating revenue or profit margin. Then, the sample is divided into four parts: a bottom quartile, a lower-middle quartile, an upper-middle quartile and a top quartile. The bottom quartile consists of the 25% of businesses with the lowest reported operating revenue or profit margin. The lower-middle quartile consists of the 25% of businesses with reported operating revenue above the cut-off for the bottom quartile and below the median revenue or profit margin level. The upper-middle quartile consists of the 25% of businesses with reported operating revenue or a profit margin above the median revenue level and below the cut-off for the top quartile. The top quartile consists of the 25% of businesses with the highest reported operating revenue or profit margin. |
| **Rent** | This category includes all rental expenditures paid to other companies or agencies for the use of land, offices, buildings, machinery and equipment, but excludes capital leases. |
| **Repairs and maintenance** | This category includes costs related to new or replacement parts or to the restoration of facilities and machinery to keep properties in good working condition. |
| **Return on total assets** | This return is calculated as (net profit + interest and bank fees) * 100 / (total assets). Also known as “return on total investment,” it is a relative measure of profitability and is defined as the rate of return earned on the investment of total assets by a business. It reflects the combined effect of both the operating and the financing or investing activities of a business. The higher the percentage, the better the profitability. |
| **Revenue to closing inventory ratio** | This ratio is calculated as (total revenue) / (closing inventory). This is an efficiency ratio that indicates the average liquidity of the inventory or whether |

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| | a business has over- or under-stocked inventory. This ratio is also known as "inventory turnover" and is often calculated using "cost of sales (direct expenses)" rather than "total revenue." This ratio is not very relevant for financial, construction and real estate industries. |
| **Revenue to equity ratio** | This ratio is calculated as (total revenue) / (equity). It indicates the profitability of a business, relating the total business revenue to the amount of investment incurred to earn this income. This ratio provides an indication of the economic productivity of capital. |
| **Rural business** | It is a business that is not located within a census metropolitan area (CMA) or a census agglomeration (CA). |
| **Sales of goods and services** | This category includes revenue from the sales of goods and services. |
| **Total assets** | These are all resources controlled by a business as a result of past transactions or events from which future economic benefits may be obtained. |
| **Total current assets** | These are the total of cash and other resources expected to be liquidated, sold or consumed within one year or within the normal operating cycle of the business, whichever is longer. |
| **Total current liabilities** | These are obligations expected to be paid within one year or within the normal operating cycle, whichever is longer. Current liabilities are generally paid out of current assets or through the creation of other current liabilities. Examples of such liabilities include accounts payable and advances from customers. |
| **Total equity** | It is the net worth of a business and includes elements such as the value of common and preferred shares and earned, contributed and other surpluses. |
| **Total expenses** | This category includes all expenses incurred by a firm to generate revenues in the normal operation of the business. This item comes directly as the total expenses from tax forms. |
| **Total liabilities** | They are the obligations of a business arising from past transactions or events, the settlement of which may result in the transfer of assets, provision of services or other yielding of future economic benefits. |
| **Total revenue** | This category includes revenue from the sale of goods and services, interest, dividends, commissions, rent and other sources of revenue. It excludes capital gains or losses, extraordinary gains or losses and equity in net income of related parties. |
| **Urban business** | It is a business located within a census metropolitan area (CMA) or census agglomeration (CA). |
| **Utilities and telephone or telecommunication services** | This category includes expenses for heat, lighting, water, and telephone and telecommunication services for the location where the business operates, as well as expenses for the electricity or fuel used to power its factory or plant. |
| **Wages and benefits** | This category includes wages and benefits paid to employees that are shown in the cost of sales (direct expenses). |