Monthly Financial Report

Sample Client Pty Ltd, a regional trades business | Sample month (month 2 of the financial year)

To: Owners From: Verofy Issued: by the 8th of the following month

THE BOTTOM LINE

Profit was **$5,600 behind budget**. Most of the gap is an unplanned $11,400 repair to the service truck; day-to-day trading was $5,800 ahead. The bigger concern is gross margin: 31.4% against a 34.0% budget, and below budget for the second month running. Revenue is not the problem. **How work is quoted is.**

Revenue	Net profit	Gross margin	Cash at bank
$412,300	**$38,200**	**31.4%**	**$186,400**
3.6% ahead of budget	$5,600 behind budget	Budget 34.0%	7.2 weeks of fixed costs

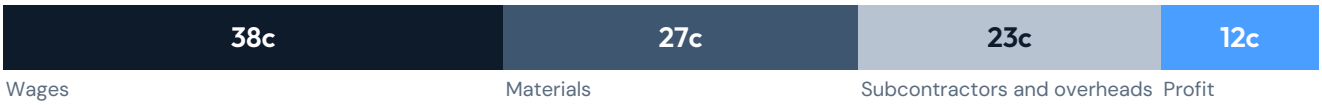
Result summary

	Actual	Budget	Variance	YTD actual	YTD budget	YTD variance
Revenue	$412,300	$398,000	$14,300	$789,200	$781,000	$8,200
Cost of sales	$282,800	$262,700	$20,100	$536,900	$515,500	$21,400
Gross profit	**$129,500**	**$135,300**	**($5,800)**	**$252,300**	**$265,500**	**($13,200)**
Other income	$1,200	$1,000	$200	$2,300	$2,000	$300
Operating expenses	$92,500	$92,500	-	$181,200	$183,400	($2,200)
Net profit	**$38,200**	**$43,800**	**($5,600)**	**$73,400**	**$84,100**	**($10,700)**
Add back truck repair	$11,400	-	-	$11,400	-	-
Underlying net profit	**$49,600**	**$43,800**	**$5,800**	**$84,800**	**$84,100**	**$700**

Green variances are favourable and orange are unfavourable. Gross margin is 32.0% year to date against 34.0% in the budget, a shortfall of about $15,800 on year to date revenue. Year to date, underlying profit is only $700 ahead of budget: higher revenue and lower overheads are being absorbed by thinner job margins.

Where each dollar of revenue went

This month, before the truck repair. Of every dollar invoiced, 12 cents was profit. The budget assumed 11 cents on lower revenue, but the target in the pricing model is 15 cents.



Material variances

Accounts more than $2,000 from budget for the month. For income, a positive variance is favourable; for costs, it is unfavourable.

Account	Actual	Budget	Variance	Comment
Revenue	$412,300	$398,000	$14,300	Two large commercial jobs completed early. Residential work in line with budget.
Field technician wages	$104,600	$96,200	$8,400	Includes $9,800 of overtime on Jobs 2417 and 2431, both with fixed completion dates. Neither quote allowed for overtime.
Materials	$111,300	$103,500	$7,800	27.0% of revenue against 26.0% budgeted. Two jobs were quoted before the recent supplier price rise; the increase cost about $4,100.
Subcontractors	$35,200	$32,900	$2,300	In line with higher revenue. No change in rate.
Vehicle repairs	$14,100	$2,700	$11,400	Includes an unplanned $11,400 engine rebuild on the service truck, shown separately in the result summary. This vehicle has cost $14,900 in repairs this financial year, so it may not stay a one-off.
Office and admin wages	$21,200	$24,300	($3,100)	Admin role vacant for three weeks. The saving ends once the role is filled.
Vehicle fuel	$9,800	$12,500	($2,700)	Genuine saving. Jobs were clustered by area, reducing travel between sites.
Insurance	$0	$2,400	($2,400)	Timing only. Premium budgeted this month, invoiced next month.

Operating costs excluding the truck repair were $11,400 below budget. Of that, $2,400 is insurance timing and $3,100 is the admin vacancy, neither of which will continue. The remaining $5,900 is a genuine saving, led by fuel and two cancelled software subscriptions.

Wages by team

Team	Actual	Budget	Variance	Overtime	Overtime % of gross
Field technicians	$104,600	$96,200	$8,400	$9,800	9.4%
Apprentices	$19,800	$18,400	$1,400	$1,300	6.6%
Site supervisor	$11,900	$11,700	$200	-	0.0%
Office and admin	$21,200	$24,300	($3,100)	-	0.0%
Total wages	**$157,500**	**$150,600**	**$6,900**	**$11,100**	**7.0%**
Wages as % of revenue	38.2%	37.8%		Target	35.0%

Overtime was 7.0% of gross against a 5.0% target. Excluding the two fixed-date jobs, it was 0.9%, so the issue is concentrated in how those jobs were priced, not in day-to-day rostering.

Cash and debtors

Aged debtors	Amount	Share
Current	$142,300	60%
31 to 60 days	$47,400	20%
61 to 90 days	$32,100	13%
Over 90 days	$16,800	7%
Total owed	**$238,600**	**100%**

Next month cash outlook	Amount
Opening cash	$186,400
Customer receipts	$391,000
Wages and super	($172,600)
Suppliers and subcontractors	($158,300)
Overheads and insurance	($58,900)
Loan repayments	($8,400)
Projected closing cash	**$179,200**

Three accounts make up the $48,900 over 60 days, and one of them has asked for a new quote. Receipts in the outlook assume half of that $48,900 is collected next month. If none is collected and the ute deposit of $12,000 is paid, closing cash falls to $142,800, about 5.5 weeks of fixed costs.

Matters to monitor

- **Gross margin.** Below budget in both months of the year so far, 32.0% year to date against 34.0%. If it continues, the full-year shortfall is roughly $95,000.
- **Materials pricing.** Four open jobs worth $164,000 were quoted before the recent supplier increase. At current prices they carry about $5,200 of unrecovered cost.
- **Service truck.** $14,900 of repairs in two months. At this rate, a replacement decision is better made now than after the next failure.
- **Admin vacancy.** The $3,100 saving this month reverses once the role is filled. It should not be read as an ongoing reduction.

Recommended actions

1. **Add an overtime allowance to quotes for fixed-date jobs.**
   Overtime on two such jobs cost $9,800 and most of this month's 2.6 point margin shortfall.
2. **Requote or seek a variation on the four open jobs priced before the increase.**
   Around $5,200 of materials cost is currently unrecovered.
3. **Chase the three accounts over 60 days before quoting new work for them.**
   $48,900 is outstanding, including the client asking for a new quote.
4. **Hold the ute purchase until those debtors are collected.**
   Revisit in next month's report once the cash position is confirmed.
5. **Obtain two quotes to replace the service truck.**
   Compare against expected repair costs over the next 12 months before committing further spend.

This is what a Verofy client receives each month.
Book a free 30-minute call at verofy.com.au or email hello@verofy.com.au. This sample uses fictional figures for illustration only.