

What is the end to end *Financial Model*?

The way we manage
inflow and outflow
of money in our business



1. Chart of Accounts
2. Financial Reports
 - Cash Flow Statement,
 - Balance Sheet
 - Profit & Loss
3. Budgeting & Forecasting REVENUE (PRICE)
4. Internal COST Controls
5. Reporting, KPIs & Management Structures
6. Identifying & Mitigating Key Financial Risks

Financial Reports

Cash Flow Management (Price + Cost settings)

Balance Sheet

Profit + Loss (outcome of Price + Cost)



Cash Flow Statement

➔ Revenue (inflows)
and expenditures (outflows)

Cash Flow Forecast

➔ Identifies months / weeks the
business will be short of cash



Three models of pricing/costing in a business

Cost + Profit = Price



Price - Cost = Profit



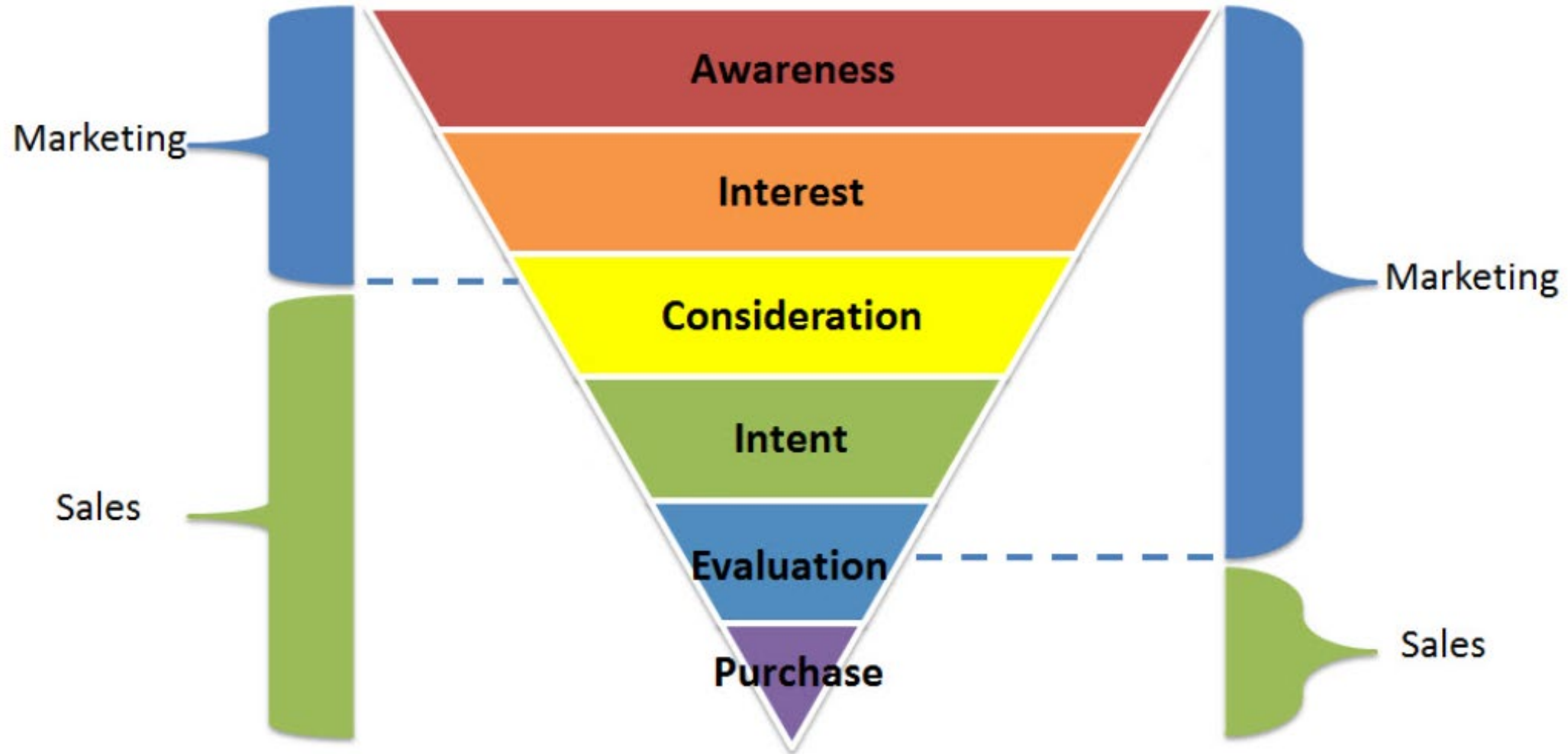
Price - Profit = Cost



The New Marketing & Sales Funnel

Then...

...Now



TAM SAM SOM Market Evaluations - Easily Explained



TAM:

- Total Available Market
- > Focus on: **Total market / size**
- > Example: **Total LED Market**

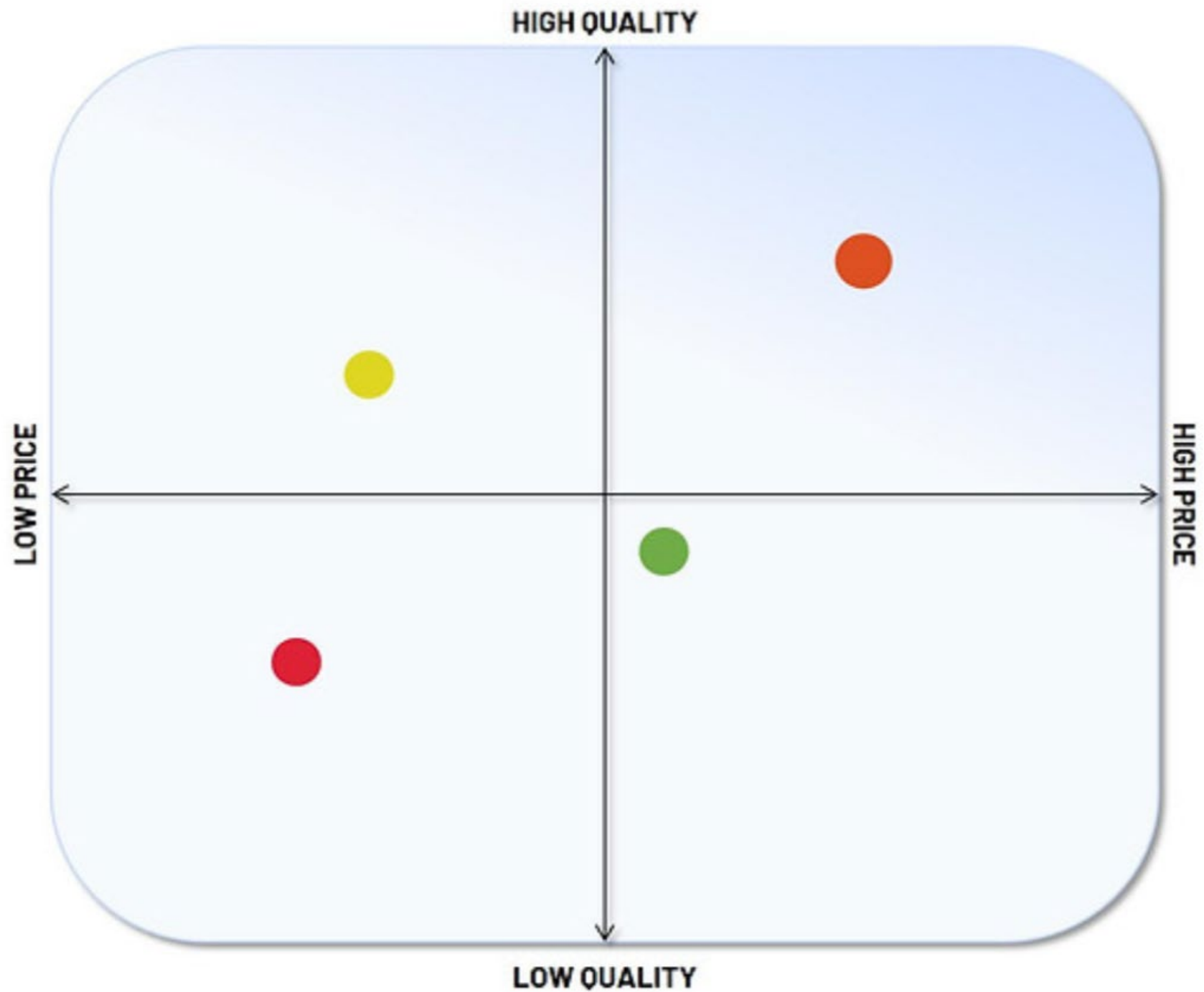
SAM:

- Serviceable Available Market
- > Focus on: **Your own technology/ services**
- > Example: **The total Living colours LED market** (Segment of total LED market)

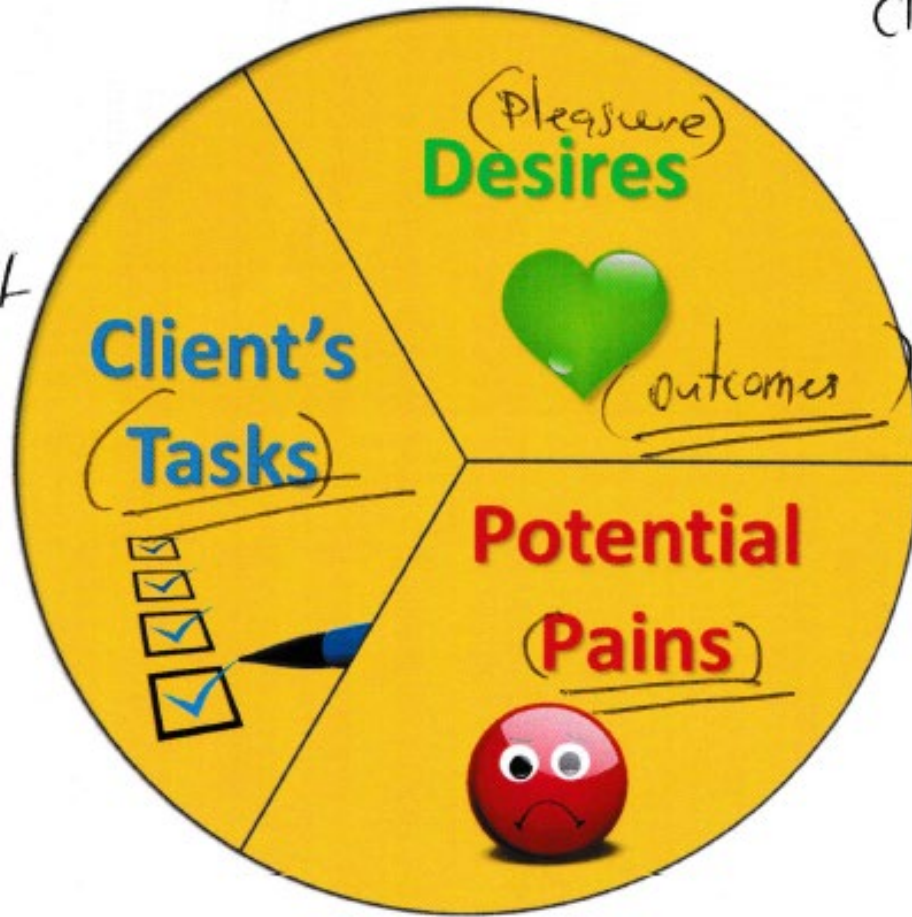
SOM:

- Serviceable Obtainable Market
- > Focus on: **Which realistic market share** can be obtained by myself, considering competition, countries, trends, expected demand/forecast, my sales/distribution channels and other market influences?
- > Example: **My realistic goal** to sell Living Color Products into the LED market





Describe outcomes
client seeks,
or benefits seeking



Describe what
clients trying
to get done,
in their own
words.

Describe bad
outcomes, risks,
obstacles related
to client's tasks.



Top 3:

- What are my pdts/services/solutions & relevant to this VP. (& strengths & characteristics)

**Your
Products
&
Services**

**Pleasure
Gain**



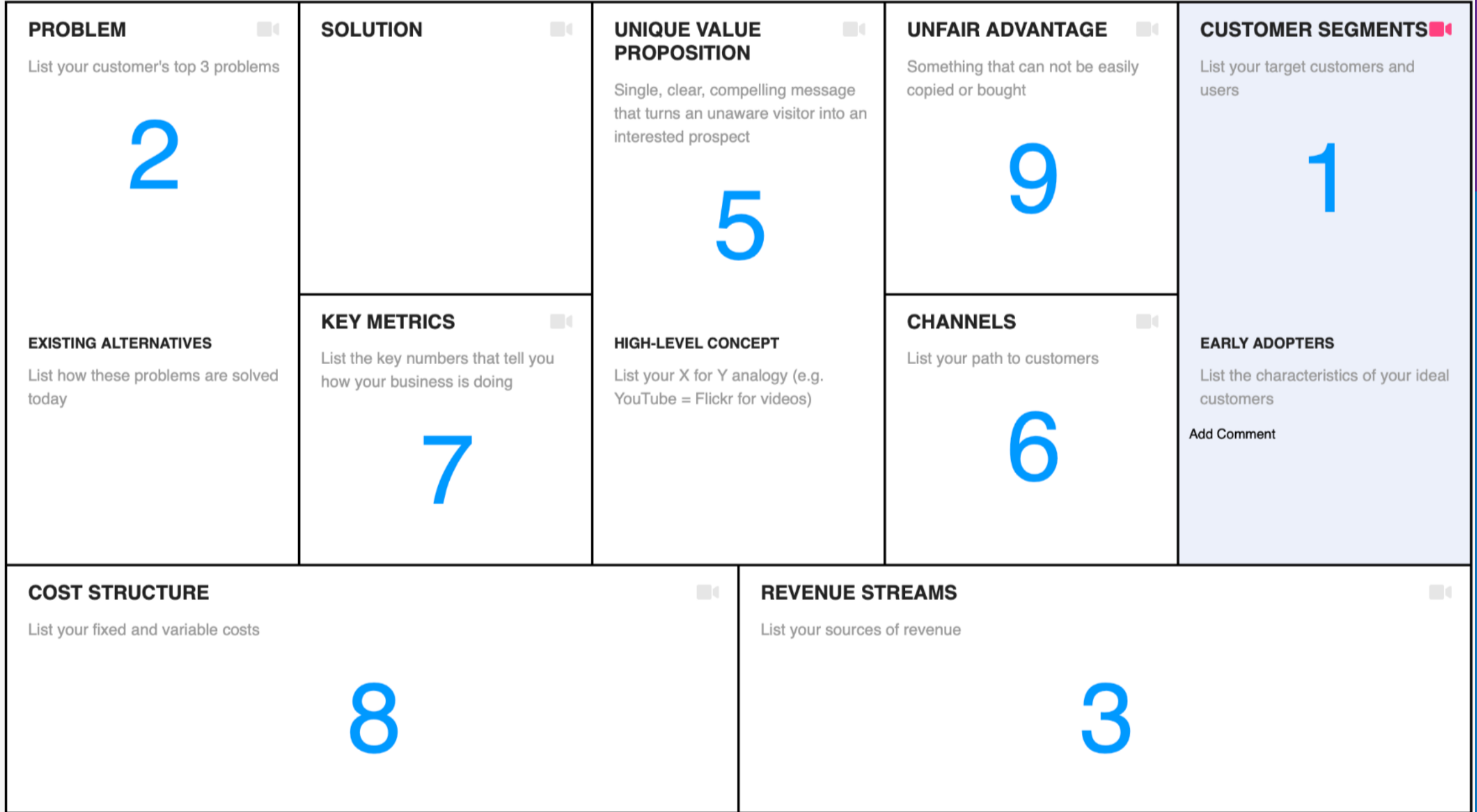
**Pain
Relief**



Client gains
from my
pdts/services
& solutions.

Pain taken away
using my
pdts/services
& solutions

Note: What are
the consequences
of not having
my DP/VP?



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WITH YOUR
PHONE



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APPSTORE

The OneTab app is FREE for apple and android users. Download it today to open your tab!





SALE

Topaanbieding

€

19.99

BOEK NU >



VIND UW VLUCHT

Brussels-Zaventem

Naar

15 Jul 2014
dinsdag

Enkele reis

Door op Vind vluchten te klikken ga ik akkoord met [de gebruiksvoorwaarden van de website](#)

VIND VLUCHTEN



WE HELP THE WORLD TO FLY

"Cost per landing. This service is offered for commercial aircraft. The customer pays an agreed price for each landing on Michelin tires, irrespective of the number of tires used. The stock belongs to Michelin."



Profit & Loss Statement (Outcome of Price + Cost settings)

		Bus A	Bus B
Operating Revenue			
	Buyer 1	\$895,000	\$2,226,000
	Buyer 2	\$1,426,000	\$2,934,090
	Small Buyers	\$154,000	\$325,000
Total Operating Revenue		\$2,475,000	\$5,485,090
Operating Expenditure			
	Cost of Sales	-	\$171,858
	Employee Costs	\$1,657,000	\$3,573,309
	Supplies & Services	\$435,000	\$281,044
	Depreciation	\$82,000	\$40,932
	Interest Charges	\$19,000	-
	Other	\$211,000	\$1,308,255
Total Operating Expenditure		\$2,404,000	\$5,375,398
Profit		\$71,000	\$109,692

What is another term for **Operating Revenue**?

What else would you expect to see in these **Profit and Loss Statements**?

Is there enough information to determine the **costs of producing products**?

Financial Reports

Profit & Loss Statement (Outcome of Price + Cost settings)

Business D (Page 14)

	Av Revenue and GP Contribution by Brand 2104-7					
	Average 2014-7			YTD Dec 2017		
	Revenue	Margin (\$)	Margin (%)	Revenue	Margin (\$)	Margin (%)
Brand A	3,404,943	435,907	12.8%	3,617,069	452,285	12.5%
Brand B	2,319,392	333,448	14.4%	1,910,062	301,901	15.8%
Brand C	1,453,419	274,484	18.9%	682,810	146,861	21.5%
Brand D	103,703	17,807	17.2%	13,372	3,793	28.4%
Brand E	1,075,802	169,477	15.8%	781,609	117,189	15.0%
Brand F	746,640	121,182	16.2%	877,555	136,086	15.5%
Brand H	74,815	16,998	22.7%	45,193	10,664	23.6%
Brand I	1,227,723	238,750	19.4%	534,979	135,087	25.3%
Brand J	1,260,116	110,753	8.8%	1,174,378	169,578	14.4%

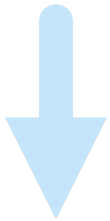
What is the difference between **Mark Up** and **Margin**?

Which are the **most important brands** for Business D?

Why?

Financial Ratios

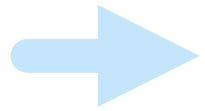
Many different Financial Ratios:



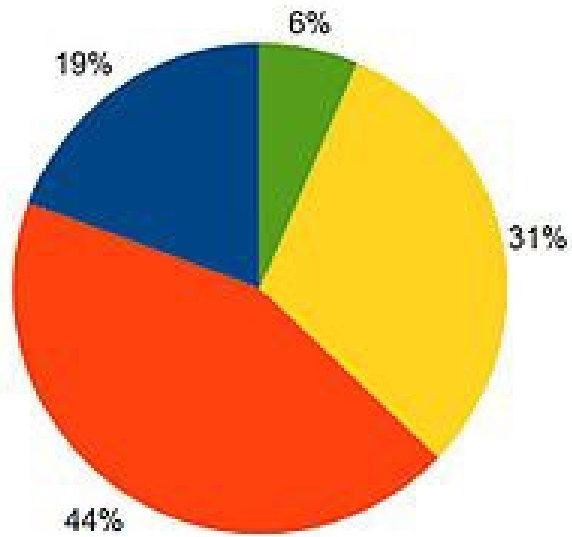
assist in measuring overall
health of the business.

- Liquidity Measurement Ratios,
- Profitability Indicator Ratios,
- Debt Ratios,
- Operating Performance Ratios
- Cash Flow Indicator Ratios

Financial Dashboard



key information in graphs, pictures or tables that are quick and easy to read.

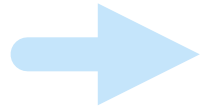


Sales versus Products



Net Income Trend Line

Budgeting



understand and manage your finances

(no point setting a budget if you are not going to use it)

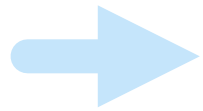
Revenue Budget

Who is buying your products and services, how much, when and where they are buying...

Expense Budget

Understand and control expenditures, fixed costs items (locked in) and variable costs...

Forecasting



understand what the future looks like



**Revenue / Expense budget +
Historic performance** help with
building up a strong forecasting
tool.

Allows for “**what if**” questions and
to build scenarios around them

Internal Controls

**Protect
your cash,
your staff,
your business**

Rate your controls

- Cash movement
- Payroll
- Division of duties
- Debtor & contractor set up
- Verifying & approving payments
- Costing & quoting
- Use and payment of Credit cards
- Use of company equipment (inc. cars)
- Movement of assets (inc. digital)
- Purchase and use of stock
- Financial staff employment
- Supply contracts entry
- Formal written delegation of authority
- Financial policies & procedures

Cost control governance

Job Descriptions / Division of Labour

Who's who in the Zoo

Training – Budgeting/ Costing

Succession planning

Controls - KPIs



Communication / Dashboards

Performance Management

Workplace Safety & Safe Workplace

Psychological Safety

Data-based Decision Making

Effective Performance Management - KPIs

Knowing and measuring expectations

KPIs help *your business AND people*

focus on common goals

and ensure goals stay aligned within the organisation.



Financial risks

Over / Under
utilised assets

Financial – Cash flow,
expenses, revenue
concentration

Capability / Needs
mismatch

FX Fluctuations



Wastage /
Loss of control

Reduced Customer
Service

Too many Suppliers

Product/service delivery
inconsistencies



Thank you

AiGROUP



Australian Government
Department of Industry and Science

Business



Management
Governance
Australia