NALO VENTURES GROUP

Strategic Advisory and Consulting

BUSINESS MONEY GUIDE

Revenue Is Coming In Where Is It Going

A practical guide to business expenses and pricing with worksheets for profit and cash flow

Nataki Gardner

Nalo Ventures Group LLC

Before you chase another sale

Your business is making money, but you cannot see what is left. Bills are getting paid, subscriptions keep renewing, and you are putting in the hours. You want more customers because more revenue seems like the answer. Before you spend more money trying to grow, take a closer look at the money already moving through the business.

A client came to me believing they needed more revenue. Our review revealed unnecessary expenses, subscriptions they did not need, areas where they were overpaying, and pricing that needed attention. They also lacked consistent systems for tracking sales and expenses. We worked on understanding the numbers and tightening the operation before preparing it to handle more clients.

That experience is the starting point for this guide. You may need more revenue. You also need to understand how much of each sale pays for the work, how much supports the business, and what remains available after your obligations.

We will examine expenses, pricing, and the timing of payments. You will calculate a starting sales target, compare offers, and build a cash plan you can update. By the end, you should have three specific financial priorities for the next 30 days.

Use your actual records. Where information is missing, write down what needs to be verified. A useful review begins with accurate information, even when that information shows something you would rather change.

This guide builds on the financial review introduced in Your Business Should Not Need You for Everything. You can also use it on its own.

Nataki Gardner

Nalo Ventures Group LLC

Educational disclaimer

Nalo Ventures Group provides strategic advisory and business consulting services. We are not CPAs or accountants.

This guide is for educational and informational purposes. It helps business owners understand revenue, expenses, pricing, profit, and cash flow. It does not provide personalized financial, accounting, or tax advice.

The examples and worksheets are learning tools. Your business circumstances and results may differ. Consult a qualified CPA, accountant, or other appropriate financial professional for advice specific to your business.

Gather the records that explain the money

Start with your most recently completed month and gather the prior two months for comparison. Seasonal businesses may need a longer view. Use the same date range across reports, and note whether your books use cash or accrual accounting. Your bookkeeper can help you compare information consistently.

Bring these records together

- Business bank and credit card statements, including accounts used only occasionally.
- Sales, invoice, refund, and payment processor reports.
- Receipts, recurring subscriptions, and annual renewal notices.
- Payroll and contractor costs, plus work you performed yourself.
- Unpaid customer invoices and bills you still owe.
- Debt balances, scheduled payments, and transfers to or from the owner.

If your books are current, add your profit and loss report and balance sheet. Reconcile your accounts: compare the recorded transactions with statements and resolve differences. This helps you identify missing entries, duplicate transactions, and payments recorded incorrectly.

Check whether a payment processor deposits sales after deducting its fees. Recording the net deposit as revenue and also subtracting the fee can count that fee twice. Transfers between business accounts can also appear to be income if they are classified incorrectly.

Choose a consistent place to keep records. Assign someone to maintain them and schedule a review. A customer relationship management system, or CRM, can track customer activity; your bookkeeping system should track the financial transactions. Confirm how information moves between them.

Identify what you still need

Month under review: _____

Missing or unreliable records: _____

Who will correct them and by when: _____

My recurring financial review appointment: _____

Recordkeeping resource: SBA Manage your business, listed on page 18.

Understand revenue profit and cash

Revenue is income recorded from selling your products or services. With accrual accounting, revenue can be recorded before the customer pays. With cash accounting, the timing follows receipts. Know which basis your report uses before comparing it with your bank deposits.

Gross profit is revenue minus the costs recorded as cost of goods or services sold. Operating profit also subtracts operating expenses, such as administrative support, rent, and software. It is before interest and income taxes. Net profit includes the remaining applicable expenses; check what your specific report includes.

Cash is the money the business holds. Cash flow describes money moving in and out. Sales, collections, and profit can have different amounts in the same month.

A hypothetical monthly profit report

This example uses accrual accounting. It assumes no interest expense or noncash expenses and no other items beyond those shown.

Item	Amount
Revenue earned	$12,000
Direct costs of work sold	$4,500
Gross profit	$7,500
Other operating expenses	$5,200
Operating profit before interest and income taxes	$2,300

The $7,500 gross profit still has operating expenses to cover. The $2,300 operating profit is also different from money you can automatically transfer to yourself. Unpaid invoices, debt payments, and other commitments affect available cash.

On the next page, we follow this same example through the bank account. You will see how a profitable month can end with the same cash balance it had at the beginning.

My report uses this accounting basis: _____

The profit figure I want my bookkeeper to explain: _____

Follow the money through the bank account

Continue the hypothetical example from page 4. The business earned $12,000 but collected $10,000; the remaining $2,000 is unpaid. Assume there were no opening unpaid invoices or bills, and all $9,700 of the month's direct costs and operating expenses were paid in cash.

The business also received a loan and made the separate payments below. The income tax payment relates to an earlier obligation. The owner payment is a draw, not payroll.

Cash movement	Amount
Cash at the beginning of the month	$5,000
Plus customer payments collected	$10,000
Plus new loan proceeds	$3,000
Minus direct costs and operating expenses paid	$9,700
Minus loan principal repaid	$1,000
Minus income tax payment	$800
Minus owner draw	$1,500
Cash at the end of the month	$5,000

The business reported $2,300 in operating profit, but its cash balance stayed at $5,000. The unpaid revenue and additional cash payments help explain the difference. The loan increased cash without increasing revenue. Without that loan, the ending cash balance in this example would have been $2,000.

In a real business, inventory purchases, equipment, deposits, and changes in unpaid bills can create other differences. Ask your bookkeeper to trace the major movements rather than forcing every bank transaction into a revenue or expense category.

One cash movement I have been treating as income or an expense without checking:

_____

The question I will ask about it: _____

Find expenses that deserve attention

Review every recurring charge and the larger one-time purchases. Ask what each expense supports, who uses it, and whether it is still appropriate. Include annual fees so they do not disappear from your monthly review.

Look for duplicate tools, unused subscriptions, excess account seats, and services that no longer fit your operation. Compare vendor prices and service levels. A lower price is useful when the replacement can still deliver what the business needs.

Before canceling, check notice periods, contract terms, and whether you need to export records. Some expenses support required obligations or protect service quality. Understand their purpose before making a change.

Build an expense review list

Expense	Monthly equivalent	Proposed change	Action and date
	$		
	$		
	$		
	$		

Divide an annual charge by 12 to compare its monthly cost. Keep the actual renewal date in your cash plan. A $600 annual subscription represents $50 a month for comparison, but it still requires a $600 payment when due.

Separate potential savings from completed changes. Three planned cancellations have not freed money until the charges stop. Verify the next bill and record any replacement cost or cancellation fee.

Confirmed recurring reduction: $_____ per month

One-time cost of making that change: $_____

How I will confirm the change took effect: _____

Also review purchases made without a clear business purpose. If you cannot explain how you use something, investigate whether keeping it makes sense.

Work out what it costs to deliver an offer

Choose one product or service and define exactly what the customer receives. List the labor, materials, fees, shipping, and other costs needed to complete that sale. Include preparation, follow-up, and expected revisions when estimating delivery time.

Your own time has a cost for planning, even when it does not appear as payroll. Estimate the hours required and a reasonable compensation amount for that work. Keep this planning calculation separate from how your accountant records owner pay.

Then allocate a reasonable share of overhead. For 20 similar jobs, $2,000 in monthly overhead represents $100 per job. If you expect 10, the share becomes $200. Businesses with different offers may need to allocate by labor hours or another suitable basis.

Estimate the full cost of one sale

Offer and included work: _____

Cost to include	Amount per sale
Delivery labor including owner time for planning	$
Materials supplies or inventory used	$
Payment fees shipping and other variable costs	$
Allocated share of operating overhead	$
Total planning cost	$

Count each cost once. If owner wages already appear in the labor amount, do not add the same work again. If a payment fee is a percentage of price, recalculate it when the price changes.

Fixed costs stay relatively stable within a given level of activity. Variable costs change with sales or delivery volume. Direct costs relate to a particular offer; that classification is different from fixed versus variable. For example, a dedicated employee's salary may be direct to a service but fixed for the month.

The cost I have been leaving out: _____

The estimate I need to verify with actual records: _____

Set a price with a clear margin

Once you have a cost estimate, test what your price would leave. Margin expresses profit as a percentage of the selling price. Markup expresses the amount added as a percentage of the cost used. Adding 50% to your cost produces a different result from earning a 50% margin.

A hypothetical pricing comparison

Assume an offer has a $240 planning cost, including delivery costs, owner labor for planning, and allocated operating overhead. Costs are assumed unchanged at these prices. The remainder below is before interest and income taxes and is a planning result, not automatically your accounting net profit.

Selling price	Included cost	Remainder	Planning margin
$360	$240	$120	33.3%
$400	$240	$160	40%
$480	$240	$240	50%

Margin = (selling price minus included cost) ÷ selling price × 100.

Price for a target margin = included cost ÷ (1 minus target margin as a decimal).

For a 40% target, $240 ÷ 0.60 = $400. For a 50% target, $240 ÷ 0.50 = $480. If some costs rise with price, update the cost calculation and check again.

I like to examine whether a 40%–50% margin is workable. Your industry, cost structure, and customers will affect an appropriate target. Name the margin you are discussing: gross, operating, net, or a planning margin based on specified costs.

Cost is one part of pricing. Consider customer value, demand, and what you can reliably deliver. Test changes and review actual results. Pricing resources are listed on page 18.

My current price and calculated margin: _____

A price or scope change I need to evaluate: _____

Compare the offers that use your time

Your highest-priced offer may also require more time and expense. Compare offers using the same definitions. Contribution is revenue minus variable costs; it helps cover fixed costs and, after those are covered, profit.

In this hypothetical example, variable costs include purchased labor and materials. Owner delivery time is shown separately and is not included as a cost. Fixed overhead, owner compensation, interest, and income taxes still need to be covered.

Measure per sale	Offer A	Offer B
Selling price	$1,000	$700
Variable costs	$400	$200
Contribution before fixed costs and owner pay	$600	$500
Owner delivery hours	10	5
Contribution per owner delivery hour	$60	$100

Offer A contributes more dollars per sale. Offer B contributes more per owner delivery hour in this example. That can matter when your time limits how much work the business can accept. It does not prove Offer B is the better choice in every situation.

Also consider customer demand, sales effort, payment timing, and whether the work creates extra follow-up. A service that looks profitable on paper may consume unrecorded hours. Track a few completed jobs and update your estimates.

Use the comparison to identify an offer to improve. You might clarify the scope, charge for additional work, adjust pricing, or change how delivery is handled. Check whether customers still receive the value promised.

The offer I will review: _____

The time or cost I have not been tracking: _____

The change I will test and the result I will measure: _____

Set a sales target that covers the business

A revenue goal becomes more useful when you connect it to costs. Break-even is the point where sales cover the costs included in the calculation. Start with one offer, a stated monthly fixed cost amount, and variable costs per sale.

Assume a service sells for $500 and has $200 in variable costs per sale. That leaves $300 in contribution. Monthly fixed operating costs are $3,000. These hypothetical figures exclude interest and income taxes; the owner must separately account for compensation if it is not included in the costs.

Break-even sales = fixed costs ÷ contribution per sale.

$3,000 ÷ $300 = 10 sales, producing $5,000 in revenue and zero operating profit under these assumptions.

To target $2,000 in operating profit, add it to the fixed cost amount before dividing:

($3,000 + $2,000) ÷ $300 = 16.67 sales.

Round up to 17 whole sales. Revenue would be $8,500, variable costs $3,400, and fixed costs $3,000, leaving $2,100 before interest and income taxes.

Run your calculation

Monthly fixed costs included: $_____

Selling price and variable cost per sale: $_____ / $_____

Contribution per sale: $_____

Break-even number of sales rounded up: _____

Target operating profit and required sales: _____

Check whether you have enough demand and capacity to complete the required work. Multiple offers need a calculation using a realistic sales mix. Fixed costs can also increase when you add staff or space. Recalculate when those assumptions change.

Formula reference: SBA Break-even point calculator, listed on page 18.

Make it easier to collect what customers owe

Look at what happens between a customer agreeing to buy and the money reaching your account. Missing invoices, unclear payment terms, disputed charges, and delayed follow-up can all affect collections. Identify the actual cause before changing your process.

Set payment expectations in the applicable agreement. Explain the amount due, due dates, and the process for questions. Depending on your services and requirements, deposits, staged payments, or payment before delivery may be appropriate. Choose terms your business can administer consistently.

Send accurate invoices on schedule and record their status. Assign responsibility for following up. If an amount is disputed, document the issue and the next action. Keep customer communications professional and consistent with the agreement.

Review unpaid invoices

Customer or invoice	Amount owed	Due date	Next action and date
	$		
	$		
	$		

Separate overdue amounts from invoices that are not yet due. Record a realistic expected collection date for your cash forecast. An old invoice with no response should not be treated as a dependable deposit next week.

Also compare payment processor reports with bank deposits. Identify normal processing time, deducted fees, refunds, and any held funds. The sale date and deposit date may differ.

My invoicing and follow-up owner: _____

One recurring reason payments are delayed: _____

The change I will make and review date: _____

Plan cash by the week

A monthly total can hide a shortage that happens before the next deposit. Build a forecast using expected collection dates and payment due dates. Start with available business cash, add expected receipts, and subtract planned outflows. Carry each week's ending balance into the next week.

A hypothetical four week forecast

Cash movement	Week 1	Week 2	Week 3	Week 4
Starting cash	$3,000	$1,500	$1,800	$600
Customer receipts	$2,000	$2,500	$1,500	$3,500
Total cash available	$5,000	$4,000	$3,300	$4,100
Planned cash outflows	$3,500	$2,200	$2,700	$2,100
Ending cash	$1,500	$1,800	$600	$2,000

The forecast ends with $2,000, but Week 3 falls to $600. List what is included in outflows: operating payments, debt payments, taxes, planned owner payments, and other commitments. Keep money already reserved for another purpose visible.

Test a delay. If Week 2 receipts fall from $2,500 to $1,000 and the missing $1,500 arrives after Week 4, Week 2 ends at $300. Week 3 then shows a $900 shortfall. That is a projected funding gap requiring action before the bills are due.

Possible actions depend on the situation: follow up on collectible invoices, postpone a discretionary purchase, or discuss a revised payment schedule with a vendor before relying on it. Record agreed changes and update the forecast.

Build your next forecast

Starting cash and date: _____

Expected receipts with collection dates: _____

Payments and reserved amounts with dates: _____

Lowest projected balance and the action needed: _____

Cash planning resource: FDIC Money Smart for Small Business, listed on page 18.

Plan owner pay and other commitments

The business should have a clear plan for paying you. Start with what you need personally, the work you perform, and what the business can support after its obligations. If those amounts do not match, identify the gap and the changes needed to address it.

Confirm with your accountant how your pay should be handled for your business structure. Wages, draws, distributions, and reimbursements have different accounting and tax treatment. A transfer to you should be recorded accurately so it does not distort the business's performance.

Include scheduled owner payments in the cash forecast. If compensation is already included in payroll outflows, count it once. Keep personal spending separate and record any legitimate reimbursement through a consistent process.

Debt payments also need attention. A payment may include both interest and principal. Principal reduces a liability; interest is an expense under the applicable accounting treatment. Both use cash. Include the full scheduled cash payment in the forecast while your books classify its parts correctly.

Prepare for annual fees, equipment replacement, and tax obligations before their due dates. The reserve amount should reflect your actual commitments and professional estimates. Moving money into a reserve account is a transfer, not automatically an expense.

List the commitments you need to plan for

Owner compensation plan and payment dates: _____

Tax reserve or payment estimate to confirm with my accountant:

_____

Debt payments including principal and interest: _____

Annual fees and upcoming larger purchases: _____

Cash buffer I will evaluate based on upcoming obligations: _____

Before transferring extra money to yourself, review the coming weeks. Make the decision using current information about collections, commitments, and the costs of unfinished work.

Compare your plan with what happened

Prepare a simple monthly operating budget and compare it with actual results. Use consistent categories and the same accounting basis. Keep the separate weekly cash forecast for payment timing and items that do not belong in operating profit.

Begin with realistic sales volume and prices, then estimate costs. Distinguish fixed expenses from costs that rise with activity. When results differ, identify whether the cause was volume, price, cost, timing, or a recording error.

Monthly operating review

Item	Planned	Actual	Difference
Revenue	$	$	$
Direct costs	$	$	$
Other operating expenses	$	$	$
Operating profit before interest and income taxes	$	$	$

Calculate operating profit as revenue minus direct costs and other operating expenses. For the difference column, use actual minus planned. A positive expense difference means you spent more than planned. A positive revenue difference means revenue exceeded the plan.

Then look beyond the total. Higher revenue may have required more delivery labor. Lower expenses may mean a bill was missed or work was postponed. Ask what explains the change before calling it an improvement.

Turn the review into a decision

The largest difference and its cause: _____

The action I will take: _____

Person responsible and deadline: _____

The result I will check next month: _____

Update the coming month's plan using what you learned. Keep a record of your assumptions so you can tell whether a result changed because the business changed or because the original estimate was unrealistic.

Check what a discount costs you

A discount changes what you keep from each sale. Before using one to increase volume, calculate the new contribution and the extra work needed to make up the difference. Consider whether you have the capacity to deliver that work.

In this hypothetical example, the regular price is $500 and variable cost is $350. Assume the same variable cost after the discount, with fixed costs unchanged. The contribution still needs to cover fixed costs and profit.

Measure	Regular price	With 10% discount
Selling price	$500	$450
Variable cost per sale	$350	$350
Contribution per sale	$150	$100
Sales needed to contribute $1,500	10	15

The price dropped 10%, but contribution per sale dropped one-third. You would need 50% more sales to generate the same $1,500 contribution. Those additional sales also require delivery time and may change your fixed costs if capacity is exceeded.

A promotion may still have a useful purpose. Set a limit, calculate the costs, and decide how you will measure the result. Avoid assuming that every new customer will make additional purchases later.

Unpriced extras can create a similar problem. Additional revisions, extra appointments, and work outside the agreed scope increase costs. Define what is included and how additional work is approved and priced.

The discount or free extra I currently offer: _____

Contribution before and after including its cost: _____

Additional sales or work required to make up the difference: _____

The change I will evaluate: _____

Test changes before committing to them

Use a simple scenario to examine what a change might do. State the assumptions and change one factor at a time. A forecast is a planning tool; results depend on what customers buy and what delivery actually costs.

A hypothetical service business

The starting month has $12,000 in revenue, $6,000 in variable costs, and $5,000 in fixed operating costs. Owner payroll is included in these costs where applicable. Operating profit is before interest and income taxes.

Scenario	Revenue	Variable costs	Fixed costs	Operating profit
Starting position	$12,000	$6,000	$5,000	$1,000
Remove $500 in unnecessary fixed costs	$12,000	$6,000	$4,500	$1,500
Keep that reduction and raise prices 10% with the same volume	$13,200	$6,000	$4,500	$2,700
Same new prices and cost reduction but 10% lower volume	$11,880	$5,400	$4,500	$1,980

The price scenario assumes variable cost per unit does not change. The lower-volume scenario assumes every variable cost falls in proportion to sales volume. Actual costs may behave differently. Percentage-based fees, minimum staffing, or supplier commitments can change the calculation.

This example shows why both costs and customer demand matter. A higher price alone does not guarantee a better result. Track sales volume, delivery costs, and the customer's response after making a change.

Test one change in your business

The change and the reason for it: _____

Expected effect on revenue costs and delivery time: _____

What happens if sales are slower than expected: _____

Review date and evidence I will use: _____

Your next 30 days

Choose three financial priorities from the exercises. Make each one specific enough to complete and review. For example, identify every recurring charge, calculate the full cost of one service, or prepare a four-week cash forecast.

Week one

Gather and reconcile records. Separate missing information from confirmed figures. Review unpaid invoices and upcoming obligations. Arrange bookkeeping help if you cannot explain the records.

My action and deadline: _____

Week two

Review recurring expenses and complete one offer's cost calculation. Check the assumptions with actual delivery time and bills. Identify any pricing or scope change that needs testing.

My action and deadline: _____

Week three

Build the weekly cash forecast. Assign invoice follow-up and confirm due dates. Include owner payments, taxes, and debt obligations without counting anything twice.

My action and deadline: _____

Week four

Review completed changes and compare the latest results with your starting point. Update your budget and forecast. Decide which issue needs ongoing attention or outside support.

My action and deadline: _____

My three priorities

Priority one and evidence of completion: _____

Priority two and evidence of completion: _____

Priority three and evidence of completion: _____

My next financial review appointment: _____

You should finish this month with a clearer explanation of your numbers and a review routine you can maintain. Keep measuring the changes long enough to see whether they hold.

Resources and questions for your next review

Use these resources to explore the concepts in this guide. The numerical examples and worksheets were prepared for this book. They are hypothetical and are separate from the anonymous client experience described in the introduction.

Financial records and cash planning

SBA Manage your business includes financial management and bookkeeping guidance relevant to pages 3–5 and 13–14.

https://www.sba.gov/counseling/manage-your-business/

FDIC Money Smart for Small Business includes a Managing Cash Flow module for further work on the forecast introduced on page 12.

https://www.fdic.gov/consumer-resource-center/money-smart-small-business

Pricing and sales targets

SBA Break-even point calculator supports the sales-target calculation on page 10.

https://www.sba.gov/counseling/plan-your-business/break-even-point-calculator/

Business Victoria explains margin, markup, and break-even calculations. This Australian government resource supports the arithmetic on pages 8 and 10.

https://business.vic.gov.au/business-information/finance/pricing-for-profit/calculate-your-breakeven-point-margin-and-markup

Questions to take to your bookkeeper or accountant

- Are the accounts reconciled and the reports current?
- Which costs are missing, duplicated, or classified incorrectly?
- Why did cash change differently from reported profit?
- How should owner compensation and tax obligations be handled for this business?
- Which figures should I review every month, and who will prepare them?

Bring your completed worksheets and supporting records. Ask for an explanation you understand well enough to use when deciding what to change.

Bring your priorities to Nalo Ventures Group

You now have a way to examine where your business money goes. You can review expenses, evaluate the cost of an offer, and plan when money needs to be available. Use the three priorities you selected to decide what to address first.

If the numbers raise questions you need help working through, start with an inquiry to Nalo Ventures Group. Tell us what your business does, what you have reviewed, and what is keeping you stuck. You can include the priorities you identified in this guide.

Nalo Ventures Group provides strategic advisory and consulting for businesses and nonprofits. Support may include examining business challenges, reviewing operational structure, developing priorities, and evaluating plans for growth or funding. The recommendations and scope depend on your situation.

Submit an inquiry

https://a6de-info.systeme.io/b6f8e6e4

We review inquiries to determine the appropriate next step. If a paid assessment is appropriate, you will receive information before booking. An inquiry begins the process.

Consulting can include recommendations and resources for you or your team to use. Bookkeeping or accounting needs should be handled by the appropriate professional. Hands-on system setup, automation builds, and guidance for your team through implementation are separately scoped and priced unless specifically included in your agreement.

Bring the records and questions that matter to your business. We can determine whether Nalo is the right fit for the work you need.

See you at the table.

Nataki Gardner

Nalo Ventures Group LLC

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