



FLP Session 1 Working Group

Hosted by: Denise MacDonald & Steve Fisher

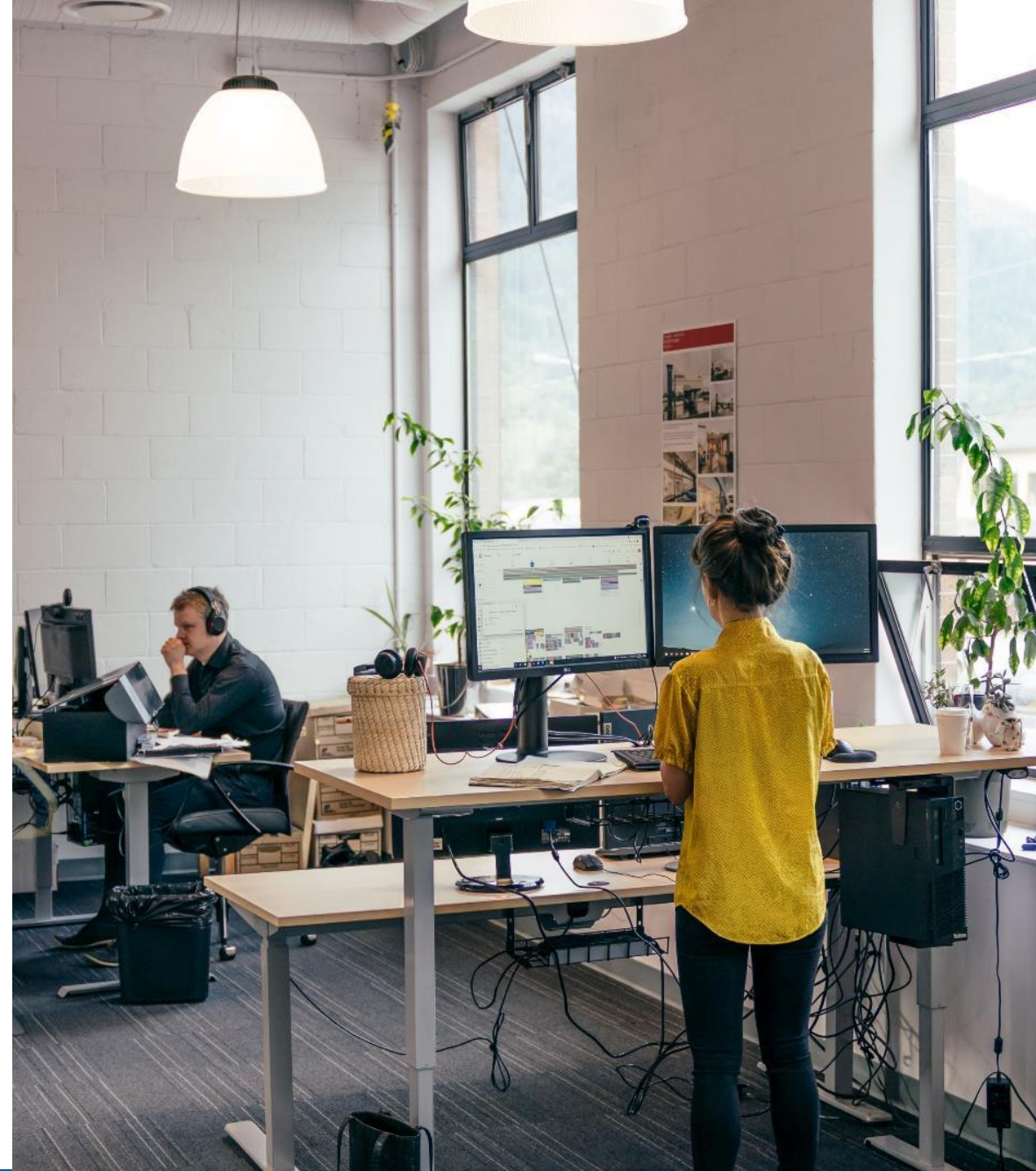
- Introductions – Denise and Steve
- Session 1 Recap: Why Should We Care About Good Financials

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Learnings from the last session.....

- Dive deeper into Revenue categories from the beginning. Need to do understand this for the rest to make sense
- Impossible to DO all this in 5 weeks while also running business
- Important to get the theory and build yourself a step-by-step PLAN
- Participants who didn't take the time in the beginning fell behind later
- Not a magic "plug and play" formula
- Goal is to empower and teach you how to approach decisions





Week 1 Synopsis....

- Start with WHY. Why would we do all this work to break down each component of your P&L?
- Building sustainable, repeatable, and scalable solutions
- Annual results only is insufficient to optimize a business; Need more up to date information to make an impact
- Internal processes need to change in tandem with changing revenue streams and COGS (Cost of Goods Sold)
- Work with your partners, this is a team effort
- Important to review monthly
- What is a Trailing 12 Months (TTM) and why do we look at financials this way?

Steps to Cleaning up your P&L

1. Break down your Revenue Categories (KISS) so that the categories truly reflect your revenue streams
2. Ensure revenue is recognized **in the month the sale or the work was actually done.**
3. Cost of Goods Sold – Match your COGS to your revenue categories. Include all direct labour into your COGS
4. Gross Margin – Start calculating your Gross Margin and set a gross margin target. Monitor monthly
5. Expenses – clean up "lumpiness" in expenses by amortizing large annual expenses (Ex: taxes and depreciation) over 12 months
6. Create Net Profit Margin to monitor profitability. Remember this is the "result", not the target!
7. Create a Trailing Twelve Months (TTM). Monitor and analyze monthly



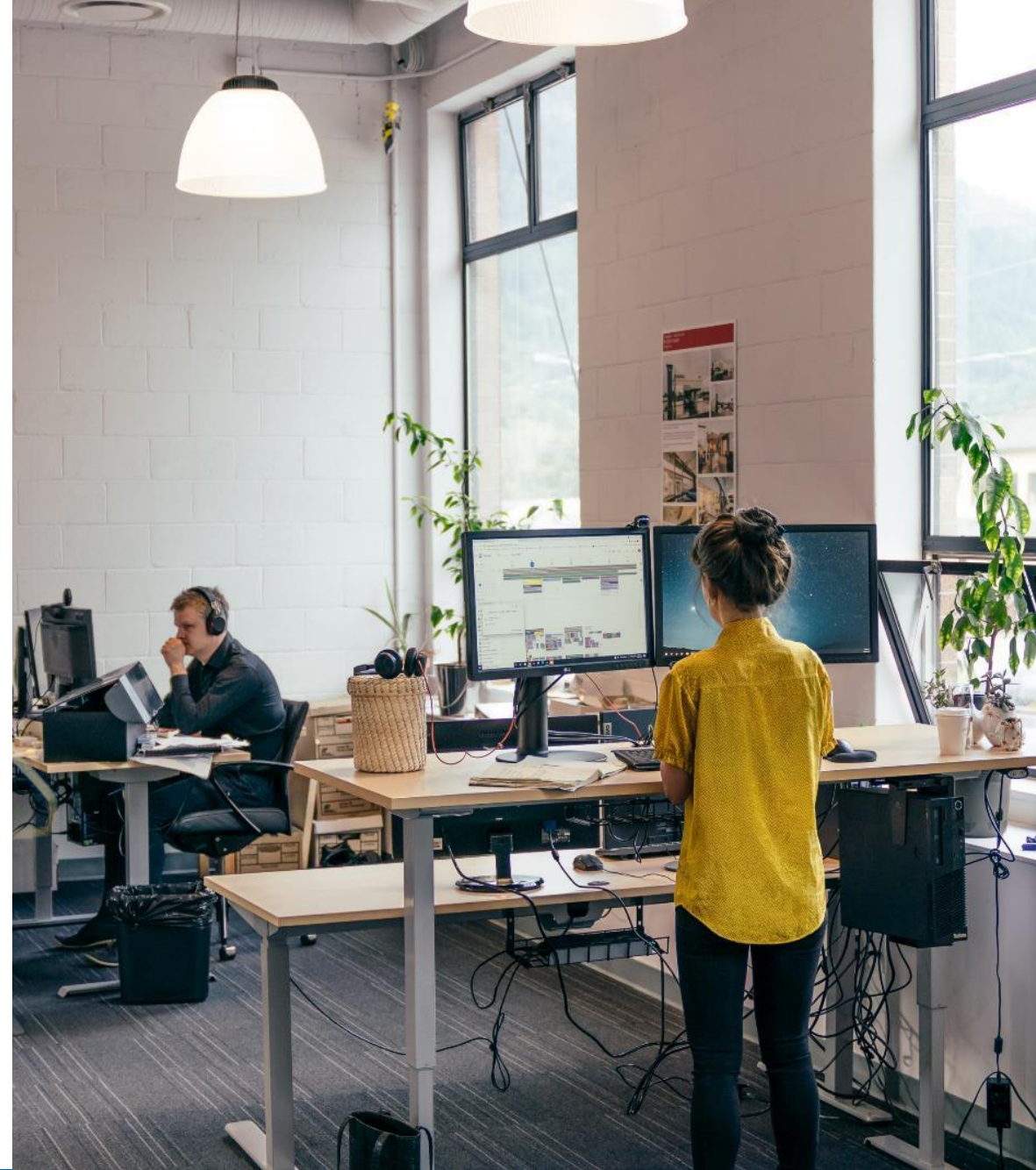


Homework

- Bring your most recent year end P&L
- Produce a Trailing 12-Month (TTM) P&L for most recent month ending
- Calculate Gross Margins if possible
- **(Should have said) Break down Revenue Categories!!!**

What to Expect in Session 2.....

- Breaking Down Revenue Centres
 - So important to get this right!
- Cost of Goods Sold (COGS – or cost of sales - COS)
- Matching COGS to your Revenue Categories
- Gross Margin (GM)
- Chart of Accounts (COA)



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Thank you!

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