

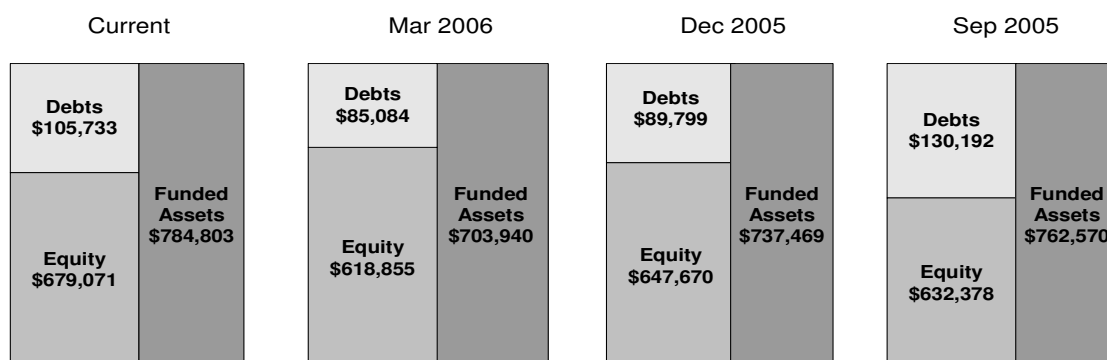
# ABC Pty Limited

ABN 12 345 678 910

For the period ended 30 Jun 2006

## Relationship of Debt to Equity

### How is the Business Funded?



Calculation of Funded Assets	Jun 2006	Mar 2006	Dec 2005	Sep 2005
Total Liabilities	\$147,249	\$142,374	\$132,000	\$159,508
Less:				
Accounts Payable	\$41,516	\$57,290	\$42,201	\$29,316
<b>Debts</b>	<b>\$105,733</b>	<b>\$85,084</b>	<b>\$89,799</b>	<b>\$130,192</b>
Add:				
<b>Equity</b>	<b>\$679,071</b>	<b>\$618,855</b>	<b>\$647,670</b>	<b>\$632,378</b>
<b>Funded Assets</b>	<b>\$784,803</b>	<b>\$703,940</b>	<b>\$737,469</b>	<b>\$762,570</b>

Ratio	Jun 2006	Mar 2006	Dec 2005	Sep 2005	Industry
Debt to Equity	15.57%	13.75%	13.86%	20.59%	14.00%
Current					
Mar 2006					
Dec 2005					
Sep 2005					
Industry					

#### Explanation

Total debt/equity. It shows how the business is funded.

#### How does your business perform?

For the current period, each \$100 of equity that the owner has provided and the business generated, \$15.57 has been provided by external sources. The business is not reliant on external funding, which is a good sign. It is relatively in line with the industry average. Managers could consider raise debt when there are opportunities for growth.

#### How to improve this ratio?

This ratio is a way of looking at the capital structure of a company. It compares the amount of debt a company has to the amount of equity it has. It shows the extent that the business is reliant on external vs internal sources for funding the operations. Obviously, the lower the ratio, the less likelihood of insolvency. The higher the ratio, the greater the risk of insolvency, the lower the debt relative to equity, the better.

# ABC Pty Limited

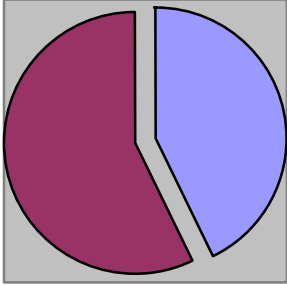
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For the period ended 30 Jun 2006

## Profit to Cash Analysis

<b>GROSS CASH PROFITS</b>	
The gross cash profits show the actual cash generated from revenue less the actual cash spent on cost of revenue. It is the actual cash receipts less cash payments for cost of goods, which is a fundamental approach to measure the cash flow capacity of your entity.	
<b>Calculation of Gross Cash Profits</b>	
Revenue	\$319,279
Change in receivables	\$(5,198)
<b>Cash from sales</b>	<b>\$314,081</b>
Cost of goods sold	\$0
Change in inventories	\$0
Change in payables	\$115,773
<b>Cash production costs</b>	<b>\$115,773</b>
<b>Gross cash profits</b>	<b>\$198,308</b>

### CASH FROM SALES

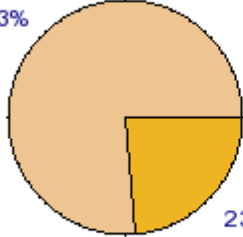


Category	Amount	Percentage
Gross cash profits	\$314,081	74.5%
Cash production costs	\$115,773	25.5%

	Gross cash profits
	Cash production costs

<b>CASH AFTER OPERATIONS</b>	
Cash after operations measures the cash generated from the day to day operations of your business. The cash payment for operating expense is subtracted from the gross cash profits. Miscellaneous transactions take accruals and other adjustments into account.	
Cash after operations is a critical measure for your business. Negative cash after operations is a serious issue for the ongoing funding of the business. The business is unable to fund itself at an operating level. This means that the business will need external funding to pay tax, interest, dividends and to purchase any fixed assets.	
<b>Calculation of Cash After Operations</b>	
<b>Gross cash profits</b>	<b>\$198,308</b>
Operating Expense	\$151,622
Miscellaneous transactions	\$0
<b>Cash expended on operation</b>	<b>\$151,622</b>
<b>Cash after operations</b>	<b>\$46,686</b>

### GROSS CASH PROFITS



Category	Amount	Percentage
Cash expended on operation	\$151,622	76.3%
Cash after operations	\$46,686	23.7%

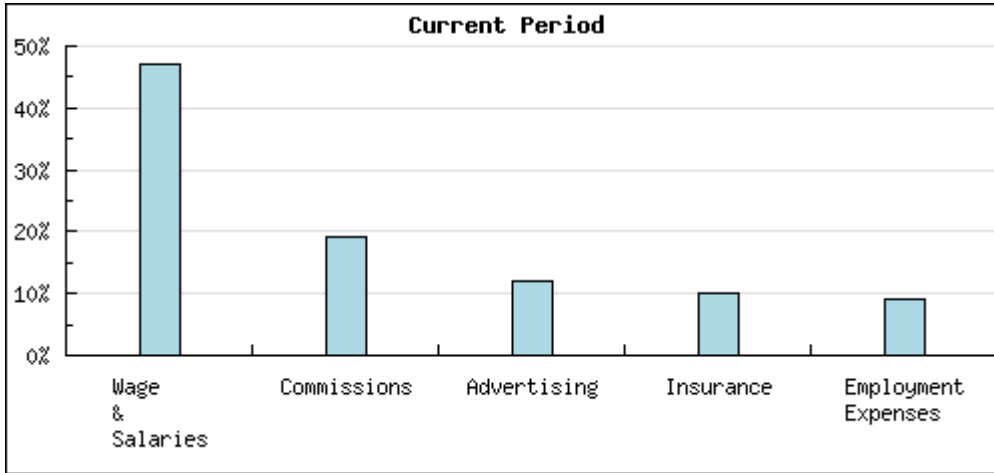
	Cash expended on operation
	Cash after operations

# **ABC Pty Limited**

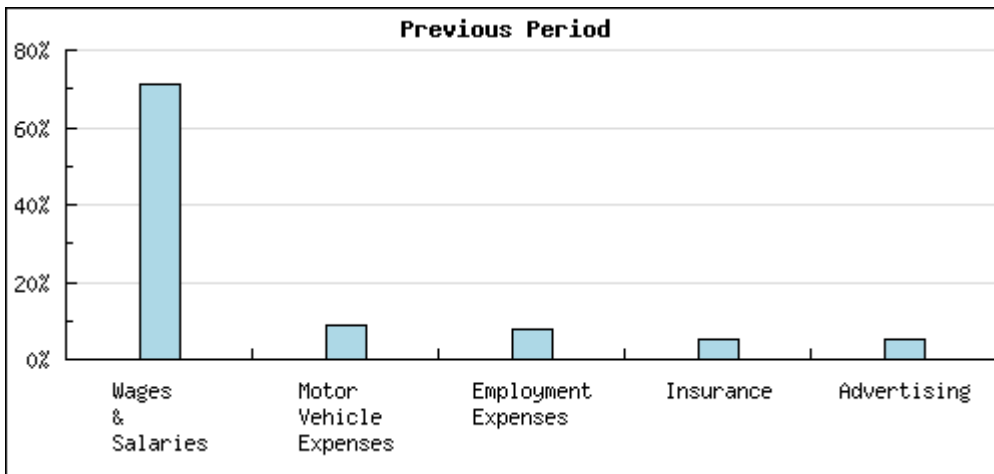
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For the year ended 30 Jun 2006

## **The Most Significant Expenses**



Wage & Salaries:	\$99,977
Commissions:	\$40,801
Advertising:	\$25,696
Insurance:	\$21,571
Employment Expenses:	\$20,378



Wages & Salaries:	\$100,128
Motor Vehicle Expenses:	\$12,973
Employment Expenses:	\$11,141
Insurance:	\$7,518
Advertising:	\$7,333

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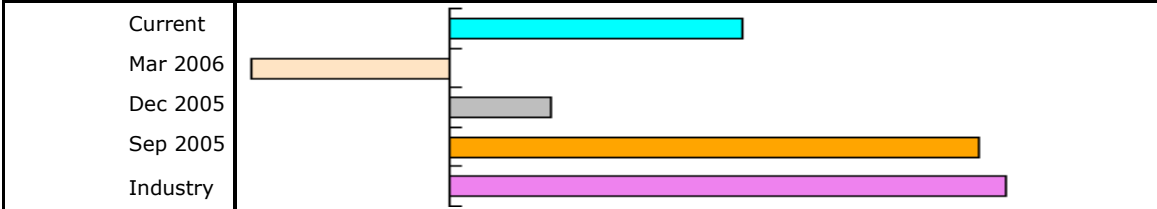
For the period ended 30 Jun 2006

## Detailed Ratio Analysis

Profitability Ratio	Jun 2006	Mar 2006	Dec 2005	Sep 2005	Industry
Profitability %	21.19%	-14.30%	7.38%	38.39%	40.41%

### Explanation

EBITDA/Revenue, earnings before interest, tax, depreciation and amortization / Revenue.



### How does your business perform?

In the current period, each \$100 of revenue the business is making \$21.19 of EBITDA. The business should not be so pleased with its results in this area, all four quarters scored below industry average. Although the business appears that it has turned around from losses in the Jun quarter, the downward trend since Sep 05 spells a real worry. This is a negative management performance result, because it means that the business is probably spending more than it should.

### How to improve this ratio?

Given the fierce competition in the year, cost reduction is one of the strategies which the managers should consider. To improve the profitability ratio for long term purpose, managers should also consider review marketing strategies to improve sales performance, why is your business has a lower gross profit margin than other businesses in the same industry? It is also worthwhile for managers to spend some time on other general methods of increasing profits. These include: A) Gain advice or review of business from qualified industry experts or consultants. B) Using budgets to keep on top of expenses.