**Cash Management  
3 Things You Need For Complete Financial Visibility In Your Business**

In business, money is the scoreboard.

Even if you’re not in business primarily to make money, and your business is about pushing your cause or spreading your message, money still needs to be the measure that will underpin your success.

Because money is the fuel that will enable your business, your vision and your mission to fly. If you want to make an impact on the world, money will provide the means for you to do so.

**Regardless of what business you are in, or why you are in it, how well you do financially will determine how well you do as an organisation as a whole.**

In business, the most dangerous thing you can do is coast from month to month without truly knowing how much money you have made or lost. Not having an accurate financial picture means you’ll have little visibility over whether the business is progressing, or whether you are simply maintaining the business year on year.

What isn't measured won’t get managed, so in this eBook, we’ll share with you the 3 things you need to give you complete financial visibility across your entire business, so you can manage your cash effectively.

SAM SHORT:“I wouldn’t have a business today if it wasn’t for The Entourage”

Co-Owner, Short Marine

| In his first 6 months with The Entourage:  Sam’s **5Xed** his business’ revenue  The business **became profitable** (they were previously sinking more than $70,000 every month)  Sam’s **team tripled**  They implemented **strong financial modelling** to get crystal clear visibility into the business’ financial performance  The business m**oved offices, opened up a second location**, and brought on **high-profile clients** and boating brands  Sam gained the **confidence and leadership skills** he needed to properly lead his business |
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“Our business was growing at a rate we weren’t anticipating or prepared for. We met with our accountants to go over the P&L for the previous year, and **it wasn’t until then that we realised we weren’t even profitable.**

It was a really difficult time, and it was something that The Entourage helped us through. With some really sound financial and operational advice from our Coach, we got crystal clear clarity on the business’ financial position, and were able to put a plan in place to profitably grow..

**We’ve since 5Xed our revenue, and we’re now profitable.** The team has also tripled, moved offices, and taken on some high-profile clients and boating brands.

**I don’t think I’d have a business today** if it wasn’t for the structures and systems that The Entourage taught me.”

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# **About The Entourage**

* 3,500+ businesses transformed
* More than $2 billion generated for Australian businesses
* Across 150+ industries
* Online and worldwide community of 500,000+
* 40,000 attendees at our events
* Driven by Australia’s most passionate minds in business education

Since 2010, The Entourage has been Australia’s leading specialist business education institution for entrepreneurs, having transformed over 3,500 businesses and hosted more than 40,000 attendees at our suite of business events.

With a worldwide community of 500,000 and a growing list of Members and Alumni who pepper the list of Australia’s fastest-growing companies, including the **Deloitte Fast 50, BRW Fast Starters, Telstra Business Awards** and more, The Entourage has empowered thousands of entrepreneurs to build the business of the dreams and make their mark on the world.

At our core, The Entourage believes that entrepreneurs are the creators, innovators and dreamers that shape the very world we live in.

But we also believe that the traditional education system doesn’t empower or equip entrepreneurs with the tangible business skills it takes to drive growth or provide access to a like-minded community who truly gets what you’re going through each step of the way.

The Entourage is changing that through a new kind of business education. One that provides a personalised experience that builds both the entrepreneur AND their business by connecting them with elite entrepreneurs and industry experts with proven processes that achieve serious results.

As seen on:

*[list of business and media icons]*

# **Your Numbers Don’t Lie**

In business (and in life), money doesn’t lie.

**You are either making money, or you are not.**

An analogy that best describes the role finance plays in business is to look at your business as if it were a car. For a car to run, it needs fuel. In business, that fuel is cash. However, like a business, if your car isn’t running efficiently, you’ll chew through more fuel. And if your business isn’t running efficiently, you’ll burn through more cash than you plan to.

That’s why it’s important to get crystal clear clarity on your current cash position.

Your numbers show the story of your business - from how it’s running, to where the problems are, as well as the opportunities. However, it’s important to note that if you only look at your financials once a year, you won’t see these problems. So, working diligently means looking at your financials and reviewing them on a regular basis in order to understand what’s going on.

# **Know Your Numbers**

Knowing your numbers means knowing when you can expect dips and peaks in cash flow. Afterall, what gets measured gets managed.

Before we dive into the different financial reports, it’s important that you understand the terms included in these reports and what they mean for your money and business.

Equity:  
Any money that you had saved and put aside to help you launch your business is called equity.

Liabilities:

Whether it’s from a bank or financial institution, or family and friends, if you borrow money, this is a liability. Liabilities refer to money that you owe.

Assets:   
Assets are the things that you need in order to make sales in your business; they are what you own.

Direct Expenses:  
Expenses are those which are associated with the sales you make.

Direct expenses cover everything that you need in order to make the sale. For example, if you manufacture pens, the costs of the plastic and ink required to produce the pen are your direct costs.

Operating Expenses:  
Your operating expenses are the costs involved in opening the doors to your business (literally and figuratively). This includes rent, electricity, motor vehicles and staff wages that aren’t directly associated with a specific job.

Profit:  
Your profit is the money that you have left over after expenses have been subtracted from sales.

KATE PRIOR:Increased Her Profit From $100K to $600K

Owner and Managing Director, Face2Face Recruitment

| With the help of The Entourage, Kate:  Increased her annual profit from **$100,000 to $600,000 in just 6 months**  Won the **Australian Small Business Champion Award** for Recruitment Services  Was named a finalist in the **Telstra Business Awards**  And **2Xed her team** from 11 to 22 (which included hiring an Operations Manager to free up Kate’s time) |
| --- |

“I’ve been running my business for 13 years, and there were a series of events in 2011 that almost took me down. I didn’t know if I could keep going with the business, and I had to see my financial advisor every day to see if we could keep operating.

For me, The Entourage gave me the tools I needed to reinvent myself and be the person I needed to be to elevate the company to new levels.

When I first spoke with The Entourage team, I told them I wanted to increase the profit from $100,000 to $500,000. **We’re on track to make a profit of over $600,000. I’ve increased my team from 11 to 22, freeing up my time.** We’ve also won the Australian Small Business Champion Award for Recruitment Services, and a Telstra Business Award.

We’re now playing a bigger game. The business is bigger than ever. **I’ve had to rewrite every process because the growth of the business is just so monumental.**”

# **Understanding your Profit and Loss (P&L) Statement**

The vast majority of small businesses in Australia don’t know their numbers and have only “gut feel” as to whether they’re making money and, if so, how much.

**An up-to-date Profit and Loss (P&L) Statement is the first thing you need to accurately track your numbers.**

A P&L is a report that outlines how much income has come in over a given period, such as a month, what your cost of goods was, and what your operating expenses were.

Your P&L looks backwards over a certain period to tell you how the business performed. It is critical to knowing whether you’re making money, and how much you are making (or losing) each month. It will also allow you to look at which revenue streams are your best, and which expenses are your biggest, which will bring some financial intelligence into your decision-making as a business owner.

By looking at your P&L, and seeing which products or revenue streams are your best, you can then focus more on these. You can see which products aren’t performing as well as you would have liked, and you can either look for ways to grow them or, better yet, get rid of them and focus on the products that are higher earners. You can also look at all your costs and see where and what you are spending your money on, so you can work out where you can reduce costs within the business.

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# **Understanding Your Balance Sheet**

Your Balance Sheet is a summary of the assets and liabilities of your business.

**While your P&L tells you how the business performed month to month, your Balance Sheet tells you the financial position of the business in terms of what you own and what is owed to you (your assets), versus what you owe to other organisations (your liabilities).**

These are indicators that are not picked up in your P&L, so it’s important to have both in order to gauge the financial health of your business.

On your Balance Sheet, your assets and liabilities are separated even further to make your current cash position clearer to you:

Current Assets:  
Those things that you turn over in a 12-month period; for example, when you send out invoices and are waiting for the money to be sent and arrive in the bank - both of these are current assets.

Non-Current Assets:  
Assets that are expected to be more than 12 months in payment or receipt.

Current Liabilities:  
Liabilities that you know come up every 12 months; for example, GST, bills and superannuation.

Non-Current Liabilities:  
Long-term Liabilities, such as shadow mortgages and loans.

Intangible Assets:  
Are items that you may have purchased, such as patents, copyright trademarks or intellectual property.

All business assets should produce income. To ensure that everything that you are spending your money on is producing some kind of return, there are 2 types of health checks that you can regularly run.

Working Capital Check  
Working Capital is the total amount of money you have after liabilities have been subtracted from your assets. This is how you determine it:

**Current Assets - Current Liabilities = Working Capital**

Debt-To-Asset Ratio

Your Debt-To-Asset Ratio is the ratio of total liabilities or debts in your business to the total assets, and the risk posed to your business, expressed as a decimal or percentage. This is how you determine it.

**Total Liabilities / Total Assets = Debt To Asset Ratio**

| **Debt-To-Asset Ratio** | **Business Risk Level** |
| --- | --- |
| Over 1 | High - you have more debt than assets |
| 0.6 and higher | Moderate - you may have trouble borrowing money |
| 0.4 and lower | Low |

**Turnover is VANITY.**

**Profit is SANITY.**

**But cash is REALITY.**

# **Understanding Your 12-Month Budget**

**A P&L looks backwards; a Balance Sheet looks at the present; and a 12-Month Budget helps you see forward.**

A 12-Month Budget is essentially a projected P&L that looks forward. It is in the same format, with the same line items as your P&L, and it simply outlines what you expect the company to bring in and spend each month for the coming 12 months.

This is critical for any business, because in its absence, the business will simply coast along month by month, not knowing how it is performing relative to the entrepreneur’s expectations. Without monthly targets to work towards, it is too easy to get caught in a cycle of non-performance. Every now and again the entrepreneur thinks about the financial performance of the business, but can’t really pinpoint whether the company is exceeding or not reaching the targets set.

When you have a well-thought-out budget, every month you have something to measure yourself against. As business owners, we need to provide this structure for ourselves. By having a forward-looking 12-month financial budget and measuring it against what you actually achieve every month, you give yourself some much-needed structure that will ensure you ask yourself the right questions about how you can build your business in the most effective way.

# **Learning To Love Your Numbers**

As your business grows, it should be shaped by financial information. As you explore your market, and the wants and needs of your consumer, think of all this information as a compass, helping you steer the ship to profitability by the quickest and most effective path.

That’s not to say that you won’t innovate and take risks; it is to say that, when you do make the decision to go off-course and take risks, you do so in the most informed and calculated way possible.

This is the mark of a true entrepreneur.

SUNIL KUMAR:From $1 Million Annual Revenue To Over $16 Million In 3 Years

Founder & CEO, Reliance Real Estate

| With the help of The Entourage, Sunil’s business became one of the fastest-growing real estate agencies in Australia:  Annual revenue grew **from $1 Million to $16 Million in just 3 years**  Increased the **annual number of sales from 200 to over 1000** in that same time period  Grew his team **from 15 people in 1 office to over 100 people in 7 Reliance Real Estate offices**  Named **AFR’s #1 Fastest Growing Real Estate Company**  Named **AFR’s #8 Fastest Growing Company in Australia** |
| --- |

“The first few years of business at Reliance Real Estate were incredibly difficult.

I started the business in 2011, with one other partner, and when the industry was in decline. It was a struggle to pay the bills. I even considered going back to a safe and steady job.

And even when the business did experience periods of growth, I didn’t have all the answers I needed to take it to another level.

With the help of The Entourage, **the business became the fastest-growing real estate agency in Australia.**

The Entourage provided me with the structure and clarity I needed to grow the business, and my leadership, exponentially.

The main result has been in me. **I’ve changed as a leader** - I’m leading from the front, and providing my team with the right opportunities for growth.”