

Profit First & Small Business Profitability — Workbook

This workbook turns the Profit First course into action on your own numbers. Work through one section per course module: run your Instant Assessment, set your target percentages, open the five accounts, build your allocation rhythm, and install the quarterly review. The templates are editable so you can plug in your real revenue and keep using them long after the course is done.

Why Profit Has To Come First

Confront your real numbers and the behavioral case for taking profit off the top before you change a thing.

Exercise: Run Your Instant Assessment

Pull your trailing twelve months from QuickBooks, Xero, Wave, or a bank-statement export, then answer each prompt with a real dollar figure. The goal is an honest snapshot, not an aspiration. Convert each bucket to a percentage of Real Revenue at the end.

- What was your total top-line revenue for the last twelve months?

- How much of that was pass-through Materials and Subcontractor cost, and what is your resulting Real Revenue?

- How much did you actually pay yourself in draws or salary, and how much did you set aside for income tax?

- What are your Current Allocation Percentages for Profit, Owner's Pay, Tax, and Operating Expenses as a share of Real Revenue?

Worksheet: Where My Cash Really Goes

Fill in each field from your actuals. Seeing the buckets side by side makes the leaks obvious and sets your starting line before you open any new accounts.

Top-line revenue (trailing 12 months)

Pass-through Materials and Subcontractor costs

Real Revenue (top-line minus pass-through)

Owner's Pay taken (draws plus salary)

Tax set aside or paid

Profit distributions actually taken

Operating Expenses (everything else)

Current Profit percentage

Current Owner's Pay percentage

Current Tax percentage

Current Operating Expenses percentage

Checklist: Mindset and Readiness Check

- I accept that profit must come off the top, not be left over at the bottom
- I have located twelve months of revenue and expense data
- I have separated pass-through costs to find my Real Revenue
- I have written down my honest Current Allocation Percentages, even the uncomfortable ones
- I understand my operating account will soon show a smaller, truer number

Setting Up the Accounts and Percentages

Open the five foundational accounts and convert the target benchmarks into your own quarterly bridge plan.

Worksheet: My Five Foundational Accounts

Decide which bank holds each account. Keep Income, Owner's Pay, and Opex as checking at your primary bank, and put Profit and Tax as savings at a separate, less convenient bank. Name each account by purpose, not by number.

Income account — bank and account nickname

Profit account — second bank and account nickname

Owner's Pay account — bank and account nickname

Tax account — second bank and account nickname

Operating Expenses account — bank and account nickname

Optional Payroll account — bank and account nickname

Date all accounts will be open

Exercise: Set Your Targets and Build the Bridge

Look up the Target Allocation Percentages for your Real Revenue band, then design a multi-quarter bridge from your current percentages to those targets, moving one to three points per quarter and starting Profit at 1 percent.

- Which Real Revenue band are you in, and what are the published target percentages for it?
 - What is the gap between each of your current percentages and its target?
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- What will your percentages be in Quarter 1, Quarter 2, and Quarter 4 of the bridge?
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- Which single Opex line will you cut first to make room for the Quarter 1 squeeze?
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Checklist: Accounts and Plan Setup

- Opened Income, Owner's Pay, and Opex as checking at my primary bank
- Opened Profit and Tax as savings at a separate bank with no debit card
- Named every account by purpose in my banking app
- Looked up the target percentages for my Real Revenue band
- Wrote a quarterly bridge plan that starts Profit at 1 percent and never jumps straight to target

Running the Rhythm Day to Day

Install the twice-monthly allocation cadence, the spending rules, and the quarterly profit distribution.

Worksheet: Allocation Day Calculator

Use this on the 10th and the 25th. Enter the total sitting in Income, then compute each transfer from your current percentages and confirm Income returns to zero.

Allocation date (10th or 25th)

Total in Income account today

Transfer to Profit (Income times Profit percent)

Transfer to Owner's Pay (Income times Owner's Pay percent)

Transfer to Tax (Income times Tax percent)

Transfer to Operating Expenses (Income times Opex percent)

Income balance after transfers (should be zero)

Bills paid from Opex before next allocation day

Owner paycheck paid from Owner's Pay

Exercise: Plan Your Quarterly Profit Distribution

At quarter end, apply the 50 percent rule: take half the Profit account out to yourself personally and leave half as a growing reserve. If you carry debt, redirect most of your half to the snowball while keeping a small token reward.

- What is the Profit account balance at quarter end?
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- What is 50 percent of that balance, the amount you may distribute?
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- If you carry debt, how much of the distribution goes to the smallest debt versus a token reward to yourself?
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- What will you do with the distributed money, and how will you keep it from being reinvested into operations?
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Checklist: Operating Discipline

- I allocate only on the 10th and the 25th and let Income accumulate between them
- I spend on business costs exclusively from the Opex account
- I pay myself a fixed, scheduled amount from Owner's Pay like a real paycheck
- I never borrow from the Tax or Profit accounts to cover operations
- I take a profit distribution every quarter and leave at least half as a reserve

Profitability, Debt, and Staying Solvent

Attack debt on a schedule, plug recurring leaks, and run a thirty-minute quarterly health review.

Worksheet: Debt Snowball Setup

List every business debt from smallest balance to largest, regardless of interest rate. Each quarter you attack the smallest with your redirected profit while paying minimums on the rest.

Debt 1 — name, balance (smallest), minimum payment

Debt 2 — name, balance, minimum payment

Debt 3 — name, balance, minimum payment

Debt 4 — name, balance (largest), minimum payment

Quarterly profit available for the snowball

Token reward kept for the owner this quarter

Target payoff date for the smallest debt

Exercise: Run a Profit Leak Audit

Export the last ninety days of Opex transactions and hunt the four classic leaks. Remember that raising a price flows almost entirely to profit, while cost-cutting has a floor.

- Which recurring subscriptions are not used weekly or clearly tied to revenue, and can be cancelled?

- Which offering is underpriced relative to its true cost to deliver, and what price would restore a healthy margin?

- What are you paying in payment-processing and bank fees, and is a lower-fee option available?

- Where do two or more tools do one job, and which can you consolidate?

Worksheet: Quarterly Health Numbers

Compute these four numbers each quarter to confirm you are both profitable and solvent. Note any moving the wrong way and act before the next review.

Total cash across all accounts

Short-term liabilities due soon

Current ratio (cash divided by short-term liabilities)

Owner's Pay percentage this quarter versus target

Profit percentage this quarter versus target

Months of runway (reserves divided by monthly Opex)

Checklist: Quarterly Review Ritual

-] Recomputed my current percentages from the quarter's actuals and compared to target
-] Checked the current ratio, Owner's Pay percent, Profit percent, and runway
-] Made the next quarter's small percentage adjustments toward target
-] Ran the leak audit, the profit distribution, and any debt snowball payment
-] Wrote down one expense to cut and one price to raise before the next review

Your Action Plan

1. Pull twelve months of data and complete the Instant Assessment to lock in your Current Allocation Percentages
2. Look up the Target Allocation Percentages for your Real Revenue band and write the gap to each target
3. Open the five foundational accounts, with Profit and Tax at a separate bank, and name them by purpose
4. Design a quarterly bridge plan that starts Profit at 1 percent and moves one to three points per quarter
5. Set calendar reminders or auto-allocation rules for the 10th and the 25th and run your first allocation
6. Pay all business costs from Opex only and pay yourself a fixed scheduled amount from Owner's Pay
7. At the first quarter end, take a profit distribution under the 50 percent rule and bank the reserve half
8. If you carry debt, set up the smallest-balance-first snowball and redirect most of the distribution to it
9. Run a profit leak audit on subscriptions, pricing, fees, and tool overlap, then cut and reprice
10. Install the thirty-minute quarterly review and repeat it every quarter to keep the system running for life

