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MYPRM EBOOK · 2026–27 EDITION

Know Your Numbers

KPIs, break-even, budgets and the balance sheet, made simple

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How to use this ebook. Each chapter stands alone and ends with its official sources (ATO, Services Australia, RBA, ASFA, Moneysmart, TPB and others). Figures are for 2026–27 or as stated, and can change; the online version of each chapter is listed at its end.

General information only. This ebook does not take into account your circumstances and is not tax, legal or financial advice. Rates and rules change; figures were checked against the official sources listed in each chapter as at 1 November 2026. Get advice for your business before acting.

CHAPTER 1

Ten KPIs every small business owner should track

You do not need fifty reports. Ten numbers, reviewed every month on one page, tell most owners what they need to know.

The ten

1. **Cash in the bank** and 13-week forecast low point.
2. **Sales** against budget.
3. **Gross margin %**.
4. **Net profit %**.
5. **Debtor days**: get paid faster.
6. **Labour cost as % of sales**.
7. **Tax set aside vs owing** (GST, PAYG, super).
8. **Pipeline or forward work**.
9. **Customer concentration**: share of sales from your top 3 customers.
10. **Break-even sales**: break-even analysis.

Make it a habit

One page, same day each month, after your month-end close. Compare to last month, budget and last year, and write one action for each number off track. Compare cost ratios to the ATO benchmarks.

Quick answers

What KPIs should a small business track?

Cash, sales vs budget, gross and net margin, debtor days, labour cost, tax set aside, pipeline, customer concentration and break-even.

How often should I review KPIs?

Monthly, after the books are closed.

Sources

- [business.gov.au: Review your financial health](https://business.gov.au/review-your-financial-health)

CHAPTER 2

Break-even analysis: how much do you need to sell?

Your break-even point is the sales you need to cover all your costs. Below it you lose money; above it every sale contributes profit. It is the quickest way to test a price change, a new hire or a lease.

The formula

Break-even sales = fixed costs ÷ gross margin %.

Fixed costs are the ones that do not change with sales: rent, salaries, insurance, software, loan interest. Gross margin is sales minus direct costs, as a percentage of sales.

A worked example

A business has fixed costs of \$40,000 a month and a 40% gross margin. Break-even = $\$40,000 \div 0.40 = \$100,000$ of sales a month. Every dollar of sales above that adds 40 cents of profit.

Use it for decisions

- **Hiring:** a \$7,000 a month hire at 40% margin needs \$17,500 more sales a month to pay for itself.
- **Pricing:** lifting margin from 40% to 45% drops break-even to about \$88,900.
- **Leases and loans:** add the new fixed cost and recalculate.

Margins matter more than most owners think: markup vs margin, budget guide and job costing.

Quick answers

How do I calculate break-even?

Divide fixed costs by your gross margin percentage.

Why does break-even matter?

It shows the sales needed to cover costs and lets you test pricing, hiring and lease decisions.

Sources

- [business.gov.au: Guide to managing cash flow](https://business.gov.au/guide-to-managing-cash-flow)
- [business.gov.au: Review your financial health](https://business.gov.au/review-your-financial-health)

CHAPTER 3

Markup vs margin: pricing jobs properly

Many trade businesses think they make 30% on a job because they add 30%. They don't. A 30% markup is a 23% margin.

The difference

- **Markup** = $(\text{price} - \text{cost}) \div \text{cost}$.
- **Margin** = $(\text{price} - \text{cost}) \div \text{price}$.

Quick conversions

- 20% markup = 16.7% margin
- 25% markup = 20% margin
- 30% markup = 23.1% margin
- 50% markup = 33.3% margin
- 100% markup = 50% margin

Price for the real costs

- Overheads: vehicles, insurance, software, office, your own salary.
- Non-productive time: quoting, travel, call-backs, defects.
- On-costs: super (12%), workers' compensation and, once over \$1.3 million in wages, Queensland payroll tax.
- Finance costs if clients pay slowly.

Then check it actually happens

Compare quoted vs actual margin by job. That's job costing.

Quick answers

Is a 30% markup a 30% margin?

No. A 30% markup is about a 23% margin.

Read online with live links: myprm.com.au/blog/pricing-markup-vs-margin/

CHAPTER 4

How to build a small business budget you will actually use

A budget is your plan for the year in numbers. Done simply, it tells you what sales you need, what you can afford to spend and whether you are on track each month.

Five steps

1. **Start from last year's actuals.** Pull a 12-month profit and loss by month to see seasonality.
2. **Set sales targets** by product, service or customer type, by month. Use real drivers: jobs, average price, conversion.
3. **Plan direct costs and margin.** Check your pricing: markup vs margin.
4. **Plan overheads**, including wages increases, super at 12%, insurance, software and rent.
5. **Add tax and loan repayments** so the budget links to cash: tax to set aside.

Make it useful

- Load it into your accounting software so you get budget vs actual every month.
- Review it monthly in 30 minutes: what is off, why, and what you will do.
- Pair it with a rolling cash flow forecast: profit and cash are different, see cash flow vs profit.
- Re-forecast mid-year rather than abandoning it.

Want it built with you? That is part of our fractional CFO service.

Quick answers

What should a small business budget include?

Monthly sales targets, direct costs, overheads, tax and loan repayments, built from last year's actuals.

How often should I review my budget?

Monthly, comparing budget to actual, and re-forecast mid-year.

Sources

- [business.gov.au: Guide to managing cash flow](https://www.business.gov.au/Guide-to-managing-cash-flow)
- [ATO: Super guarantee rates](https://www.ato.gov.au/ATO/Super-guarantee-rates)

CHAPTER 5

How to read a balance sheet in ten minutes

The profit and loss shows how you did this year. The balance sheet shows where the business stands today: what it owns, what it owes and what is left for the owners.

The three parts

- **Assets:** cash, debtors, stock, equipment, vehicles. Current assets turn into cash within 12 months.
- **Liabilities:** creditors, GST and PAYG owing, loans, employee leave. Current liabilities are due within 12 months.
- **Equity:** assets minus liabilities, the owners' stake, including retained profits.

Five quick checks

1. **Current ratio:** current assets ÷ current liabilities. Below 1 means short-term bills exceed short-term resources.
2. **Tax accounts:** are GST, PAYG and super owing in line with the latest BAS? Big balances are a warning sign.
3. **Debtors:** growing faster than sales? See working capital.
4. **Loans to owners:** in a company, these can raise Division 7A issues.
5. **Equity:** negative equity means the business owes more than it owns.

Lenders read the balance sheet first: getting lender ready. Want monthly reporting you understand? See our fractional CFO service.

Quick answers

What does a balance sheet show?

What the business owns (assets), owes (liabilities) and the owners' stake (equity) at a point in time.

What is a healthy current ratio?

Above 1 means current assets cover current liabilities; many lenders look for more headroom.

Sources

- [business.gov.au: Review your financial health](https://business.gov.au/review-your-financial-health)
- [business.gov.au: Guide to managing cash flow](https://business.gov.au/guide-to-managing-cash-flow)

CHAPTER 6

A month-end close checklist

A 60-minute month-end routine turns bookkeeping into decisions. Here is the list we suggest.

Every month

- Reconcile every bank account and card.
- Chase debtors over 30 days.
- Review supplier bills and accruals.
- Check WIP and unbilled variations (construction).
- Confirm super paid each payday and payroll tax lodged if registered.
- Move GST and tax money to a separate account.

One-page report

- Revenue, gross margin and net profit vs budget.
- Cash now and in 13 weeks.
- Debtors and creditors ageing.
- Three actions for next month.

Need someone to run this with you? That is what a fractional CFO does. See also 13-week cash flow forecast.

Read online with live links: myprm.com.au/blog/month-end-close-checklist/

CHAPTER 7

How to value a small business: the three methods that matter

Whether you are selling, bringing in a partner, splitting with a co-owner or just want to know what you have built, the value of a small business comes down to one question: what will a buyer pay for the profit it reliably makes?

1. Earnings multiple

The most common method for small and medium businesses. Take the maintainable earnings (profit adjusted for owner wages at market rates, one-off costs and private expenses) and multiply by a factor that reflects risk. A business that depends on the owner, has a few big customers or patchy records attracts a lower multiple. There is no standard multiple; it depends on the industry, size and risk.

2. Asset-based

Adds up what the assets are worth, less liabilities. It sets a floor for asset-heavy businesses such as transport, equipment hire or manufacturing, and is used when profits are low.

3. Discounted cash flow

Forecasts future cash flows and discounts them back to today. Useful for growing businesses with good forecasts, but very sensitive to the assumptions.

What buyers actually check

- Clean, consistent financials for at least the last two or three years.
- Whether earnings survive without you.
- Customer concentration, contracts and recurring revenue.
- Working capital needs: see working capital explained.
- Tax and ATO compliance: a buyer will find any problems.

Lift the value before you sell

Start two to three years out: tidy the books, document processes, reduce reliance on yourself and know your numbers monthly. Small business CGT concessions may reduce tax on the sale: small business tax concessions. Our fractional CFO service can get you sale ready.

Quick answers

What is the most common way to value a small business?

A multiple of maintainable earnings, adjusted for owner wages and one-off items. The multiple reflects risk and varies by industry.

How early should I prepare a business for sale?

Ideally two to three years ahead, so the financials and systems show reliable earnings that do not depend on you.

Sources

- [business.gov.au: Value your business](https://business.gov.au/value-your-business)
- [ATO: Small business CGT concessions](https://ato.gov.au/ATO/Small-business-CGT-concessions)

Read online with live links: myprm.com.au/blog/how-to-value-a-small-business/

CHAPTER 8

Exit planning: how to get out of your business on your terms

Every owner leaves their business one day. Planned, it can fund retirement. Unplanned, through illness, burnout or a partner dispute, it often means selling cheaply or closing.

Your exit options

- **Sale to a third party:** usually the highest price if the business runs without you.
- **Family succession:** needs clear roles, fair treatment of other children and often staged transfers.
- **Management or employee buyout:** often funded over time from profits.
- **Merger** with a competitor.
- **Wind-down:** collecting what you can and closing in an orderly way.

A three-year roadmap

1. **Year 1:** clean financials, know your value (how to value a small business), fix structure and tax issues.
2. **Year 2:** reduce reliance on you, document systems, lock in key staff and customer contracts, improve margins.
3. **Year 3:** prepare information, find buyers, negotiate and transition.

Tax matters

The small business CGT concessions can significantly reduce tax on a sale if you qualify, and some proceeds may be contributed to super: see small business tax concessions. Get tax advice before you sign heads of agreement, not after.

Also put an unplanned-exit plan in place now: a buy-sell agreement with partners, insurance and a will. Talk to us about getting sale ready.

Quick answers

How early should I start exit planning?

Ideally three years before you want to leave, so you can lift value and sort tax and structure.

Can I reduce CGT when selling my business?

You may qualify for the small business CGT concessions. Get advice before you agree terms.

Sources

- [business.gov.au: Sell your business](#)
- [ATO: Small business CGT concessions](#)

Read online with live links: myprm.com.au/blog/exit-planning-small-business/

Want this applied to your situation?

Book a 15-minute check with MYPRM, 190 Edward Street, Brisbane City: 0468 055 582 · myprm.com.au

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