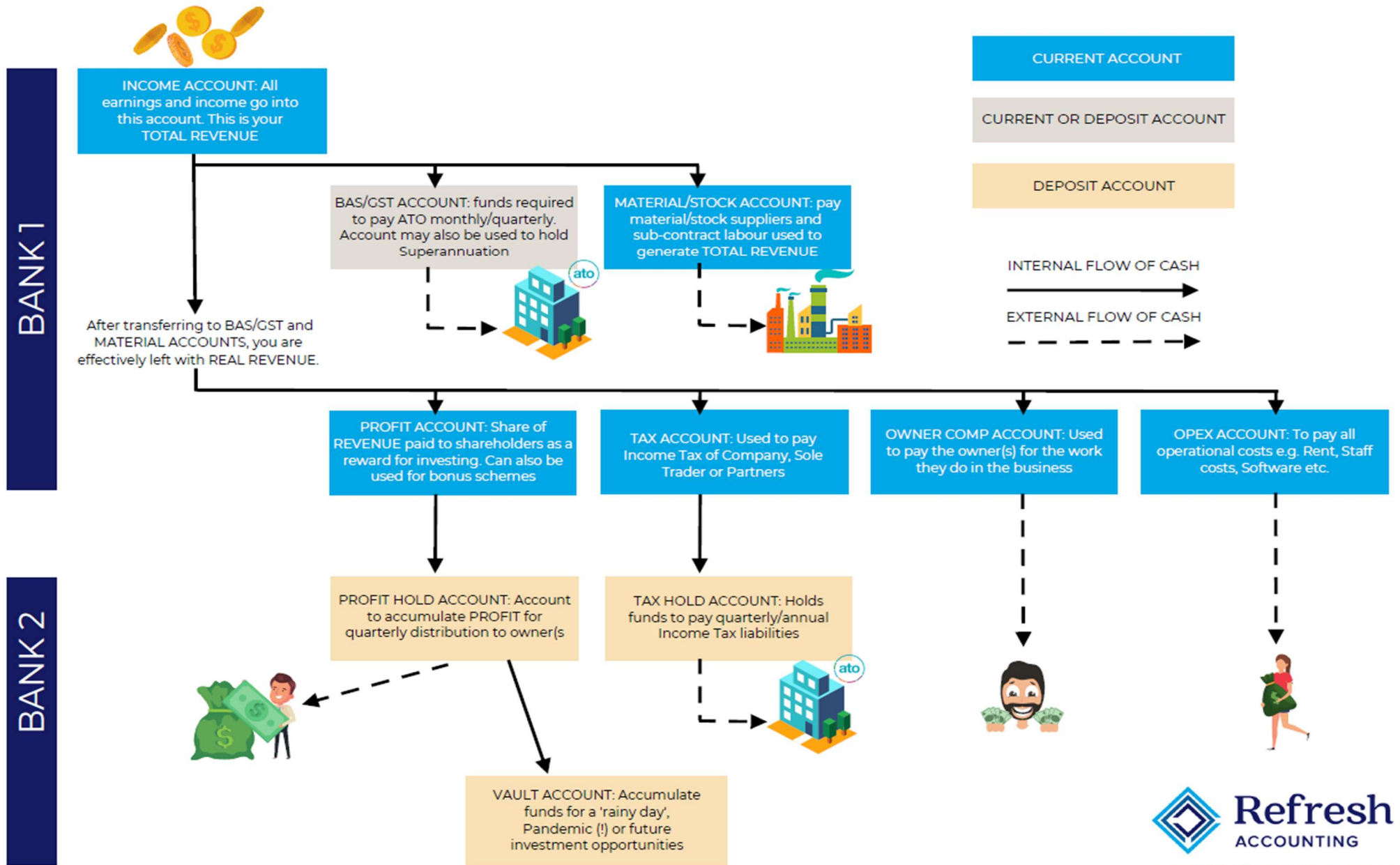


# Profit First bank account cash flows





## Profit First Bank Account Explanations

Bank Name	Explanation
INCOME	<p>We use this account to accumulate all the income received by the business.</p> <p>This is your Total Revenue in your allocation cycle.</p> <p>On the business allocation day we then transfer all the funds accumulated up to midnight the previous day from this account into the other accounts listed, based on the business percentage allocations.</p>
GST or BAS	<p>Percentage allocation from INCOME (Total Revenue) to cover the GST that will need to be paid to the ATO.</p>
MATERIALS or STOCK	<p>If the business has costs relating to purchasing stock (and/or uses subcontractors) for resale or used in producing goods for sale (or to fulfil a service), that is greater than 25% of Total Revenue, then the business should use a MATERIAL/STOCK account and allocate the relevant percentage of Total Revenue to this account.</p> <p>Material suppliers and subcontractors are paid from this account.</p>
<p>Effectively, by allocating GST and MATERIAL/STOCK in this order we are then left with REAL REVENUE, from which all the other allocations are based.</p>	
PROFIT	<p>The allocation from real revenue for your PROFIT. Remember that PROFIT is there to reward the business owner for investing in a business and debt reduction (if debt exists). Transfer from here to PROFIT HOLD (below) ready for your quarterly distribution.</p>
Bank Name	Explanation
TAX	<p>Transfer the percentage allocation to cover your future tax liabilities. If you are a company this will be the tax on company profits. If you are a sole trader this will be the tax that you will have to pay as an individual.</p>

PROFIT FIRST written by Mike Michalowicz.

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## **Profit First Bank Account Explanations**

	Transfer from here to TAX HOLD (below) ready for annual or other periodic payments, as required.
OWNER COMP	Use this account to transfer the allocation to pay the owner(s) salary or drawings.
OPEX	Allocate to this account to cover all other expenditure such as staff salaries, vehicle costs, franchise costs, software, rent etc.
PROFIT HOLD	The holding account in a second bank for your accumulated PROFIT. Access on a quarterly basis only for the distribution.  You take 50% of the funds accumulated in this account as your quarterly distribution, leaving some in reserve.
TAX HOLD	The holding account in a second bank for your accumulated TAX allocation. Access only when there is a tax liability to pay.
VAULT	Use this account to accumulate funds for a 'rainy day', like a big downturn in business or future investment opportunities.

The above represent the standard bank accounts that a business will set up and operate as part of implementing and maintaining *PROFIT FIRST*. Additional accounts may suit individual circumstances.