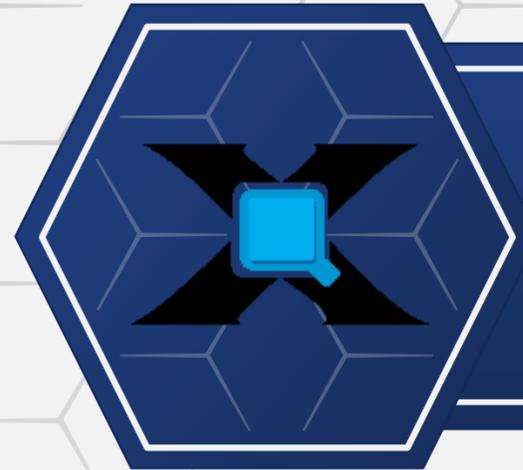


# PROFIT FIRST

WITH CHARLENE QUAH  
PARTNER, CPA, CTC  
AND BREANNE SALCEDO  
BUSINESS COACH



# CHARLENE QUAH

Partner, CPA, CTC



- **Been a CPA for over 20 years**
- **First 7 years spent auditing businesses and corporations**  
Fraud investigations, financial audits, and operational audits



# BREANNE SALCEDO

Business Coach



- **Been part of actionCOACH for over a decade**
- **Certified Business Coach**  
Global speaker, award winning strategist

# SBA CENSUS

- ❖ **20% of new businesses fail in first 2 years**
- ❖ **50% fail within 5 years**
- ❖ **25% will make it to 15 years or more**



## WHY DO SO MANY BUSINESSES FAIL?

# CASHFLOW ISSUES

How many times have we seen  
businesses who have MILLIONS in  
revenue but NO profit?





**BIGGER**  
**IS**  
**NOT**  
**BETTER**

A PROFITABLE  
BUSINESS COULD  
STILL HAVE  
CASHFLOW  
ISSUES



# WHAT IS PROFIT FIRST?



**Profit First is NOT accounting  
and NOT finance.**



**Profit First is a system that  
helps a business reach its  
DREAM from its present  
REALITY.**



**Profit First teaches business  
owners to live within its means.**

**TRADITIONAL  
METHOD**

**WHAT IS  
PROFIT FIRST?**

**PROFIT FIRST  
METHOD**

**PROFIT FORMULAS**

**REVENUE – EXPENSES**

**=**

**PROFIT**

**REVENUE – PROFIT**

**=**

**EXPENSES**



**XQ CPA**

# HOW TO PRACTICE PROFIT FIRST



**DEPOSIT INCOME**



**PROFIT SAVINGS**

**OPEX**

**(PAY CREDIT CARDS MONTHLY!)**

**ALLOCATE  
INCOMING  
DEPOSITS TO 5  
ACCOUNTS**

# PROPOSED ALLOCATION MODEL



PROFIT ALLOCATION MODEL		
INCOME		\$200,000.00
PROFIT	5%	\$10,000.00
OWNER'S COMP	25%	\$50,000.00
TAX	20%	\$40,000.00
OPEX	50%	\$100,000.00
<b>TOTAL</b>		<b>\$200,000.00</b>

# HOW TO PRACTICE PROFIT FIRST?

	A	B	C	D	E	F
<b>Real Revenue Range</b>	\$0-\$250K	\$250K-\$500K	\$500K-\$1M	\$1M-\$5M	\$5M-\$10M	\$10M-\$50M
<b>Real Revenue</b>	100%	100%	100%	100%	100%	100%
<b>Profit</b>	5%	10%	15%	10%	15%	17%
<b>Owner's Comp</b>	50%	35%	20%	10%	5%	3%
<b>Tax</b>	15%	15%	15%	15%	15%	15%
<b>Operating Expenses</b>	30%	40%	50%	65%	65%	65%

**Fig. 4. Target Allocation Percentages (TAPs).**

# WHY PROFIT FIRST SYSTEM MAY NOT WORK FOR EVERY BUSINESS?



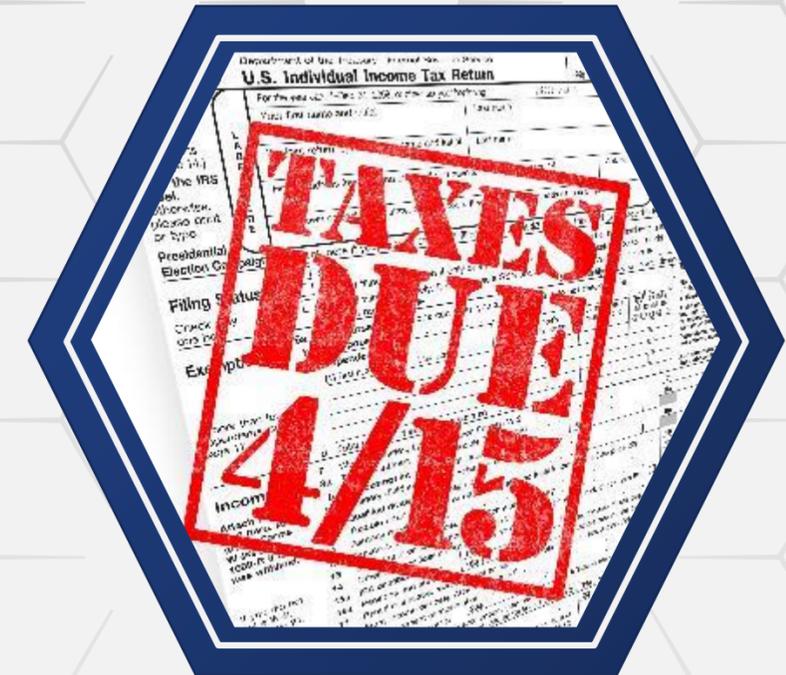
## STARTUPS

A lot of initial startup costs.



## COST STRUCTURES

May not be the same across industries i.e. service vs product.



## TAX ACCOUNT

15% may be too low, especially for those who do not tax plan  
(tax bills are often largest business expense)

# THE ULTIMATE SECRETS



- 1 - **EFFICIENCIES**  
Optimizing Utilization
- 2 - **EFFECTIVENESS**  
Maximizing Realization
- 3 - **CASHFLOW**  
How do you preserve cashflow by reducing post-tax dollars and increasing pre-tax dollars?
- 4 - **REVENUE**  
Go WIDE or go DEEP

# BUDGET TEMPLATE



Other			-
<b>Total Operating Expenses</b>	-	-	-
<b>Non-Recurring Expenses</b>			
Furniture, Equipment and Software			-
Gifts Given			-
Other			-
<b>Total Non-Recurring Expenses</b>	-	-	-
<b>Total EXPENSES</b>	-	-	-
Net Income Before Taxes			-
Income Tax Expense			-
<b>NET INCOME</b>	-	-	-