



TASSIE TOURISM

masterclass



TASSIE TOURISM *masterclass*

WEEK 3: TOURISM NUMBERS

Presented by Andrew Pearce

Budgeting to make money in small business

P&L's, budgets and maximizing yield



DEMYSTIFYING FINANCIAL NUMBERS IN TOURISM

Agenda



What value is there in understanding your numbers?



Which reports & how do you read them



Why budget & how do you build one



Activity drivers, seasonality & break-even points



The importance of reporting regularly

VALUE IN THE NUMBERS

Firstly what is the value in reporting numbers?

Valuing your business

Selling

Refinancing

Expanding

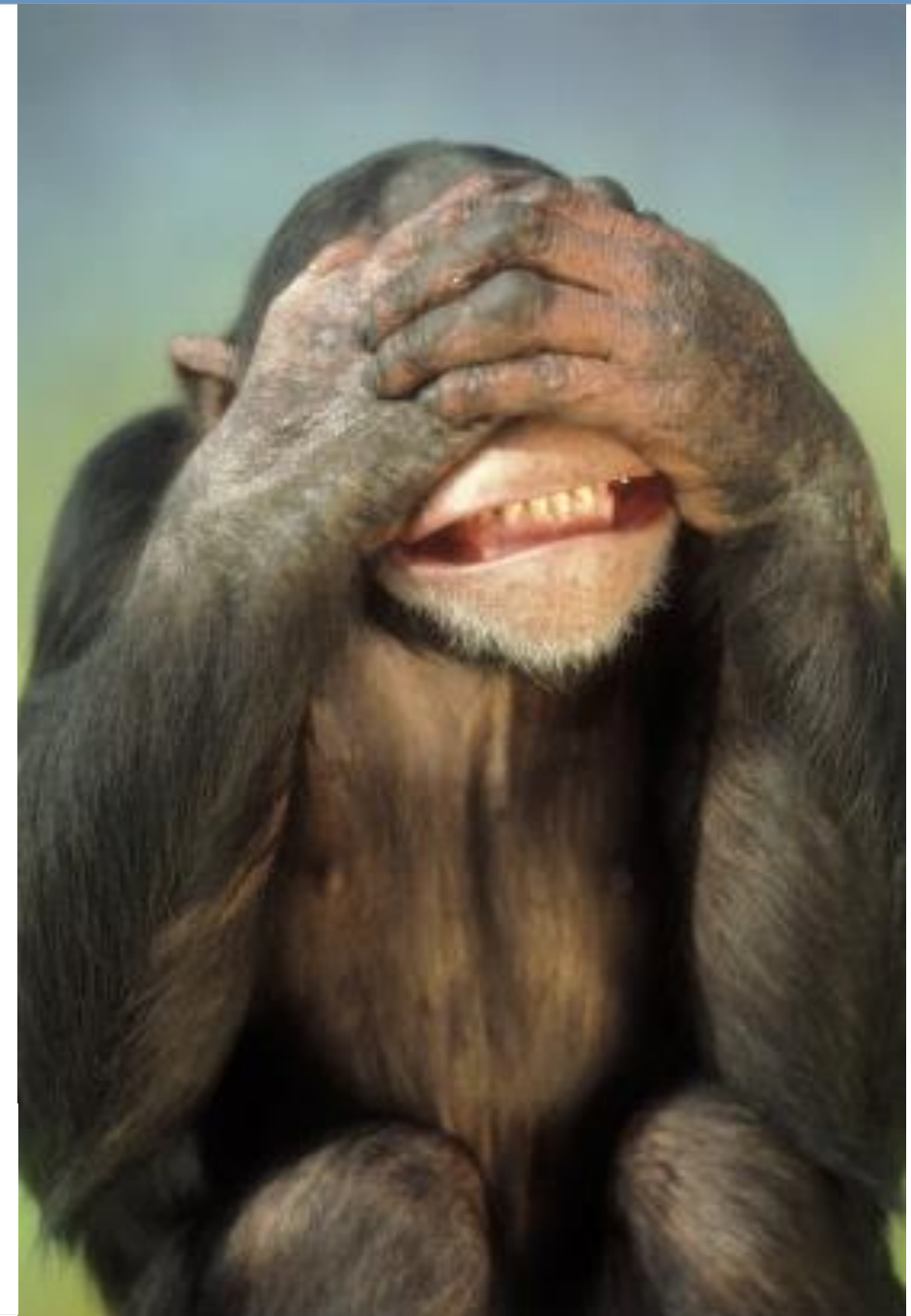
Minimising tax

Why is understanding your numbers so important?

Profit & Loss (P&L)

Balance Sheet

Cashflow Statement



PROFIT & LOSS

Old adage - Vanity vs Sanity vs Reality

- Are we making money just because the bank is positive?
- Timing - Cash vs Accrual
 - (deposits, debtors & creditors)
- How you can still go broke making a profit?



ALL LOOKS GOOD PTY LTD Statement of Financial Performance For the period ended 30 June 2012

	Note	2012 \$	2011 \$
Sales			
Sales - Hobart		3,441,998	2,868,617
		<u>3,441,998</u>	<u>2,868,617</u>
Less: Cost of Sales			
Opening Inventories		393,357	387,481
Purchases		2,620,390	2,107,997
Closing Inventories		(375,150)	(393,357)
		<u>2,638,597</u>	<u>2,102,121</u>
Gross Profit From Trading		<u>803,401</u>	<u>766,496</u>
Expenses			
Accounting & Professional Fees		5,656	12,444
Advertising		35,977	34,381
Bad Debts Expense		1,578	2,931
Bank Charges		4,040	5,088
Cleaning		5,105	2,294
Computer Expnses		2,614	3,610
Depreciation		17,358	22,516
Electricity		12,631	5,883

BALANCE SHEETS

Do we have enough reserves to cover our debts?

- Debtors, Creditors and Deposits
- Provisions noted for the future
- Are we solvent?

What happens if you don't consider your accounting numbers?



ALL LOOKS GOOD PTY LTD Statement of Financial Position As at 31 July 2012

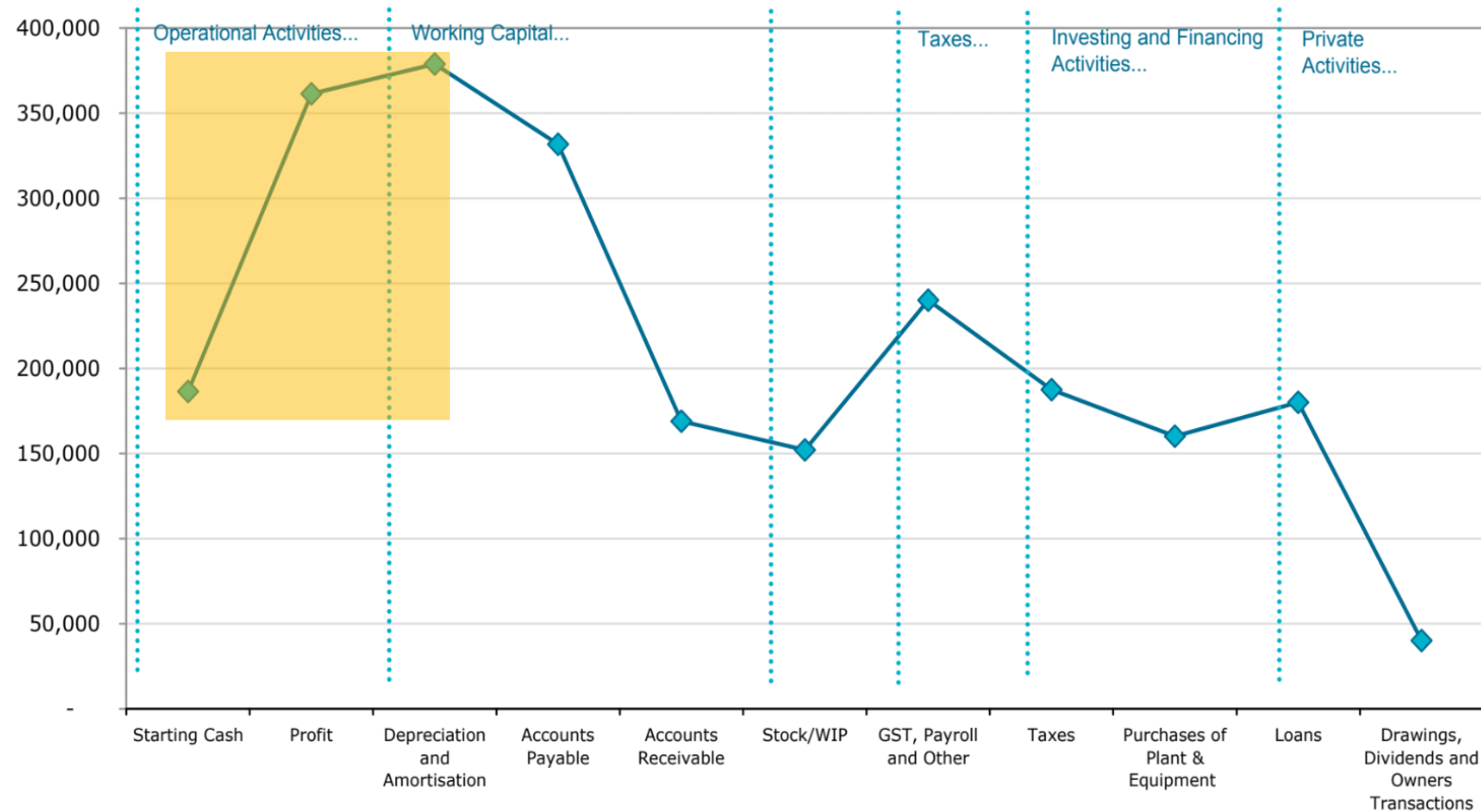
	Note	2012 \$	2011 \$
Current Assets			
Cash and Cash Equivalents	2	140,134	186,544
Trade and Other Receivables	3	392,015	229,300
Inventories	4	410,150	393,357
Total Current Assets		942,299	809,201
Non-Current Assets			
Plant and Equipment	5	201,504	191,403
Intangibles		433	688
Total Non-Current Assets		201,937	192,091
Total Assets		1,144,236	1,001,292
Current Liabilities			
Trade and Other Payables	7	206,689	253,812
GST and Superannuation Payable	9	176,377	88,755
Total Current Liabilities		383,066	342,567
Non-Current Liabilities			
Borrowings	8	427,044	407,044
Total Non-Current Assets		427,044	407,044
Total Liabilities		810,110	749,611
Net Assets		334,126	251,681
Equity			

CASHFLOW STATEMENTS

IN FLOWS vs OUT FLOWS

- Operating
- Investing
- Personal

Where did the cash go?



BUDGETS, FORECASTS, PLANS

Why is budgeting important?

	Budget JUL	Budget AUG	Budget SEP	Budget OCT	Budget NOV	Budget DEC	Budget JAN	Budget FEB	Budget MAR	Budget APR	Budget MAY	Budget JUN	TOTAL
INCOME (ex. GST)													
TOTAL INCOME	6,929.12	6,929.12	16,564.80	20,641.04	20,949.60	39,055.04	61,732.16	54,620.16	54,173.12	36,052.80	18,748.80	11,088.00	347,483.76
EXPENSES													
Bank/Merchant Fees	60.00	60.00	60.00	65.00	65.00	110.00	110.00	100.00	100.00	95.00	60.00	60.00	945.00
Commissions (4.5%)	311.81	311.81	745.42	928.85	942.73	1,757.48	2,777.95	2,457.91	2,437.79	1,622.38	843.70	498.96	15,636.77
Laundry (5.6%)	388.03	388.03	927.63	1,155.90	1,173.18	2,187.08	3,457.00	3,058.73	3,033.69	2,018.96	1,049.93	620.93	19,459.09
Cleaning Contract	2,338.29	2,338.29	3,497.14	4,357.71	4,422.86	6,589.71	10,416.00	9,216.00	9,140.57	7,611.43	5,739.43	3,394.29	69,061.71
Linen				250.00				150.00					400.00
Memberships/ Subscriptions	800.00	100.00	100.00	100.00	400.00	200.00	100.00	100.00	100.00	100.00	100.00	250.00	2,450.00
Travel & Conferences		200.00			200.00			200.00				200.00	800.00
Courier	30.00	30.00	60.00	60.00	60.00	90.00	150.00	120.00	120.00	105.00	45.00	30.00	900.00
Supplies	60.00	60.00	60.00	60.00	90.00	120.00	150.00	130.00	130.00	100.00	60.00	50.00	1,070.00
Electricity / Gas			2,900.00			2,900.00			2,900.00			2,900.00	11,600.00
Insurance			3,000.00										3,000.00
Garden Maintenance	150.00	150.00	150.00	300.00	300.00	300.00	300.00	300.00	225.00	225.00	225.00	150.00	2,775.00
Telephone/Internet	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
Repairs & Maintenance	150.00	150.00	200.00	125.00	150.00	150.00	150.00	150.00	100.00	100.00	100.00	100.00	1,625.00
Waste Removal	30.00	30.00	40.00	40.00	50.00	75.00	125.00	100.00	110.00	90.00	40.00	30.00	760.00
Water						220.00	220.00	220.00	220.00	220.00			1,100.00
Interest / Rent	8,153.42	8,153.42	7,890.41	8,153.42	7,890.41	8,153.42	8,153.42	7,364.38	8,153.42	7,890.41	8,153.42	7,890.41	96,000.00

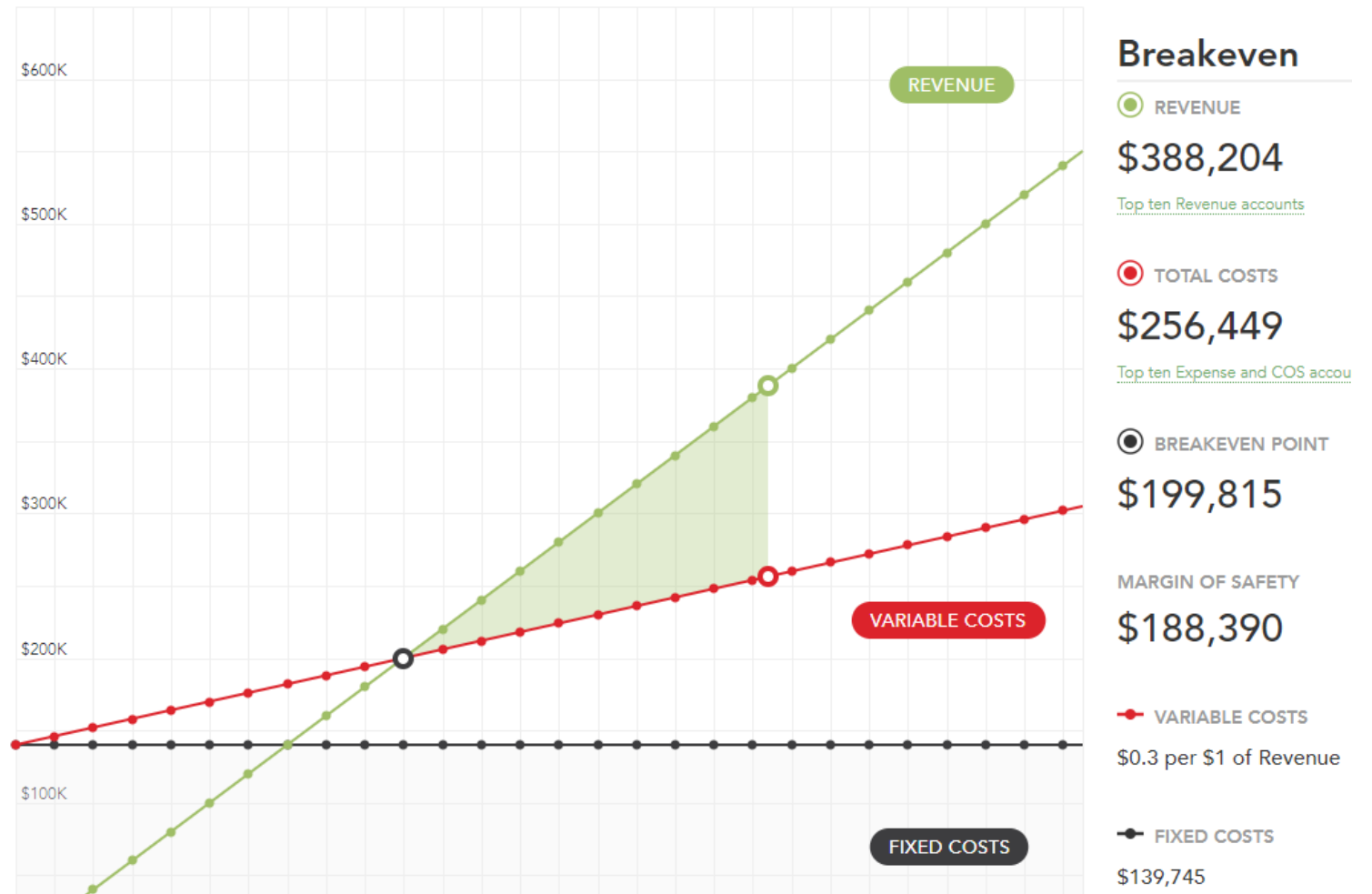
- ✓ It is trend analysis based on your past or industry currently
- ✓ Helps plan your expectations and timing for a profit and capital expenditure
- ✓ Gives you something to compare your actual performance to
- ✓ Decision making tool (What if...)
- ✓ The banks love it!
- ✓ Accountability & delegation tool

BREAK-EVEN ANALYSIS

Budgeting allows you to work out your expected breakeven point:

Keeping above your break even requires

- Knowing your Fixed vs Variable Costs
- Understanding the levers you can pull
- Predicting your Winter lows vs. summer peaks
- Pricing for maximum profit – price increase with demand increase



ACTIVITY DRIVERS

1. Are the Key KPI's or metrics. They are different in every business and industry
2. We can influence them
3. Which ones make the biggest difference to my Revenue?

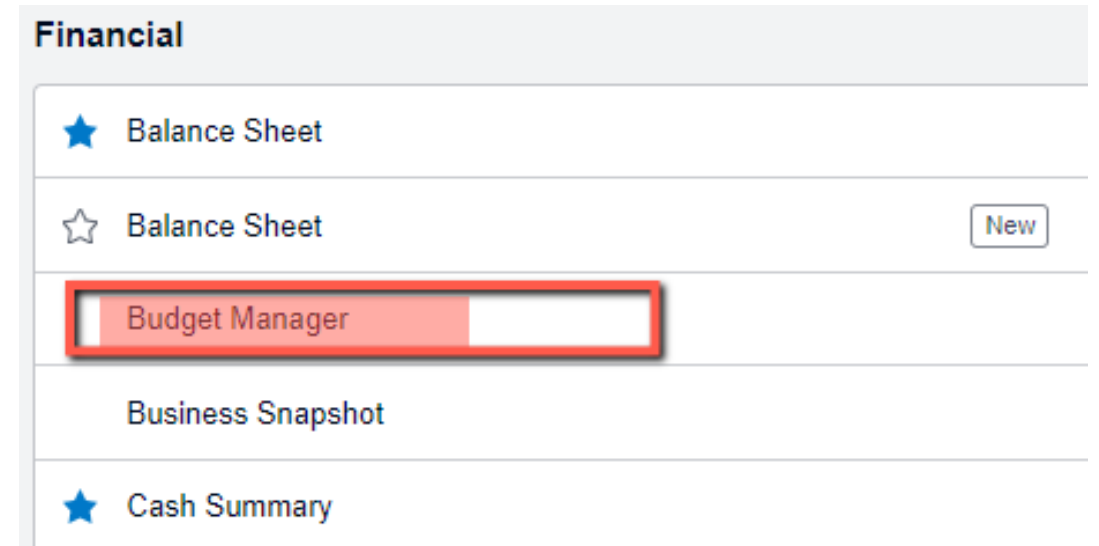


	Budget JUL	Budget AUG	Budget SEP	Budget OCT	Budget NOV	Budget DEC	Budget JAN	Budget FEB	Budget MAR	Budget APR	Budget MAY
INCOME (ex. GST)											
DAYS	31	31	30	31	30	31	31	28	31	30	
8 Rooms	8	8	8	8	8	8	8	8	8	8	
Occupancy %	22%	22%	34%	41%	43%	62%	98%	96%	86%	74%	
Avg Rate	127.00	127.00	203.00	203.00	203.00	254.00	254.00	254.00	254.00	203.00	
Average Stay	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	
Room Nights	55	55	82	102	103	154	243	215	213	178	13
TOTAL INCOME	6,929.12	6,929.12	16,564.80	20,641.04	20,949.60	39,055.04	61,732.16	54,620.16	54,173.12	36,052.80	18,74

Which numbers count the most in your business?
What should you pay attention to?

BUILDING YOUR BUDGET – HOW?

1. Ideally built up from activity drivers
2. Represent your business plan assumptions in your numbers
3. Look at each expense account and each balance sheet account
4. Consider any extra capital you may require
5. Use sensible “best guess” assumptions
6. Get ideas from others (industry bodies, frenemies, customers, suppliers, team members)
7. Review it regularly



- ✓ Start with revenue
- ✓ Consider gross margin
- ✓ Line by line expenses
- ✓ Finally profit
- ✓ For extra points get your accountant to turn it into a cash flow forecast

REPORTING OR REVIEWING

Monthly or quarterly reporting

1. Are we on track?
2. Which areas are working? Which are not?
3. Ensuring we have time to adjust before it's too late

	RESULT	TARGET	TREND		IMPORTANCE
A PROFITABILITY	APR 2020	vs TARGET			
Total Revenue	\$388,204	\$10,000	✓	▲ 3,782%	Critical
Gross Profit Margin	69.94%	35%	✓	▲ 34.94%	Critical
Operating Profit Margin	33.94%	25%	✓	▲ 8.94%	Critical
Profitability Ratio	34.38%	15%	✓	▲ 19.38%	Critical
Net Profit After Tax Margin	33.75%	7%	✓	▲ 26.75%	Medium
FTE's*	-	20	-	-	Low
AHR (All Employees)	-	\$100	-	-	High
B ACTIVITY					
Activity Ratio	2.45 times	2 times	✓	▲ 0.45 times	Critical
Accounts Receivable Days*	11 days	40 days	✓	▼ -29 days	Medium
Accounts Payable Days	● 6 days	45 days	✗	▼ -39 days	Medium
C EFFICIENCY					
Return on Capital Employed	84.26%	12.5%	✓	▲ 71.76%	Critical
D LIQUIDITY					
Current Ratio	1.81:1	2:1	✗	▼ -0.19:1	Medium
Quick Ratio	1.81:1	1:1	✓	▲ 0.81:1	Medium
E COVERAGE					
Interest Cover	54.59 times	2 times	✓	▲ 52.59 times	Medium
Debt Payback*	0.42 Yrs	5 Yrs	✓	▼ -4.58 Yrs	High

SUMMARY POINTS



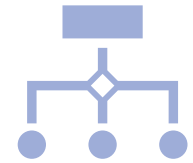
The Real **Value** in understanding your numbers is bigger than just profit or cash balance



A Profit & Loss and Balance sheet make sense compared to a **Budget** or **Forecast**



Activity Drivers are key to Planning your Revenue and knowing if you are **ON TRACK**



Diarise your own reporting **monthly review** & automate what you can with software



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THANK YOU

Andrew Pearce FCPA CA - Adviser & Executive Director - Collins SBA



Tourism Industry Council Tasmania