



# MAKING MORE MONEY

FROM YOUR TOURISM BUSINESS



PRESENTED BY



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# OUR VISION AND PURPOSE



## OUR VISION

Through business,  
everyone can reach  
and achieve great things.



## OUR PURPOSE

Because  
opportunities matter.

# OUR VALUES

## Inquisitive Minds



We are always curious and seeking more opportunities.

## Build as a Village



We believe we do better work when we seek the ideas, opinions and support of others.

## The Heart of the Person



We always put people first, and we remember at the centre of each idea or business is a person.

## Teach People to Fish



We put the building blocks in place for ongoing momentum.

## Uncompromised



We are independent and objective.

# OFFER

- Access to three hours of one on one mentoring with a subject matter expert.
  - Rules
    - Must have ABN
    - Business for profit
    - Less than 20 FTEs. If you have more than 20 FTEs, you may offer to someone else
  - Advice can be on any topic your business needs help with
    - Marketing
    - Dollars & Sense
    - Online Safety
    - Business Planning, etc

# TODAY'S TOPICS

## PLANNING

Budgets

Financial records

Cash flow  
management

## GROWING

Cash flow vs Profit

Strategies for Growth

## MONITORING & MEASURING

Financial reports

Financial ratios



# PLANNING THE DOLLARS

# IMPORTANT TERMS

## BUDGETS

Budgeting is the process of the planning of resources over a given period.

## CASH FLOW MANAGEMENT

The process of tracking how much money is coming and going out of your business.

## FINANCIAL RECORDS

Physical and electronic source documents, that specify transaction dates, amounts, legal agreements, customer and business details.



# PREPARING THE BUDGET

Budgeting theory notes two methods:

## ZERO-BASED

All the financials are prepared without consideration of past activities.

## INCREMENTAL

Previous years' activities are used as the basis for preparation.

# BUDGETING

## GOOD BUDGETING REQUIRES

- 1** Preparation against the business goals set.
- 2** Budgeted timelines aligned to the preparation of financial statements.
- 3** Scope for amending activities and targets where actual results indicate that budgeted outcomes will not be met.
- 4** Regular comparison of budgets against actual results.

# FINANCIAL RECORDS

## SYSTEM TO LOG, STORE AND DISPOSE OF RECORDS

Allows you to:

- Plan and work more efficiently
- Meet legal and tax requirements
- Measure profit and performance
- Generate meaningful reports
- Protect your rights
- Manage potential risks

# CASH FLOW MANAGEMENT

## CASH FLOW

Term used to describe changes in how much money your business has from one point to another

## CASH FLOW MANAGEMENT

Keeping track of cash flows and analysing any changes to it

## CASH IS KING



# 5 RULES FOR MANAGING CASH FLOW

1. Keep your books accurate and up to date

2. Don't be too lenient with your customers

3. Keep your accounting simple

# 5 RULES FOR MANAGING CASH FLOW

4. Keep your business and personal finances separate

5. Build a cash reserve



# GROWING YOUR BUSINESS

# BUSINESS GROWTH STRATEGIES

1. Know your numbers
2. Have a plan in writing, with measurements
  - i. Monthly
  - ii. Annual
  - iii. Three years
3. Use the plan for every decision you make
4. Look at your numbers monthly
5. If you are not confident seek advice



# KNOW YOUR NUMBERS

The accountant says I am making a profit,  
but I have no cash in the bank?

Where has all the money gone?



# PROFIT

SALES – ALL EXPENSES (INCLUDING TAX) = PROFIT

- Businesses do not survive if not profitable
- Should look at P&L every month
- Accounting software produces the report easily
- Bookkeeping completed by fifth working day of next month
- Analyse against budget
  - Software makes this simple

# CASH FLOW

MONEY IN – MONEY OUT = CASH FLOW

## Includes

- Trading expenses
- Financing expenses
- Investment activity
- GST
- Loan repayments
- Creditors



# DIFFERENCE IS

- Cash flow is *when* a business needs money.
- Profit is the dollars left after you deduct your expenses from your revenue.
- Profitable businesses go broke due to poor cash flow management.

# INFLUENCERS OF CASH FLOW AFFECTING PROFIT

- Not matching outgoing payments to sales receipts.
- Slow paying customers.
- Excessive owner drawings or shareholder dividends.
- Repayment of existing debts ahead of schedule.
- Purchase of capital assets without using proper debt structures.

# WHAT CAN YOU DO

## TIPS FOR CASH FLOW GROWTH

1.

Report Profit & Loss Monthly on a Cash Basis

Understand the report and its impacts on your business.

2.

Match outgoings to when dollars come in.

3.

Treat yourself as an employee, pay yourself wages

4.

Don't be scared to 'fire' non-profitable customers

Particularly slow paying customers.

# WHAT CAN YOU DO

## 10 TIPS FOR CASH FLOW GROWTH

5.  
Understand  
impacts of  
growth on the  
whole of  
business.

6.  
Use factor  
financing where  
appropriate  
to help cash  
flow.

7.  
Collaborate with  
others to  
achieve cost  
savings.

# WHAT CAN YOU DO

## 10 TIPS FOR CASH FLOW GROWTH

8.

Work your  
customer lists  
to death.

9.

Outsource  
what you are  
not good at.

10.

Ask questions  
when things  
are not clear.





# MONITORING AND MEASURING

# IMPORTANT TERMS

## FINANCIAL REPORTS

Also known as financial statements.

## FINANCIAL RATIOS

Relationships determined from a business' financial information and used for comparison purposes.

## KEY PERFORMANCE INDICATORS

A type of performance measurement to evaluate a business as a whole or of a particular activity.

# MONITORING FINANCIAL INFORMATION

## STEP 1

Understand how your statements are formulated, their structure, composition and how they work together.

## STEP 2

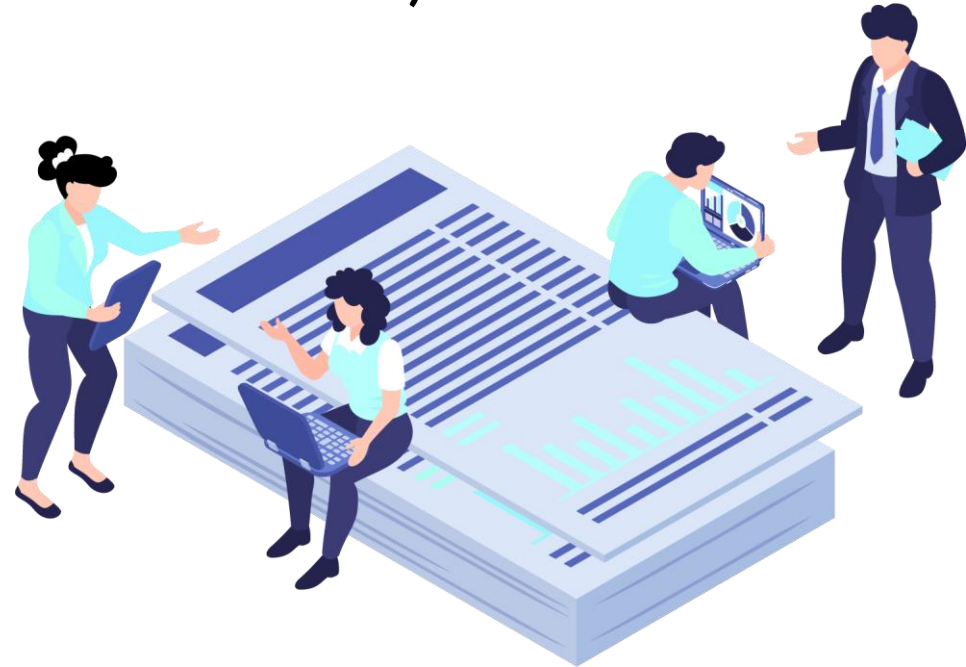
Use your data to produce a series of financial ratios.

## STEP 3

Interpret – use the ratios to analyse the causes and effects of financial events in your business.

# FINANCIAL REPORTS

- Balance Sheet
- Income Statement (Profit & Loss Statement)
- Cash Flow Statement



# BALANCE SHEETS

Provides a picture of the financial health of an organisation at a particular moment in time.

ASSETS	The items of value owned by the organisation.
LIABILITIES	Amounts owed to external stakeholders of the organisation.
EQUITY	Accumulated funds from the operations of the organisation

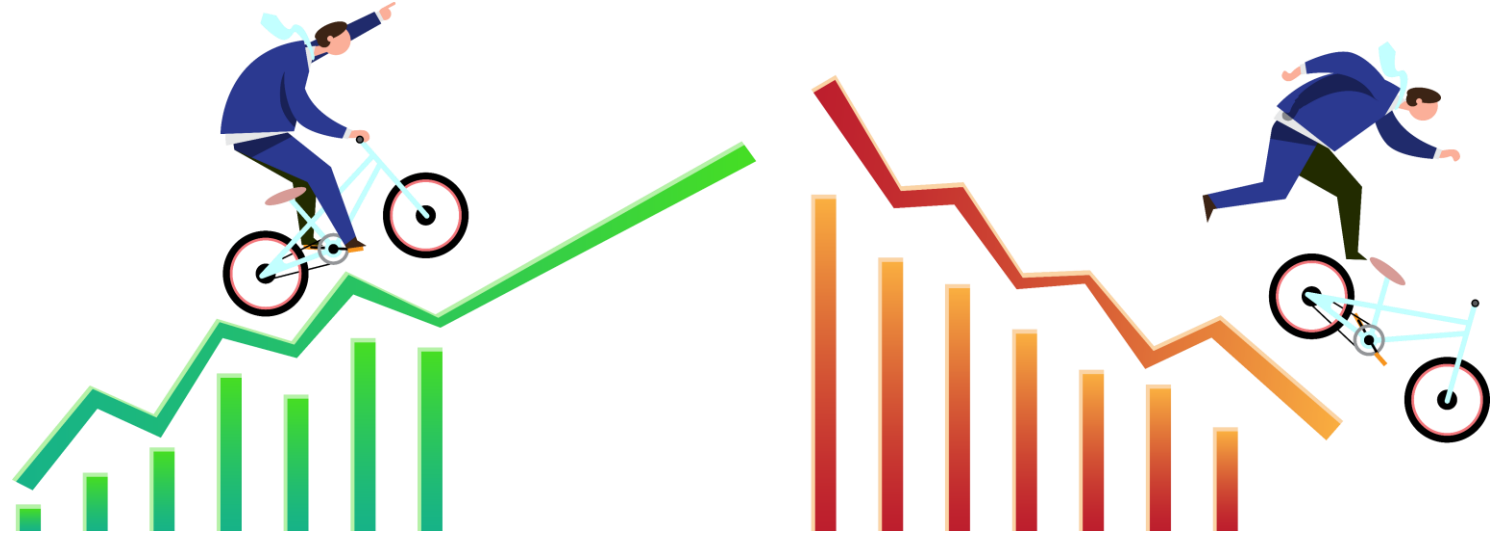
# INCOME STATEMENTS

Also known as a Profit and Loss statement or P & L represents the results of operations over a given time, a month a quarter or a year.

Simply put the income statement represents income less expenses.

# PROFIT AND LOSS

- Revenue
- Expenses (Costs)
  - Fixed Costs
  - Variable Costs
- Gross Profit
- Net Profit



# INCOME STATEMENT

## OTHER TERMS

Gross profit	Measures what remains after variable expenses are subtracted from revenue.
Net profit	Measures what remains after fixed expenses are subtracted from the gross profit.
Income	AKA Revenue. Sales of goods or services.



# CASH FLOW STATEMENT

The statement of cash flow is a summary of money coming into and going out of a business over a specific period of time.

# CASH FLOW

## INFLOWS

- Cash Receipts from sales
- Cash from sale of assets
- Borrowing of funds

## OUTFLOWS

- Payments of expenses
- Repayment of debt
- Purchase of New Assets

# FINANCIAL RATIOS

## USED TO ANALYSE FINANCIAL HEALTH

- Financial ratio analysis is the common method of analysing the financial health of an organisation
- Predicting the organisation's potential for success or failure and its progress

# HOW TO USE RATIOS

## THREE WAYS TO USE THESE RATIOS TO ANALYSE YOUR BUSINESS

1. To compare current performance to performance in prior years – trends
2. To compare present performance to others in industry – benchmarking
3. To compare ratios to plans in developing a workable operating strategy

# RATIOS

WE WILL LOOK AT FOUR GROUPS

Liquidity  
Ratios

Solvency  
Ratios

Profitability  
Ratios

Management  
Ratios

# LIQUIDITY RATIOS

- Indicate
  - Ability to turn assets into cash
  - Ability to pay bills as they fall due
  
- Generated from the **Balance Sheet**
  - The higher the ratio in this category the better the ability to pay short term debts

# LIQUIDITY RATIOS

## CURRENT RATIO

- Measures financial strength
- Demonstrates if the organisation has current assets sufficient to meet its due debts

How to Calculate	What it Means In Dollars and Cents
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<p>Measures Solvency: The number of dollars in Current Assets for every \$1 in Current Liabilities.</p> <p>E.g. a Current Ratio of 1.76 means that for every \$1 of Current Liabilities, the business has \$1.76 in Current Assets with which to pay them.</p>

# LIQUIDITY RATIOS

## QUICK RATIO

- Concentrates on real, liquid assets, not stock

How to Calculate	What it Means In Dollars and Cents
$\frac{\text{Cash + Accounts Receivable}}{\text{Current Liabilities}}$	<p>Measures Solvency: The number of dollars in Current Assets for every \$1 in Current Liabilities.</p> <p>E.g. a Current Ratio of 1.76 means that for every \$1 of Current Liabilities, the business has \$1.76 in Current Assets with which to pay them</p>



# SOLVENCY RATIOS

- Indicates the extent to which the organisation is able to meet all debt obligations from sources other than cash flow.
- Calculated from the **Balance Sheet**.
- The higher the ratio, the more difficult it will be to borrow more money.

# DEBT TO ASSETS

- Measures the percentage of assets being financed by liabilities.
- Should be more than one, indicating adequacy of total assets\to finance all debt

How to Calculate	What it Means In Dollars and Cents
$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	<p>Measures Financial Risk: The number of dollars of Debt Equity owed for every \$1 of Assets owned.</p> <p>E.g. a Debt-to-Assets Ratio of 0.85 means that for every \$1 of assets there is 85 cents debt.</p>

# DEBT TO EQUITY RATIO

- Indicates the extent to which the organisation is reliant on debt

How to Calculate	What it Means In Dollars and Cents
$\frac{\text{Total Liabilities}}{\text{Equity}}$	<p>Measures Financial Risk: The number of dollars of Debt Equity owed for every \$1 in Equity</p> <p>E.g. a Debt-to-Equity Ratio of 1.05 means that for every \$1 of Equity that the owners have invested, the business owes \$1.05 of Debt to its creditors</p>

# PROFITABILITY BENCHMARKS

- Measure organisational performance
- Indicate level of success of operations
  - Gross margin
  - Net margin benchmark
- Calculated from Income Statement

# GROSS MARGIN

- Measures the percentage of sales dollars remaining (after COGS) available to pay the overhead

How to Calculate	What it Means In Dollars and Cents
$\frac{\text{Gross Profit}}{\text{Net income}}$	<p>Measures Profitability at the Gross Profit level: The Sales number of dollars of Gross Margin produced for every \$1 sales.</p> <p>E.g. a Gross Margin Ratio of 34.4% means that for every \$1 of Sales, the business produces 34.4 cents of Gross Margin.</p>

# NET MARGIN BENCHMARK

- Measures the percentage of sales dollars left after all expenses (including stock)
- Provides a good opportunity to compare 'return on income' with the performance of others (benchmarking)

How to Calculate	What it means in Dollars & Cents
$\frac{\text{Net Profit}}{\text{Net Income}}$	<p>Measures profitability at the Net Profit level: The number of dollars of Net Profit produced for every \$1 income.</p> <p>E.g. A Net Margin Ratio of 2.9% means that for every \$1 of income, the business produces 2.9 cents of Net Margin.</p>

# MANAGEMENT RATIOS

Monitors how effectively you are managing the key cash flow activities

These measures are referred to as working capital and are calculated from figures in the Balance Sheet and Income Statement

- Days' inventory
- Days' debtors
- Days' creditors

# DAYS INVENTORY

How to Calculate	
$\frac{\text{Inventory}}{\text{Cost of goods sold}}$	$\times 365$



# DAYS DEBTORS

How to Calculate	
$\frac{\text{Debtors}}{\text{Net Income}}$	$\times 365$

# DAYS CREDITORS

How to Calculate	
$\frac{\text{Creditors}}{\text{Cost of goods sold}}$	$\times 365$

# OTHER RATIOS/CALCULATIONS

- Break-Even Point
- Expense per product /service
  - Meal, Room, Tour
- Vineyard- Expenses per tonne of grapes produced
- Customer acquisition cost
- Product/Service Profitability
- Be aware of hidden production costs, e.g. waste water treatment, equipment depreciation
- Occupancy rates
- Benchmark biggest inputs, e.g. labour cost per product/service/hectare.

# QUESTIONS?



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