


 Oifig Fiontair Áitiúil
 Local Enterprise Office
 Let's talk business!

CREATIVE GROWTH PROGRAMME

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My money, my business and me

Building Financial Confidence
 Seminar for participants of LEO DLR
 Creative Growth Programme

Delivered by **Money Coaching Ireland** in
 collaboration with **MarketingCoach.ie**

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 Local Enterprise Office

Important Information



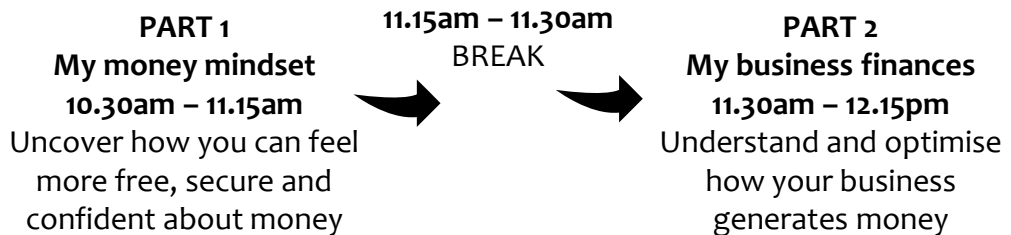
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We recommend that individuals seek specialist financial advice prior to making any significant financial decisions.

Seminar Structure



Building Financial Confidence

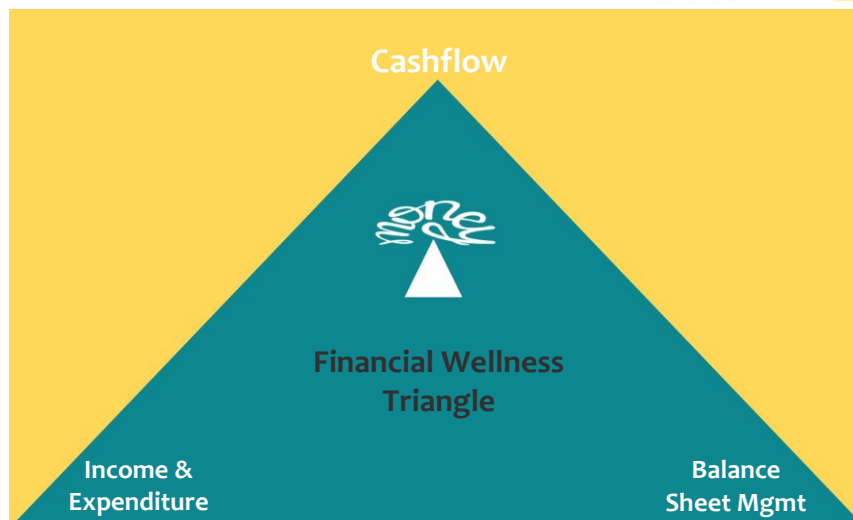
Finance = Money Management

Aim of Part 2 & What We'll Cover



- a) Understand the basics of Financial Accounts
 - b) Optimise how your business generates money
 - 1. P&L and Balance Sheet Components and Analysis
 - 2. Importance of working capital and cashflow
 - 3. Analysing my business financials
 - 4. Setting and achieving financial goals
- Q&A and discussion

Business Financials



Financial Accounts – Some Limitations



- Historical and short term
- 12 months going concern basis
- Neither complete nor exact picture of business performance
- No qualitative factors
- No assessment of business potential
- Differences in accounting treatment, classification, accounting policy, year end
- Off Balance Sheet items



P&L – Basics



Summary of all revenue earned and expenses incurred in a period of time

Pro-forma P&L:

Sales

Less Cost of sales =

Gross Profit

Less Administrative expenses =

Operating Profit

Less Interest payable

Net profit

Administrative expenses are the costs of doing business e.g. Wages, rent, rates, insurance, telephone etc.

Net profit shows the absolute profit made after all costs have been met

Loan repayments are not deducted in arriving at profit

P&L – focusing on the top lines



- Sales are the driver of business growth
- **Cost of Sales**/Cost of Goods Sold: Opening Stock Add Purchases less Closing Stock
- **Sales less cost of sales = gross profit**
- **Gross profit** provides the resources to cover all of the business' other expenses
- The greater and more stable a business' gross profit, the greater potential there is for positive bottom line (net profit) results

P&L Analysis



- Turnover recognition
- Gross Margin/Gross Profit %
- Sales mix – product breakdown
- Cost of sales analysis
- Net Margin/Net Profit %
- EBITDA margins, expense ratios
- Trends in turnover, margins, profit
- Other business KPIs



Balance Sheet – the basics



- Also known as statement of net worth/financial position
- Reflects the state of affairs of the business at a point in time
- Displays what the business owns (assets) and owes (liabilities)
- Illustrates how the net assets are financed through debt or equity
- Based on the fundamental equation: $\text{Assets} = \text{Liabilities} + \text{Equity}$

Balance Sheet Analysis



Working capital (WC) analysis

- WC (Current Assets-Current Liabilities) & ratio
- WC cycle (Stock days+Debtor days-Creditor Days)
- Stock turnover
- Debtor and creditor days and movement
- Ignoring write offs – stock/debtors?

Debt analysis

- Liquidity of Balance Sheet
- Valuations/revaluations
- Net debt (cash–short & long-term debt)
- DEBT/EBITDA multiple
- Debt mix (bank, third party loans)
- Debt service cover

Cashflow Statement



- Reflects the inflows and outflows of cash from the business from operating, investing and financing activities
- Differences between cashflow and profit and loss arise because –
 - Matching principle or accrual accounting instructs that expenses are reported in the same period in which related income is earned
 - Non-cash items such as depreciation or amortisation are recorded in P&L
 - Movements in assets, liabilities and equity resulting in cash inflows and outflows go through Balance Sheet and not P&L
- Cashflow is calculated indirectly from the P&L

Cashflow V's Profit



- A business can be profitable and go out of business if it doesn't manage cashflow
- In the short-term, a business can operate without making a profit if it effectively manages cashflow
- In the medium to long-term, cashflow will very likely dry up if a business is not generating profits
- **Both profit and cash flow are important**



Goal Setting

- Fan or not?
- Intention setting is necessary for change
- Growth over Lack Motivation



Goal Setting Exercise



Choose 1 financial goal for your business. Answer the following questions.

1. Where do you want to be with this in 12 months time?
2. What success can you draw on from your past/from others?
3. How will you feel when you have achieved it? Can you start to feel like that now?
4. What steps do you need to take to get there? (Consider options you may have)
5. What does the first step look like?
6. How will you measure progress and celebrate along the way?
7. Who else, apart from yourself, will keep you accountable?
8. Is there any other support you need?

Support



- Look after your own well-being!
- Ask for support and guidance –
 - Accountability Partner
 - Business Mentors
 - Your networks
 - Other support groups
 - State supports
 - **Your Book-keeper**
 - **Your Accountant**



Your accountant and you



- How is your relationship with your accountant?
- How can you get more from it?
- Ask him/her what would improve the process
- Provide information to them on a timely basis
- ...



Resources



State supports

- ccpc.ie
- citizensinformation.ie
- revenue.ie welfare.ie
- pensionsauthority.ie
- mabs.ie backontrack.ie
- switchyourbank.ie
- bonkers.ie switcher.ie
- powertoswitch.ie
- Area Partnerships
- LEOs
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