



## **Convert numbers into words with seven easy steps from SIDCOR Chartered Accountants founder, Paul Siderovski**

Put simply, there are five things clients want. They want to grow their business, they want to increase their profits, and cash flow, they want asset protection and succession planning and they want to play the least amount of tax. You can achieve all of that, with these life-changing tips from one of the country's top accountants, Paul Siderovski.

### 1. Understand the numbers

The most important thing in any business – and something 95% don't do – is convert their numbers into words. Understanding the numbers is the key to success. Get the dollars working for you and you will leave your competitors behind with your growth, your increased profits and increased cash flow.

Sidcor does this really well, better than any other firm. You must convert the dollars or the numbers into real plain English words and help the client understand what those numbers say and what they mean for your business.

If you don't take the time to interpret your profit-and-loss balance sheet, you are asking for failure. It is something businesses just don't do, and not understanding their numbers is one of the key reasons businesses fail.

### 2. Don't understand the numbers? Go back to basics

The layperson may not even understand what makes up a set of financial statements - things that are imperative to the core success of their business. It's a balance sheet, it's a profit-and-loss and it's a cash flow statement. You have to go back to basics.

So at the highest level, in plain English, a business has assets – which is your balance sheet. The assets are there to produce sales – which is your profit-and-loss. The sales are there to convert into profits – your profit-and-loss. The profits are there to convert into cash – which is your cash flow. That is how the three operate together.

I can guarantee that 99% of businesses don't understand that. The profits convert into operating cash flow, and that cash flow can be invested back into the business. Once you've done that, it is free cash flow, which can be used to pay debt or take out dividends or profit. That simple formula is the most successful formula for any business. Implement it and see the changes.

### 3. Financials are more than just tax

The sad truth is the vast majority of small and medium enterprises do their numbers for tax purposes only. Unfortunately, they don't make it about what the business is really doing. They don't get those key performance indicators or do the trend analysis to say 'wow, I don't have to spend that money on this business', or 'I'm spending too much money', or 'this sticks out'. They don't compare their figures for accounting to find out how their business is really going - they do it for tax.

If your accountant is not explaining the inter-relation between the balance sheet, the profit-and-loss and the operating cash flow – so you understand it - then you are like the 95% of the herd in Australia. I really encourage you to get an accountant who understands why they are preparing your financials. It is not for tax – if they are great at doing the accounting they will nail the tax. But really do the numbers so you can understand what they mean.

### 4. See the bigger picture

If you can get the numbers and break them down, you set up real key performance indicators, linked to efficiency and effectiveness in your business. Use these to create ratios so you can see the effectiveness of your assets to turn them into profits, the efficiency of your profit to turn it into cash flow. They are key ratios that help you run the business-end of your business.

Break down the numbers into unit measurements. So it may be staff, it may be time – break them down into units to get real, meaningful information, and then use trend analysis to improve your bottom line. Use year by year to see what's really happening and that will help grow any business and make it more efficient.

### 5. Optimise your business with trend analysis

We take the numbers and convert them into words the client understands, that's what makes SiDCOR different. We give our clients the ability to identify the problems in their business and their efficiencies – here is what you're doing well, so do more of that. Once clients implement that, it really is life changing.

Optimising a business is the key, which is why trend analysis is so important. The sad part is business owners and entrepreneurs are too busy thinking they will lose a sale – but without this information you don't know if you are making a profit or not.

You have to see trends of expenses and sales to identify any problems. If you have trends of this week, last year and for 10 years before that, you will know how to manage your business better.

#### 6. Improve your bottom line

I recently helped a client who had \$15 million in projected works ready to go. They had already won the design works, which then go to the construction arm of the company to see if they win the construction. However they were only winning 24% of the \$15 million in design work coming through. By focusing on that number, they now put all their energy into improving that strike rate of 24%. The result is that has now gone to 84%. They didn't have a clue – and by understanding where they were going wrong, they now don't need as many sales and they are making more, drastically improving their bottom line.

#### 7. Change your life

The most important one page document in any business is that cash flow – where is the money going and what does it tell you about how you are running your business. This is life-changing stuff.

Understand the numbers and what they mean for your life, your business. If you do that, it can only grow. Take these tips and use them to your advantage. Only you can change the way you operate, but if you understand the basics and apply simple working principals, you will go from strength to strength.