

CASE STUDY

MAKE CENTS ACCOUNTING

“We realised the business had failed to bill around \$280K in fees. We showed the owner a burning Porsche to illustrate what he was losing each year and then we worked together to make the business profitable.”

Shane Kouros

Background

The business was around 30 years old when the founder retired and handed the reins to his son. The son had been working in the business for several years and once he took over, he set a course for growth. However, there were growing pains that included a need for more employees and more structure.

In the midst of this, a job went bad - too many cost overruns and an inexperienced team who lacked the skills to turn the job around. The business started losing money and staff were leaving as new staff were coming on board. Cost blow outs continued and there was a lot of tension. The business owner approached me for help.

Needs Assessment

During our first meeting, Shane Kouros, Accountant and Business Advisor, asked a series of information gathering questions that enabled him and the team, to quickly and accurately assess the situation, build a picture of the problems, and understand how those problems needed to be addressed.

Shane also reviewed all the numbers, paying particular attention to the KPI metrics attached to the jobs they were working on. As a result of this review, Shane realised that the business was writing off approximately \$280K in work that had been completed but not invoiced, and this was a significant contributor to why the business was losing money.

To illustrate the point, Shane found a picture of a burning Porsche and showed the client the value of what he was losing each year. He quickly agreed that he needed to change his processes, and from this point on we worked closely with him and his team to turn the business around to make it profitable.

Our Solution

Over the coming weeks and months, we implemented FIVE key recommendations:

1. *Regular meetings:* These were scheduled and Shane also introduced a business coach who would attend the meeting to help the business owner connect the financials with the business growth strategy.
2. *Cashflow forecasting:* Shane custom-built a rolling budget cashflow forecasting report in Xero that would accurately reflect the business' cashflow position at any given time.
3. *Established relevant KPIs:* Together, we worked with the internal team to identify and prepare relevant monthly KPIs. This enabled more accurate forecasting that would more accurately assist with cashflow projections;
4. *Tax & Compliance Reporting:* We took over all of the tax and compliance reporting, not just to ensure that it was done correctly, and on time, but to keep a close eye on the actual monthly and quarterly numbers which would directly indicate whether or not KPIs were being achieved;
5. *Debt Restructure:* We restructured the debt to more favourable borrowing terms and to just as importantly, to utilise the tax concessions and other tax saving opportunities that were available to the business.

Outcomes

With sound financial management, and systems that allowed the business owner to make confident business decisions, the business quickly became very profitable. The business owner was able to resume his business growth quest, which included adding a new product line. Today, the business owner has changed tack and he is no longer pursuing 'growth'. As a sound 'lifestyle' business it remains very profitable, providing the business owner with a reliable and soundly functioning enterprise from which he derives great 'tension-free' satisfaction and personal prosperity.

At Make Cents Accounting we help established business owners to grow profitable businesses, protect their assets and extract wealth to build their personal prosperity.

For details about our CFO service please call +61 2 96 999 171.