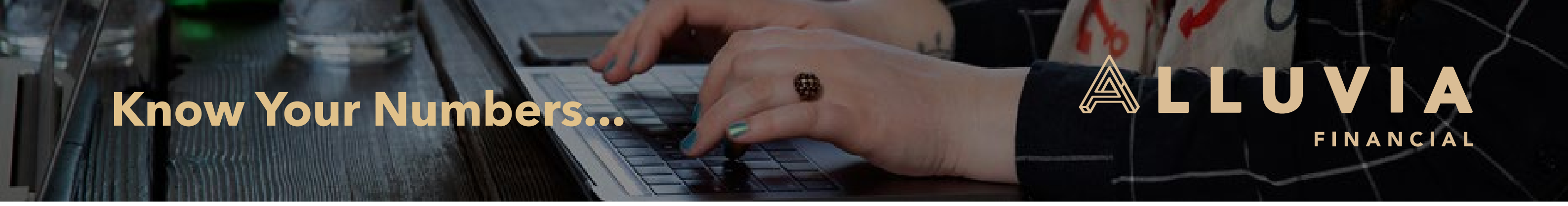


Know Your Numbers...

ALLUVIA FINANCIAL

Do you gauge your business success based on the balance of your bank account? Experienced business owners know this isn't enough to have a full understanding of your business success. With so much information out there, how do you know what to focus on?

Know these key financial ratios and you'll be able to kick it with Lisa Messenger if you're ever sitting next to her on a flight to New York.

Gross Profit Ratio

This shows the portion of direct costs that are involved in obtaining sales. Depending on the industry, these direct costs will include "cost of goods sold" and wages. Wages will be included in the service industry as employees are relied to produce sales.

This ratio is calculated by dividing Gross Profit by Total Sales.
Gross Profit is calculated by Sales minus Cost of Goods Sold.

Calculate Your Ratio

Gross Profit ÷ Total Sales = Gross Profit Ratio

________ ÷ ________ = ________

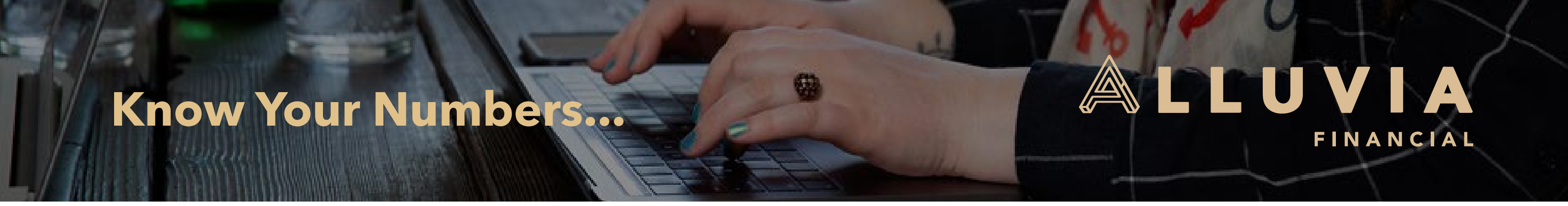
Net Profit Ratio

Net Profit is equal to Gross profit minus Operating expenses and income tax. This ratio shows the portion of sales left to the business owners after business operating costs. A good way to think about it is, for every $1 in sales, what % is left after wages, cost of good sold and overheads?

Calculate Your Ratio

Gross Profit ÷ Total Sales = Gross Profit Ratio

________ ÷ ________ = ________



Wages Ratio

A very important ratio for businesses in the Retail and Service industries. This ratio shows the portion of your wages cost when compared to sales. If the wages ratio is high, it indicates the wages cost of your business might be too much and you are in risk of making a loss.

Calculate Your Ratio

Wages ÷ Total Sales = Wages Ratio

÷ =

Return on Investment (ROI)

This is the most common profitability ratio. It is determined by dividing Net Profit by Total Assets. A good return on investment for active investors is 15%

Calculate Your Ratio

Net Profit ÷ Total Assets = Return on Investment

÷ =

Current Ratio

The current ratio is the liquidity ratio that measures a businesses ability to pay short-term and long term obligations. It is calculated by dividing Total Current Assets by Total Current Liabilities. Any ratio over 1 shows the business is capable of paying short-term debts. On the other hand, a ratio below 1 suggests the company is not in a position to pay off their short-term debts.

Calculate your ratio

Total Current Assets ÷ Total Current Liabilities = Current Ratio

÷ =

Knowing these numbers will give you a great indication of the health of your business.

CERTIFIED ADVISOR xero SILVER PARTNER AWARD WINNER

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XERO AWARDS AUSTRALIA