



Other resources in step 1e:

- Video explaining how to manage the P&L review template
- A P&L review template (Excel file)

Performing a monthly P&L review

On the race track, a professional pit crew monitors multiple screens and scans through hundreds of numbers, minute by minute, to help them achieve maximum speed from their race car.

Speed is their primary goal, but they know that speed is a function of so many variables.

Speed for a pit crew is just like cash in a bank account for a workshop owner.

Workshop owners and managers need to understand that cash, just like speed for the pit crew, is influenced by other variables so if more cash is needed, the obvious conclusion is that other important numbers need to be monitored.

It is appreciated that those running workshops are not necessarily accountants so there needs to be some very simple routines in place to allow key numbers to be monitored and understood.

TaT Biz described the use of a weekly financial dashboard in July 2013. Visit www.tat.net.au/resources to see the template and an explanation video that shows how to use the weekly financial dashboard.

A financial dashboard is great for monitoring key performance indicators weekly. These indicators would include sales, average dollar sale, complaints and staff productivity, but it's not very good for monitoring expenses, net profit and average parts markups. These items are much better monitored monthly.

The best way to monitor numbers is through the monthly Profit and Loss (P&L). The P&L will inform whether your business made or lost money for the period under review.

A P&L usually has five main components:

- revenue (sales/turnover)
- cost of goods sold (COGS) – the cost of parts used on jobs
- gross profit (revenue minus COGS)
- expenses
- net profit (gross profit minus expenses)

To simplify the process of reviewing the P&L it is recommended that the key numbers are extracted and inserted into a simple monthly review template.

At www.tatbiz.net.au/resources there is an example template that can be downloaded along with a short video explaining how to use the template.

As can be seen, you are required to input only four numbers into the template each month and they are easily obtained straight from the P&L.

These numbers include:

- Labour sales
- Parts sales
- Cost of goods sold (COGS)
- Overhead expenses

The spreadsheet will then automatically calculate for you:

- Gross profit and gross margin
- Average stock markup
- Overheads as a percentage of sales
- Net profit and net profit as a percentage of sales

These are all critical indicators that may help improve your bank balance.

If you don't know these figures on a monthly basis there is a fair chance your bank balance won't be as good as it could be.

To give this process more meaning it's critically important that targets are set in each of the key areas. This is easiest explained in our video, so jump on the website and check it out.

Don't make the mistake of believing you are maximising profit by only monitoring the bank account. That would be as silly as the pit crew thinking they could win Bathurst by monitoring only speed.

The place to start is www.tatbiz.net.au/resources

Just go for it!