

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 | \$ | _____ |
| TOTAL CURRENT ASSETS | \$ | _____ |

FIXED ASSETS

| | | |
|---------------------------|----|-------|
| MACHINERY & EQUIPMENT | \$ | _____ |
| FIXTURES & FURNISHINGS | \$ | _____ |
| BUILDINGS & LAND | \$ | _____ |
| LESS DEPRECIATION | \$ | _____ |
| TOTAL FIXED ASSETS | \$ | _____ |
| TOTAL ASSETS | \$ | _____ |

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 | \$ _____ |
| Total Equity | \$ _____ |
| TOTAL LIABILITIES & EQUITY | \$ _____ |

**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 | \$ _____ |
| TOTAL OVERHEAD EXPENSES | \$ _____ |

LOAN INTEREST EXPENSE \$ _____

NET PROFIT BEFORE TAXES \$ _____

TAX EXPENSE \$ _____

NET PROFIT \$ _____

Management by Percentages (example)

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

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 | \$ _____ |
| TOTAL CASH WITHDRAWALS | \$ _____ |
| | |
| TOTAL CASH AVAIL. or (SHORT) | \$ _____ |



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