



Free Resources

10X

A Level 1, 72 - 76 McLachlan St
Fortitude Valley QLD 4006

T 1300 658 221

F 1300 658 226

E support@10x.com.au

W 10x.com.au



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53% Of 1,500 surveyed want budgeting and cash flow forecasting

This is just one of the many powerful resources available to your firm when you subscribe to the **Priority Whitepapers**.

A number of your clients don't know the difference between cash flow and profit. When it comes to the end of financial year they can't understand why they are showing profits, but there is no cash in the bank. To sit down and explain this can sometimes be lengthy and costly to you as their accountant, but is still very vital to their business.

A quick calculation on your part could be the difference between life and death for some of your business clients.

Remember that about 65% of businesses that start this year will no longer be around in 5 years. The main factor in going out of business is not a lack of profitability, but a lack in available cash to fund the activities of their business.

If you were to put into place a simple calculation sheet that was a "must do" every time you produced a profit and loss and balance sheet statement for any purpose e.g. (a) end of year tax reporting, (b) quarterly management reports or (c) monthly reporting – (although I have not come across many of the latter), then **you could literally save the business life of a substantial number of your clients AND be rewarded healthily for your support.**

Using ReNew Group's proprietary client intelligent solution, TRUST in a web based assessment conducted by 100 accounting firms across Australia and North America.

The assessment of more than 1,500 businesses and personal clients aggregated client responses anonymously and summarised the most commonly requested service areas and the most commonly required actions within these. The top 5 areas of requested support were:

- Strategic business planning (in 68% of cases where the accountant asks questions in this area, the client says they need help)
- Retirement and succession planning
- Financial performance diagnosis
- Budgeting and cash flow forecasting
- Systems and processes

Two of these areas are within budgeting and cash flow and financial performance diagnostics! As their accountant, you already have the base figures to provide support once you have produced their profit & loss and balance sheet ... the next step is a simple one for you but a powerful one for your client. To download the excel sheet containing the base figures, simply select **1500SurveyResults** for your priority download.

The first area of your calculation sheet is nvcf

Understanding that a business' net variable cash flow needs to be positive if the business is going to survive (or the business must have enough in reserves to fund a negative net variable cash flow), your mandatory calculation sheet should state, as a minimum, a 100 unit analysis based on: (a) Total Revenue less Cost Of Goods equating to Gross Profit; (b) Accounts Receivable plus Inventory less Accounts Payable equating to Required Working Capital; (C) Gross Profit less Required Working Capital equating to Marginal Cash Flow; (d) Marginal Cash Flow less Overheads equating to Net Variable Cash Flow (NVCF). If the NVCF is negative then simple solutions can be provided to your clients.

After completing a business client's Profit & Loss and Balance Sheet, it would be in your duty of care, as a minimum, to let your business clients know if the NVCF was negative and recommend that they come to a meeting to discuss their options (more paid work for you and a happier client).

This simple function of having a number of (a) minor time consuming, yet (b) powerful business survivability performance figures as part of your (c) mandatory calculations, would without doubt build long term relationships with your clients. The great factor here is that you get to spend 10 minutes after each Profit and Loss and Balance Sheet to **gain many thousands of dollars while saving your clients and winning friends for life.** AND if you don't do it, another firm within your area will.

A simple script to use once you have (a) used the calculation sheet, (b) found one or more areas that need attention and (c) called and gone through the usual ... "how is your day" etc: "[First Name], I'd like to see how our clients' businesses are going financially once we have completed their profit & loss and balance sheet, so I've completed a number of calculations on how your business is travelling and there are a couple of areas that could be improved. Rather than talk this through over the phone I think it best if you come in and meet with us ... how is next [day at time] or next [day, time] suit you?"



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Some item on your sheet could be:

- NVCF (Flag if decreasing or if negative)
- Profit or Loss (Flag a down trend)
- Cost of Goods (Flag a % of revenue uptrend)
- Overheads (Flag a % of revenue uptrend)
- Creditors (Flag a % of revenue uptrend)
- Debtors (Flag a % of revenue uptrend)
- Stock (Flag a % of revenue uptrend)
- Debt To Equity (Flag a % increase)
- Change in EVA

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