

# Understanding Your Financial Statements



# **UNDERSTANDING THE #'S IS CRUCIAL**

**Know that you are already Busy!**

**Most of you already have the information.**

**#'s tell what has happened and what will happen.**

**Do both an income and Cash Flow**

# What Your number's give you:

- Typically show what has happened
- Useful in making future decisions
- Compares performance vs. your plans
- Shows what's going right and wrong
- Where are there opportunities
- What changes are needed

# BALANCE SHEET

## Assets =

Cash  
Accounts  
Receivable  
Supplies  
Inventory  
Prepaid Expenses  
Land  
Buildings  
Equipment

## Liabilities

Accounts Payable  
Taxes Payable  
Notes Payable

+

Owner's Equity  
Owner's Capital

# BALANCE SHEET

[COMPANY NAME] & [DATE]

## ASSETS

### CURRENT ASSETS

CASH	\$	_____
ACCOUNTS RECEIVABLE		\$ _____
INVENTORY	\$	_____
<b>TOTAL CURRENT ASSETS</b>	\$	_____

### FIXED ASSETS

MACHINERY & EQUIPMENT	\$	_____
FIXTURES & FURNISHINGS	\$	_____
BUILDINGS & LAND	\$	_____
LESS DEPRECIATION	\$	_____
<b>TOTAL FIXED ASSETS</b>	\$	_____
<b>TOTAL ASSETS</b>	\$	_____

# LIABILITIES & EQUITY

## Current Liabilities

**Taxes Payable** \$ \_\_\_\_\_

**Current payables** \$ \_\_\_\_\_

**Current portion long term debt** \$ \_\_\_\_\_

**Total Current Liabilities** \$ \_\_\_\_\_

## Long Term Liabilities

**Loans** \$ \_\_\_\_\_

**Total Long Term Liabilities** \$ \_\_\_\_\_

**Total Liabilities** \$ \_\_\_\_\_

## Equity

Contributed Capital Owner's	\$ _____
Equity Owner's Draw / Dividends	\$ _____
Current Retained Earnings	\$ _____
<b>Total Equity</b>	\$ _____
<b>TOTAL LIABILITIES &amp; EQUITY</b>	\$ _____

**TOTAL ASSETS AND TOTAL LIABILITIES  
& EQUITY MUST EQUAL OR  
"BALANCE" EACH OTHER**

# Lots of numbers

Reviewing a few critical ratios can tell you a lot about:

- How your business is doing
- How well it is managed and
- How healthy it is.

The two most basic ratios are:

1. Current Ratio
2. Debt to Equity Ratios.



# Income Statement

Answers the question:

How are your business is doing over a period of time – month or year?

Sales/Revenue

-Cost of Goods Sold or Cost of Sales

-Overhead (Operating) Expenses

= Profit

# INCOME STATEMENT

[COMPANY NAME] & [DATE]

## REVENUE

SALES OF BOOKS

\$ \_\_\_\_\_

SALES OF COFFEE

\$ \_\_\_\_\_

**TOTAL REVENUE**

\$ \_\_\_\_\_

## **COST OF GOODS SOLD**

COST OF BOOKS

\$ \_\_\_\_\_

COST OF COFFEE

\$ \_\_\_\_\_

**TOTAL COST OF GOODS SOLD**

\$ \_\_\_\_\_

**GROSS PROFIT**

\$ \_\_\_\_\_

# OVERHEAD EXPENSES

Depreciation	\$ _____
Advertising	\$ _____
Auto Expenses	\$ _____
Insurance	\$ _____
License & Permits	\$ _____
Supplies	\$ _____
Professional Fees	\$ _____
Rent Expense	\$ _____
Payroll	\$ _____
Travel	
Utilities	\$ _____
<b>TOTAL OVERHEAD EXPENSES</b>	<b>\$ _____</b>

LOAN INTEREST EXPENSE      \$ \_\_\_\_\_

NET PROFIT BEFORE TAXES      \$ \_\_\_\_\_

TAX EXPENSE      \$ \_\_\_\_\_

**NET PROFIT**      \$ \_\_\_\_\_

## Management by Percentages (example)

<b>OVERHEAD EXPENSES</b>	<b>YTD 2008</b>	<b>YTD2009</b>
Depreciation	\$ _____	_____ %
Advertising	\$ _____	_____ %
Auto Expenses	\$ _____	_____ %
Insurance	\$ _____	_____ %
License & Permits	\$ _____	_____ %
Supplies	\$ _____	_____ %
Professional Fees	\$ _____	_____ %
Rent Expense	\$ _____	_____ %
Payroll & Taxes	\$ _____	_____ %
Utilities	\$ _____	_____ %
Misc.	\$ _____	_____ %
<b>TOTAL OVERHEAD EXPENSES</b>	<b>\$ _____</b>	<b>_____ %</b>

# Cash Flow Statement

## Cash is King!

Sources of Cash: Actual CASH that has come into the business. (deposited into the bank account)

Uses of Cash: Less - Actual CASH that has been paid out of the business. (check written)

## Sources of Cash

Beginning Cash

\$ \_\_\_\_\_

Current revenue

\$ \_\_\_\_\_

Receivables

\$ \_\_\_\_\_

Withdrawal from Line of Credit

\$ \_\_\_\_\_

Additional Equity (Cash)

\$ \_\_\_\_\_

Additional Debt (Cash)

\$ \_\_\_\_\_

**TOTAL CASH AVAILABLE**

\$ \_\_\_\_\_

## Uses of Cash

Gen. & Admin. Exp's (Less Depre)	\$ _____
Loan Payment(s)	\$ _____
Cost of Goods Sold	\$ _____
Payment on Line of Credit	\$ _____
B&O & other Taxes Due	\$ _____
Equipment	\$ _____
Owner's draw	\$ _____
<b>TOTAL CASH WITHDRAWALS</b>	<b>\$ _____</b>
<b>TOTAL CASH AVAIL. or (SHORT)</b>	<b>\$ _____</b>





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