



2018 FINANCIAL BENCHMARK SURVEY

FREQUENTLY ASKED QUESTIONS AND SURVEY INSTRUCTIONS

Frequently Asked Questions

Why has CPAA decided to do this project?

By producing a Financial Benchmark Study, we'll provide industry metrics that you can measure against to clearly identify opportunities to improve your business. You'll find out what the best in the business are earning, and how they're doing it. Many members have asked for the type of information this study will provide. Today it is just not available anywhere. With your help, we can change that.

Why should I participate?

By participating in the study you will begin a process to improve your company's performance in very meaningful, profitable ways. Your participation also helps us to help the entire industry. In fact, a project such as this requires the commitment of the membership to be a success. Your support will assure a successful launch of a profit improvement initiative that can benefit you and other CPAA members for years to come.

Who will produce the study?

CPAA has selected trusted independent advisor, Barbara Nuss, Certified Practicing Accountant (CPA) of Profit Soup to produce the study. She understands our industry and how to help members be more successful in it. Profit Soup has authored benchmark studies for the American Concrete Pumping Association, Crane Industry Council of Australia and many other associations and franchise groups in the US, Australia and Canada.

What about confidentiality? I only share my financial information with my accountant.

Questions? Call Stuart Donaldson between the hours of 8 am and 5 pm at 0448 248 290 or email CPAA@profitsoup.com

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We know you're concerned about confidentiality, and you should be! The information you submit goes directly to Profit Soup and is completely confidential. Only Barbara Nuss, CPA in the US, Stuart Donaldson (in Australia) and select Profit Soup staff involved in the study will see your information. None of your data will be shared with CPAA or any other party. Only aggregated average results for study participants will be published.

CPAA has executed a confidentiality agreement with Profit Soup. As a Certified Practicing Accountant, business owners and executives put their trust in Barb and her professional ethics every day. She takes her responsibility for confidentiality very seriously. If your company requires an agreement of its own to participate in the study, contact Barbara Nuss of Profit Soup by email at barbara.nuss@profitsoup.com and she will be happy to execute a NDA directly with your company.

What types of questions will the study help me to answer?

The study will include metrics and analysis in four areas: profitability, productivity, cash flow and financial strength. The information will help you to answer questions like these:

- How much are the top performers making on the bottom line?
- How do their margins differ from the rest? Or from mine?
- Is my equipment utilised as efficiently as other companies my size?
- Are my employees as productive?
- Are my staff costs in line?
- Are any of my expenses out of the ordinary?
- Do my customers pay me slower, causing more cash drains than is reasonable?
- Do I have too much debt?
- Am I earning the Return on Investment (ROI) that I should?

What does it cost to participate?

Participation is free to CPAA members.

What will I receive for participating?

CPAA members that participate in the study will receive:

The CPAA Financial Benchmark Study - This report is free to study participants. It shows how the industry measures up in the areas of productivity, profit, cash flow and financial strength. You'll find average metrics for all participating companies contrasted against the most profitable companies (the top 25%) so you can see what the best in the business are achieving. Results will also be presented for companies in various turnover categories so you'll be able to see what level of performance is possible for a company your size.

Confidential Financial Assessment - This report compares *your* results to the average performers, top performers and companies your size. You'll see how you stack up in the areas of equipment productivity, labour productivity, profit margins and expense controls, cash flow, financial risk and return on investment.

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What if my accounts aren't the same as the items on the survey?

We understand that companies present financial information differently, and your accounts may not match up with the items on the survey. Do your best to allocate your accounts to the categories detailed on the survey. If this seems daunting, don't worry. We're here to help. If you'll complete the questions at Part 1 and send your P&L and balance sheet to Profit Soup we will do the rest. If you have questions you can contact Stuart Donaldson at 0488 248 290 or email your query to CPAA@profitsoup.com.

This looks like a lot of work. What if I am too busy?

If you're too busy to complete the entire survey form, simply answer the General Questions and submit them to Profit Soup along with a balance sheet and profit and loss from your 30 June 2018 accounts. Profit Soup will complete the rest of the forms for you. Be sure to provide contact details in case we have questions.

What if my accountant has not yet lodged my accounts?

Please complete and submit your survey by 1 December 2018 using your preliminary figures.

You can send your information by email to CPAA@profitsoup.com

Questions? Email CPAA@ProfitSoup.com, or call Stuart Donaldson at the Profit Soup Australia support office in Sydney at 0488 248 290 (8 am to 5 pm).

What is the deadline for participating?

1 December 2018.

General Instructions

PART 1: Questionnaire

Question 3 - For this question, it is better to make a good estimate than to leave it blank.

Number of Equipment Units – Full Time Equivalents: Count each unit of equipment that was available for service for the full year. For example, if you had one unit for the entire year and an additional unit for 6 months, report 1.5 units.

Total Hours Billed: Report the total hours billed to customers in the year. Exclude travel hours, unbilled set up hours, etc.

Question 6 – Bonus Depreciation Some companies show extremely large depreciation deductions due to their ability to take one-time write-offs for depreciation on new assets acquired during the year. This occurs due to special rules for small businesses and companies supporting mining operations. To help keep the figures comparable between companies, we recommend that you exclude these one-time write-offs from the figures reported on this survey, and instead calculate depreciation for new assets acquired on the straight-line method. If you are unable to determine how to make the adjustment,

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include all depreciation including bonus depreciation on the income statement and indicate the amount of bonus depreciation at Question 6. We'll make the adjustment for you.

Questions 8 to 10 – Revenue Equipment Counts Count revenue equipment only, including Mobile Boom Pumps, Stationary (Separate) Boom Pumps, Trailer & Skid Mounted Pumps and Mobile Line Pumps. Exclude sales or administrative vehicles and equipment.

PART 2: Balance Sheet

- Line 2 **Debtor Accounts** Record amounts due from *customers only*. Use line 4, Other Current Assets for amounts due from employees, owners, affiliated companies, or charges not originating from customer revenue. Reduce for any allowances you've recorded for doubtful accounts.
- Line 3 **Stock** Include stock amounts from your balance sheet for parts, supplies or merchandise for resale.
- Line 4 **Other Current Assets** Include prepaid expenses, short-term deposits, short-term notes receivable, advances to employees or any other asset that will convert to cash within one year or less.
- Line 6 **Revenue Equipment and Vehicles** Include revenue equipment such as pumps, trucks and any other equipment whose use is billed to customers. Also include all vehicles, transport and ancillary equipment (trailers, etc.).
- Line 8 **All Other Fixed Assets** Include office furnishings, office equipment, leasehold improvements and all other depreciable property not classified as Revenue Equipment and Vehicles (line 6) or Land and Building (line 7).
- Line 9 **Accumulated Depreciation of Other Fixed Assets** Include accumulated depreciation and amortization on all fixed assets.
- Line 11 **Other Assets** Include long-term deposits, intangible assets net of amortisation, notes receivable, and any assets not included elsewhere.
- Line 13 **Trade Creditors** Include only *amounts due to trade creditors for direct costs* of operations. Do not include wages, superannuation or long service leave payable (include these items in line 16, Other Current Liabilities).
- Line 14 **Notes Payable Due in 1 Year or Less** Short-term or revolving loan accounts, such as a bank overdraft, credit cards or term loans for one year or less.
- Line 15 **Current Portion of Long-term Debt** Include principal payments on long-term loans that are due to be paid within the next year.
- Line 16 **Other Current Liabilities** Taxes payable (BAS, GST, etc.), wages payable, accrued expenses, long service leave or any other outstanding bill that must be paid in full within the next year.
- Line 19 **All Other Long-term Liabilities (net of current portion)** Include bank notes and mortgages, capital leases or other long-term debt, net of the current portion (that which comes due within the next year). Also include other long-term liabilities if any, such as deferred taxes. Include the current portion of long-term debt on line 15.

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PART 3: Profit and Loss

REVENUES

If your accounts do not detail pumping revenue separate from other types of revenue, please estimate amounts earned in each category.

- Line 1 **Concrete Pumping Revenue** Include all revenues related to concrete pumping services including rents, fuel surcharges, travel charges, etc.
- Line 2 **Other Sales and Services** Include sales or revenues from selling parts, inventory, repair services, or any other business line NOT considered concrete pumping. IMPORTANT: When completing the direct cost section that follows, include all costs related to these sales on line 17.

DIRECT COSTS

Direct costs are costs caused by the process of producing revenues, as opposed to the functions of selling or administering the company. Lines 4 through 15 are reserved for costs related to pumping revenue. Use line 17 for all direct costs or costs of goods sold related to other products or service lines whose revenue is included at line 2.

- Line 4 **Direct Labour** Include wages paid to employees or temporary labour agencies (and their supervisors) for compensation for operators, mechanics and shop labourers. In general, salaries and wages paid for people who put their hands on the revenue equipment would be considered direct labour.
- Line 5 **Payroll Taxes, Workers' Compensation and Benefits** Include costs related to direct labour employees only (those who perform revenue-producing activities). Include staff superannuation, long service leave and other benefits.
- Line 6 **Sub-contractor Labor** Include amounts paid to subcontractors or owner-operators for performing revenue-producing activities.
- Line 7 **Fuel** Include fuel consumed by vehicles and revenue equipment. Fuel for owner vehicles or sales vehicles should be included at line 32, All Other Expenses.
- Line 8 **Operating Supplies, Oil, Lubricants, Shop Supplies, etc.** Include materials installed, small tools and consumables, propane, safety supplies, etc.
- Line 9 **GPS Costs** Include costs related to GPS on revenue equipment.
- Line 10 **Insurance** Include vehicle insurance, general liability insurance and any other insurance that is considered a direct cost, such as insurance on revenue equipment, performance bonds or other job-related coverages. Do not include health or life insurance. Those expenses should be recorded as employee benefits on line 5 if related to direct labour employees, or line 22 if related to dispatch, sales and administrative employees.
- Line 11 **Parts, Repairs, Maintenance and Tire Replacements** Include repairs and maintenance on vehicles and revenue equipment. Do not include building repairs and maintenance (these should be recorded on line 25, Building Maintenance). Do not include repairs or maintenance on office equipment (these should be recorded on line 32, All Other Expenses).

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- Line 12 **Equipment Lease and Rent** Include lease or rental charges for all vehicles and revenue equipment.
- Line 13 **Depreciation - Revenue Equipment and Vehicles** Include depreciation on revenue equipment only. For purposes of this survey, please use straight-line depreciation. Refer to Questionnaire instructions line 6 RE: bonus depreciation. Do not include building depreciation (line 24 Facility Rent) or office and dispatch equipment (line 29 Depreciation and Amortisation).
- Line 14 **Operating Taxes and Licenses** Include rates, permits, licenses and taxes directly associated with chargeable jobs or otherwise associated with revenue-producing equipment (such as property tax on revenue equipment). Do not include rates on land and buildings. These costs should be included with Facility Rent expenses at line 24.
- Line 15 **Other Direct Expenses** Include all direct costs related to concrete pumping that do not fit any of the categories on lines 4 through 14.
- Line 17 **Direct Costs/Cost of Goods Sold, not Concrete Pumping** If you reported revenue on line 2, consider whether you have incurred direct costs or cost of goods sold related to those business lines that are NOT Concrete Pumping. All direct costs and cost of goods sold related to revenue from line 2 should be recorded here only. Be sure you have not included them on any other line.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Record indirect and overhead expenses here, including all costs of selling or administering to the company. Do not include interest expense, which is a cost of financing, or any unusual items not related to operations (such as gains or losses on fixed assets sales). This type of income and expense should be reported on lines 35, 36 or 37.

- Line 20 **Owner Compensation** Include all compensation amounts paid to owners, shareholders or spouses of owners or shareholders. Also include superannuation, fringe benefits or discretionary expenses paid on behalf of owners.
- Line 21 **Salaries and Wages: Supervisors, Sales, Dispatch and Admin** - Include salaries, wages and bonuses to non-owner administrative employees. Include supervisors, sales people, dispatch, bookkeeping and office administrators.
- Line 22 **Payroll Taxes, Workers' Compensation Superannuation and Benefits (supervisors, sales, dispatch and admin)** Include life and disability insurance costs as well as superannuation for supervisors, sales, dispatch and administrative employees. Do not include benefits related to owners. These should be included at line 20. Benefits related to direct labour employees should be included at line 5.
- Line 23 **Advertising, Promotions and Marketing** Include print advertisements and all other advertising costs, including costs of participating in promotions or trade shows, internet marketing, web site development, ongoing maintenance and updates and other marketing expenses.
- Line 24 **Facility Rent** Include costs related to all buildings and land, such as rent, rates and common area maintenance (CAM charges) for buildings and lease or rents for storage yards. If the business owns the building, include building depreciation, mortgage interest and rates.

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- Line 25 **Building Maintenance** Include building repairs, maintenance and janitorial services.
- Line 26 **Utilities and Telephone** Include all utilities such as heat, lights, water and sewer, as well as security expenses and office telephones.
- Line 27 **Bad Debts** Include bad checks or debtor accounts deemed uncollectible or reserved (if reserve method of accounting is used) during the current year.
- Line 28 **General Business Insurance** Include general office, crime coverages and building insurance. Do not include life insurance (line 20 or 22) or insurance on vehicles or revenue equipment (line 10).
- Line 29 **Depreciation and Amortisation-Office and Administrative** Do not include depreciation on revenue equipment (these expenses should be recorded on line 13). Do not include depreciation on buildings or amortisation of leasehold improvements (these should be included with Facility Rent, line 24).
- Line 32 **All Other Expenses** Include any expenses from your profit and loss accounts that were not better classified elsewhere, including but not limited to dues, subscriptions, travel, meals, entertainment, office supplies, copier supplies, office equipment, maintenance, computer software and services, legal and accounting, office equipment maintenance and donations.

OTHER NON-OPERATING INCOME AND EXPENSE

Include the costs of financing (interest), interest income, and other income and expenses from investing, financing, gains or losses on asset sales or extraordinary items here.

- Line 35 **Interest Expense** Include interest expense on short term and long term financing. Do not include building mortgage interest (line 24, Facility Rent).
- Line 36 **Other Income - Including Interest Income** Include non-operating income, such as net gains on sales of fixed assets, interest income or other miscellaneous income that is not considered revenue from the normal course of operations of the business. Also include extraordinary income from unusual and infrequent items, such as legal settlements or the sale of a business segment.