Financial Awareness Coaching Financial Key Performance Indicators (KPIs)

Gross Profit

Income *less* Cost of Goods/Services Sold = Gross Profit.

This KPI shows you how much money you have left over to cover the overheads in your business and pay remuneration to the owners.

Example:

Sales	= $250,000
Cost of Goods / Services Sold	= $105,000
Gross Profit	= $250,000 - $105,000
	= $145,000

Gross Profit Percentage

Gross Profit *divided by* Income = Gross Profit %.

This KPI shows you out of every $1 you earn, how much is left over to cover the overheads in your business and pay remuneration to owners.

Example: using above Gross Profit figures

Gross Profit %	= $145,000 / $250,000
	= 0.58 x 100
	= 58%

This shows that for every $1 earned there is 58 cents left to cover overheads and owners remuneration.

Mark Up

(Gross Profit % *times* 100) *divided by* (100 *less* (Gross Profit % *times*100)) = Mark Up.

This KPI shows you the difference between the cost of goods and their selling price. Mark Up is added to costs incurred in creating goods in order to create a profit.

Example: using above Gross Profit %

Markup	= (58% * 100) / (100 - (58% * 100))
	= 58/42
	= 1.38 = **138%**
Selling price	= (Mark Up * Cost) + Cost
	= (138% * $42) + $42
	= **$100**

This shows you that the selling price of each item sold should be 138% more than the costs associated with preparing the goods for sale.

Net Profit
Gross Profit *less* Expenses = Net Profit. This KPI shows how much money the business has made after all expenses, including depreciation and taxation, have been taken into account.

Debtor Days	
Average Debtors *divided by* Sales *times* number of days in financial year = Debtor Days. Average Debtors = Opening Debtors PLUS Closing Debtors divided by 2. This KPI shows you the number of days on average that it takes to receive payment for goods you have sold. The longer it takes, the greater the number of Debtor Days. Debtor Days can also be referred to as debtor collection period.	
Example:	
Sales	= $250,000
Opening Debtors	= $75,000
Closing Debtors	= $70,000
Average Debtors	= (75,000 + 70,000) / 2 = 72,500
Debtor Days	= 72,500 / 250,000 * 365 = **106 days**
This shows you that on average it takes 106 days for your debtors to repay the amount of money they owe you.	

Creditor Days	
Average Creditors *divided by* Cost of Sales *times* number of days in financial year = Creditor Days. Average Creditors = Opening Creditors PLUS Closing Creditors divided by 2. This KPI shows you the number of days on average that it takes you to pay your suppliers/creditors for goods you have purchased.	
Example:	
Cost of Goods	= $105,000
Opening Creditors	= $55,000
Closing Creditors	= $50,000
Average Creditors	=(55,000 + 50,000) / 2 = 52,500
Creditor Days	= 52,500 / 105,000 * 365 = **182 days**
This shows you on average it takes 182 days for you to pay your suppliers the amount of money you owe them.	