

A. Your overall results

As your accountant, my goal is to help you build your better world through better business (whatever “better” means to you – not me nor anyone else). If I’m really going to help you, I have to call you out on the good (and not so good) things you might be doing that could be helping or hindering you from getting what you want.

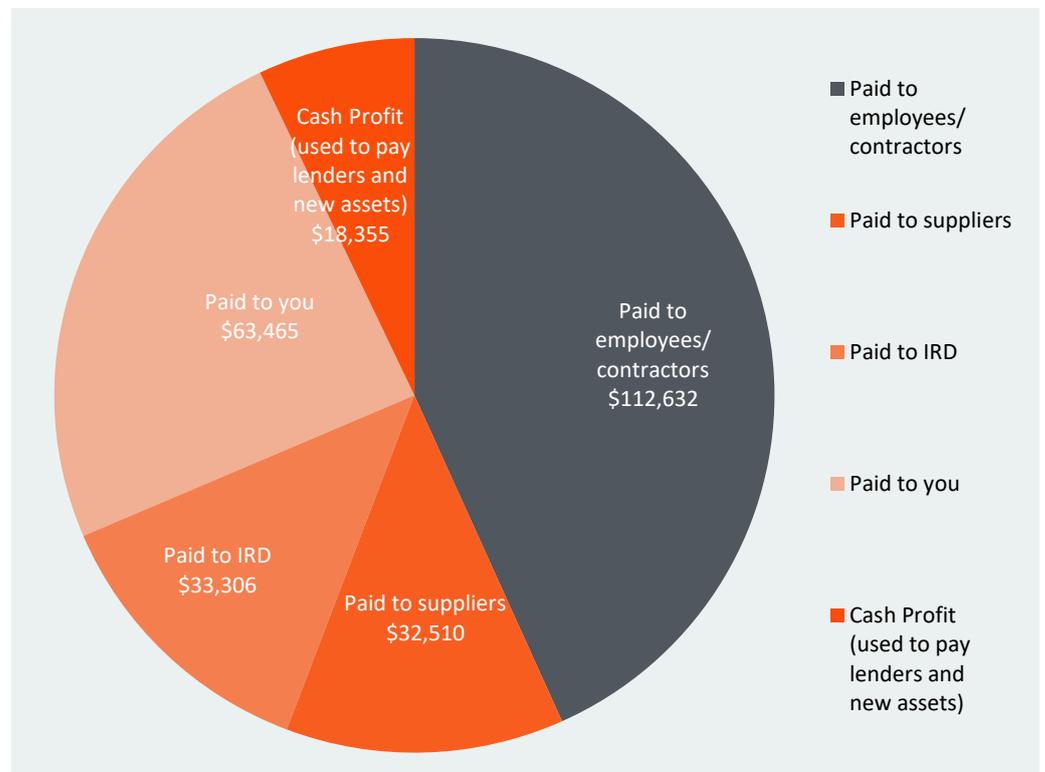
Below I have focussed on three areas of your business (outside the financial statements) that provide good measures of how you might be going – where your money went, how much you made an hour, and how your business is going on the six steps towards building your better world.

A.1 Where did your money go?

There’s a difference between the profit in your accounts and cash profit. Cash profit excludes non cash items like depreciation, unpaid or uncollected invoices, stock on hand, work in progress. The profit in your accounts excludes payments to IRD (taxes) and/or you (drawings).

Whether your business contributes to what’s important to you or not, comes down to whether your business makes more or less cash than you need to cover payments to you, your suppliers/employees/contractors, the IRD, and any lenders.

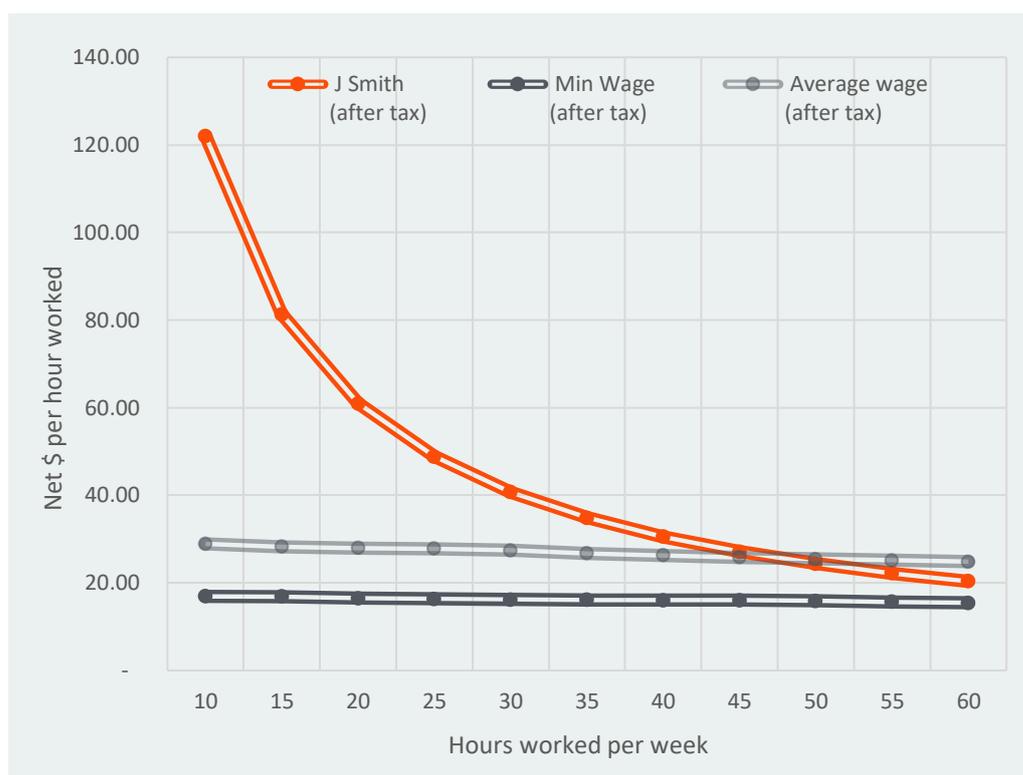
The graph below summarises how your business used the money it earned, and how much cash profit (after payments to you, IRD and suppliers/employees/contractors) was left (if any) to cover loan payments, asset purchases, or rainy day savings.



A.2 Is what you're doing worth your effort?

Your hourly rate is a reflection of how much you took out from your business, and the time you spent in your business earning that. The higher your hourly rate, the more you're getting back for the time spent doing that ... and the more likely your business can contribute to whatever is most important to you. The lower your hourly rate, the more you're more likely to question whether what you're doing is even worth the effort.

The graph below shows you how much you made an hour (after tax), depending on the hours per week you normally do. It also compares your hourly rate against the minimum wage (as set by Government), and the average taxable income in NZ (all after income tax):



A.3 Are you on the right pathway to building your better business?

If you want your business to contribute to what's most important to you, there are six basic steps I believe you have to get right, and then keep right. Ignoring these basics will mean you'll never get ahead because every time you try to get more from your business, your foundations will crack, and/or you'll lack the resilience to survive any surprise ... and then you'll be forced by your business to go back and fix them properly ... or quit if you decide to give up.

Below, I have provided feedback on the steps you've dealt with and the steps that still need work. Focussing on the steps that need work (earliest ones first) will ensure you're moving your business towards being able to safely contribute to whatever is most important to you without risking your business in the process.

	better business steps	good	not so good
0	Get started	You're still in business after 7 years. Out of 100 small businesses that started when you did, you're one of 39 small businesses who can celebrate that milestone (i.e. 61 of those small businesses are now gone).	
1	Pay your costs	Your business received \$18,355 more income than it needed to pay you, IRD, suppliers, employees and contractors for the year, which means your business met its costs.	
2	Pay your taxes	You're up to date with your taxes.	
		You're putting money aside from current profits to pay your current taxes.	
3	Get something for your effort	You took \$63,465 out of your business for yourself during the year. Depending on the hours you work in your business, that could be around \$30.51 an hour (after tax) for your effort ... which is more than the average ordinary wage (currently \$26.29 an hour after tax).	
4	3 months war chest		Your business appears to have cash savings (excluding tax savings) of \$10,572. That covers you for 1.1 months of costs should anything go wrong. Ideally you should have 3 months cover for costs to help support you when something goes wrong. Based on your current costs, you'd need to save an extra \$47,387.
5	Using debt properly	You're not using overdrafts or credit cards to pay your bills which means you're not throwing money away on unnecessary higher interest costs.	
6	Building your better world	Your business received an extra \$17,592 from income over and above all payments to you, suppliers, employees, contractors, IRD, and lenders for the year. This means your business is getting closer to contributing to building your better world.	