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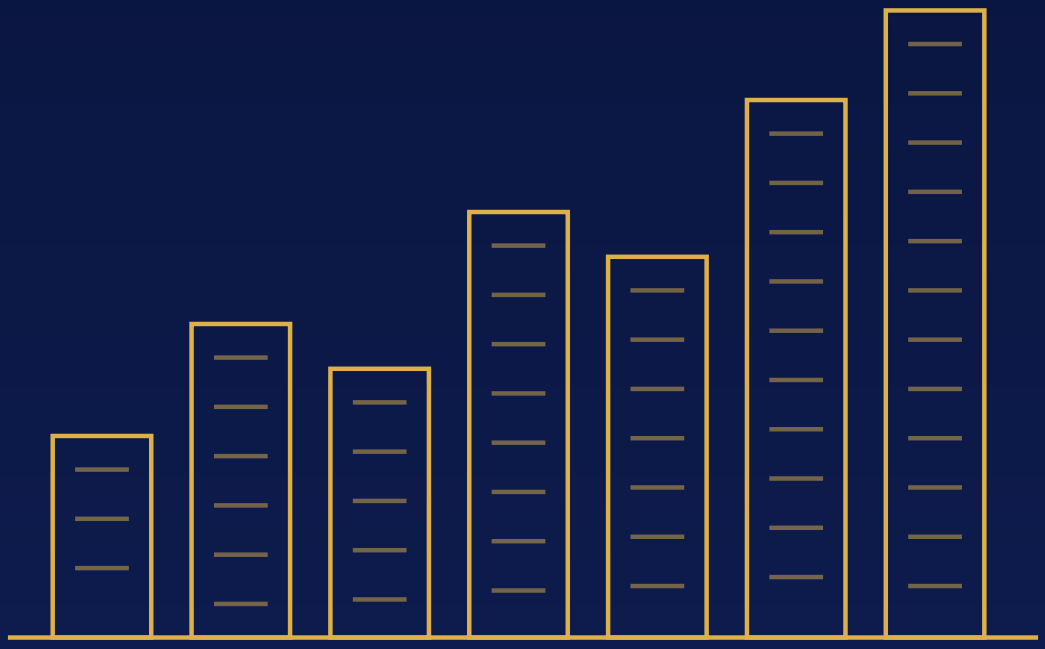

BUSINESS EDUCATION

Running the Numbers

Business fundamentals for Nigerian founders and SME owners

The financial statements, cash habits, compliance duties and funding choices that separate businesses that last from businesses that merely survive.

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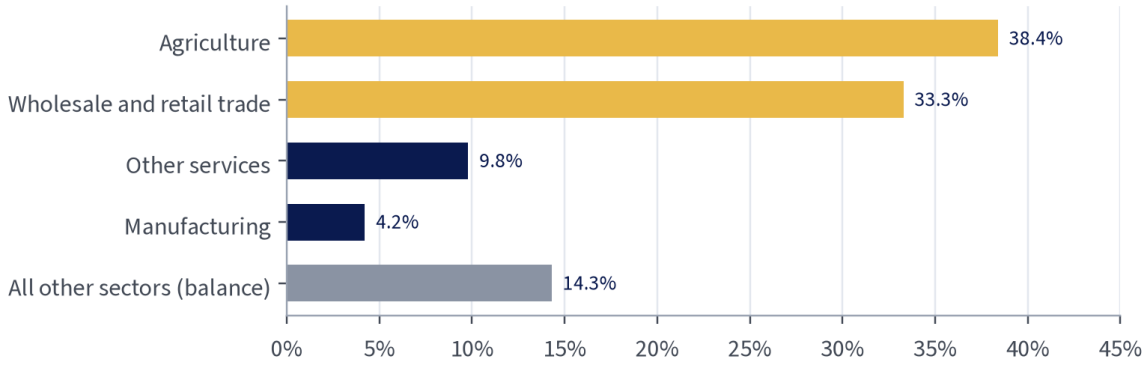
BY ASTUDITY LIMITED · ABUJA · NOVEMBER 2026

Nigeria is a nation of enterprise. The most recent national survey of micro, small and medium enterprises, by the National Bureau of Statistics and SMEDAN, counted 39.65 million MSMEs, contributing 46.31% of GDP and 6.21% of exports. Yet many good businesses stall, not because the product is weak but because the owner cannot see the numbers clearly, runs out of cash while still "profitable", or is not ready when an investor or lender asks hard questions.

Most of those firms are in agriculture and trade, and almost all are micro businesses: the survey counted about 39.0 million micro enterprises against roughly 617,000 small and 53,000 medium ones.

Where Nigeria's small businesses operate

Share of MSMEs by sector, NBS/SMEDAN MSME Survey 2021 (per cent)



This guide covers the fundamentals every owner should master: the three financial statements, cash flow, pricing, compliance, funding and governance.

The operating environment, as at November 2026

Monetary Policy Rate: 23%, the anchor for borrowing costs

Headline inflation: 14.06% (October 2026)

Naira (NFEM close): ₦1,394/$ on 20 November 2026

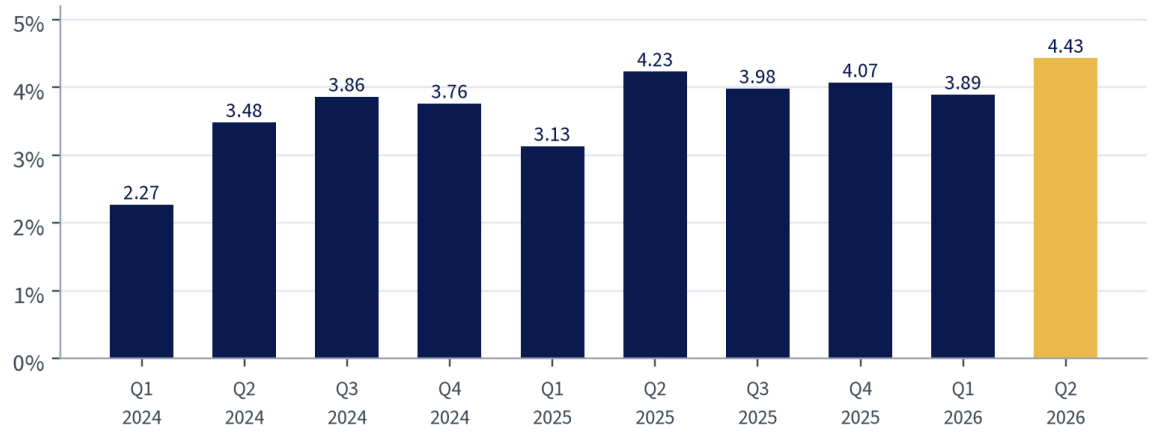
Small companies: 0% company income tax if turnover is ₦100 million or less and fixed assets ₦250 million or less (professional services excluded)

Real GDP growth: 4.43% in Q2 2026

The wider economy has kept growing, if modestly, since the national accounts were rebased to 2019 prices.

Nigeria's real GDP growth by quarter

Year-on-year, constant 2019 prices (rebased series), Q1 2024 to Q2 2026



1. Three statements every owner must read

The income statement (profit and loss) shows sales, the costs of making those sales, overheads and the profit left over for a period. It answers: *are we making money?*

The balance sheet shows what the business owns (assets), what it owes (liabilities) and what belongs to the owners (equity) on a given date. It answers: *how strong are we?*

The cash flow statement shows the cash that actually came in and went out, from operations, investment and financing. It answers: *can we pay our bills?*

The three are linked. Profit flows into equity on the balance sheet. Cash on the balance sheet is the closing figure in the cash flow statement. If you can read all three together, you can understand any business, including your own.

2. Profit is an opinion; cash is a fact

A business can report a profit and still run out of money. The usual cause is **working capital**: cash tied up in stock and in customers who have not yet paid.

Worked example: profitable but broke

A distributor buys goods for ₦8 million, paying the supplier immediately, and sells them for ₦10 million on 60-day credit to a large customer. On paper it has made a gross profit of ₦2 million. In the bank, it is ₦8 million down for two months, while salaries, rent and diesel still have to be paid.

If the customer pays late, the business must borrow, perhaps at a rate well above the 23% MPR, or stop buying stock. Several large credit sales at once can sink a profitable firm.

What helps: negotiate supplier credit, ask for part-payment upfront, invoice promptly, chase receivables weekly, and forecast cash thirteen weeks ahead. *(Illustrative figures.)*

Three numbers to track every month:

- **Debtor days:** how long customers take to pay you.
- **Stock days:** how long goods sit before they are sold.
- **Creditor days:** how long you take to pay suppliers.

Shortening the first two and sensibly lengthening the third frees cash without borrowing a kobo.

3. Pricing when costs keep moving

With inflation at 14.06% and imported inputs priced off an exchange rate that moved from ₦1,360/$ to ₦1,394/$ in a single week in November 2026, a price list set once a year is a risk. Good pricing discipline means:

- **Know your full unit cost,** including transport, power, packaging, wastage and a fair share of overheads.
- **Separate naira and dollar costs** so you can see how much of your cost base moves with the exchange rate.
- **Review prices on a schedule** (monthly or quarterly) rather than in a panic.
- **Protect your gross margin,** the percentage left after direct costs. Volume does not rescue a negative margin; it multiplies the loss.
- **Explain changes to customers** early and honestly. Trust is part of your price.

4. Separate the owner from the business

Mixing personal and business money is the most common bookkeeping failure in small firms. It makes profit impossible to measure, tax harder to calculate and the business unattractive to any lender or investor. Open a business account, pay yourself a regular salary or a recorded drawing, and keep receipts for every expense. Simple accounting software or even a well-kept spreadsheet is enough to start.

5. Compliance: the duties that protect your business

Company registration and annual returns. A company registered with the Corporate Affairs Commission (CAC) under the Companies and Allied Matters Act 2020 must file annual returns. A qualifying small company may be exempt from having its accounts audited, but it must still file its return; late filing attracts penalties, and the company and its officers may be liable.

Tax. The Nigeria Tax Act 2025 sets a 0% company income tax rate for small companies, defined as those with annual gross turnover of ₦100 million or less and fixed assets of ₦250 million or less; professional-service businesses are excluded from that definition. A 0% rate does not mean no paperwork: register for tax, keep records and file returns as required.

Pensions for staff. Employers covered by the Pension Reform Act 2014 must contribute at least 10% of each employee's monthly emoluments and remit the employee's 8%.

Sector licences. Food, drugs, finance, telecoms, oil and gas, and trading by weights and measures all carry their own regulators and rules. Find out which apply before you trade, not after a notice arrives.

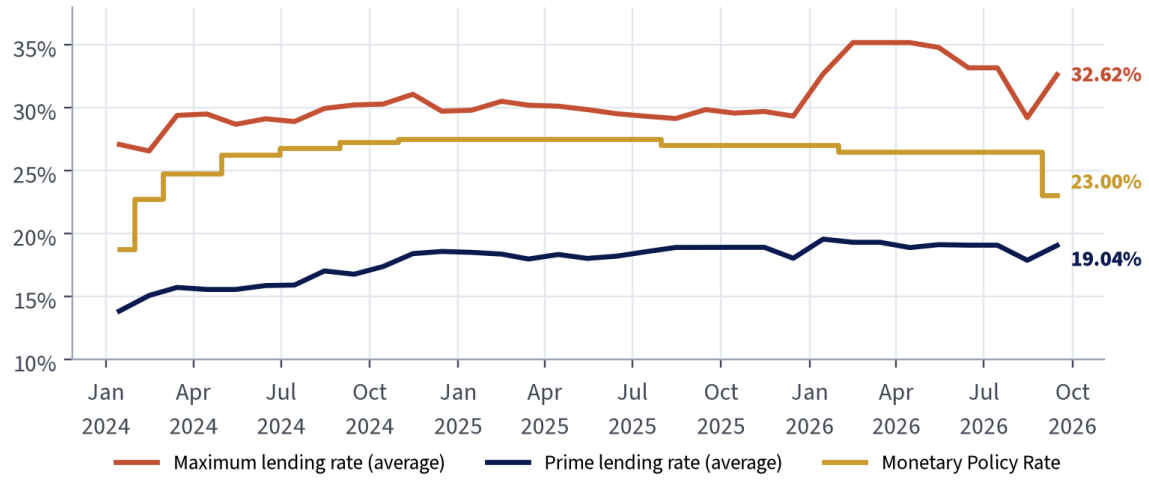
6. Choosing how to fund growth

Source	Best for	What it costs you
Your own savings and retained profit	Early stages, proving the model	Slower growth; your own risk
Customers (deposits, prepayments)	Order-driven businesses	Delivery pressure
Supplier credit	Stock-heavy businesses	Relationship and reliability
Bank and DFI loans	Businesses with steady cash flow and assets	Interest and collateral
Grants and competitions	Specific sectors and founders	Time, reporting, conditions
Angel investors and venture capital	Fast-growing, scalable firms	A share of ownership and control

Debt is cheaper when cash flow is steady; equity suits businesses that must invest heavily before they earn. Borrowing costs in Nigeria remain high. The CBN's own survey of bank rates put the average prime lending rate at 19.04% and the average maximum lending rate at 32.62% in September 2026, so plan repayments against realistic cash forecasts, not hopes.

The price of credit for businesses

Average prime and maximum lending rates, and the MPR, January 2024 to September 2026



Be wary of anyone who asks for a "processing fee" before releasing a grant or loan: genuine programmes publish their terms and do not ask applicants to pay to be considered.

7. Becoming investable

Whether you approach a bank, a development finance institution or an angel investor, they will ask similar questions. Be ready with:

- **Accounts** for at least the last two to three years, prepared on a recognised basis, ideally reviewed by an accountant.
- **Management accounts** for the current year, monthly.
- **A cash-flow forecast** with stated assumptions.
- **A clear ownership record** (who owns what share) and CAC documents.
- **A short investment case:** the problem, the market, the business model, what the money will do and how progress will be measured.
- **Evidence of compliance:** tax, pension, licences.

8. Governance is not only for big companies

Governance is how decisions are made and checked. Even a small firm benefits from a few habits: written roles for founders, a simple monthly management meeting with numbers on the table, an outside adviser or two, and a rule that significant contracts are reviewed before signing. These habits make the business easier to run, easier to finance and easier to sell or pass on.

Key takeaways

- Read the income statement, balance sheet and cash flow statement together.
- Cash, not profit, keeps a business alive; manage working capital every month.
- Price from a full unit cost and review prices on a schedule.
- Separate personal and business money from day one.
- File CAC annual returns and tax returns on time; small companies may pay 0% income tax but must still comply.
- Get investable before you need investors.

Owner's monthly checklist

- ☐ Close the month's books within ten days.
- ☐ Review sales, gross margin and overheads against last month and last year.
- ☐ Update a thirteen-week cash forecast.
- ☐ Chase every invoice more than 30 days overdue.
- ☐ Check stock levels and slow-moving items.
- ☐ Confirm tax, pension and statutory payments are up to date.
- ☐ Review prices against current input costs and the exchange rate.
- ☐ Write a one-page update for co-owners or investors.

Glossary

Gross margin: sales minus direct costs, as a percentage of sales. **Management accounts:** internal monthly accounts used to run the business. **Retained profit:** profit kept in the business rather than paid out. **Unit cost:** the full cost of producing or delivering one unit. **Working capital:** stock plus receivables minus payables; the cash tied up in operations. **DFI:** development finance institution, a lender with a development mandate.

Where to go next

Astudity Spotlight covers business finance, development lenders, genuine grants and company results for Nigerian and African entrepreneurs. Astudity Limited also helps growing private businesses prepare investor-ready materials and data rooms when they come to raise capital.

This publication is educational and is not personalised financial, tax or legal advice. Rules and rates change; check the current position with the relevant regulator or a qualified adviser.

About Astudity Limited

Astudity Limited (RC 7328938) is an investor relations and publishing firm based in Abuja, Nigeria, and the publisher of *Astudity Spotlight*, a business news portal covering business, finance, investor relations, telecommunication, legal metrology and real estate. *Astudity Insights* is its educational series.

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