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
\[
\text{Assets} = \text{Liabilities} + \text{Owner's Equity}
\]

- 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH</td>
<td>$ _______</td>
</tr>
<tr>
<td>ACCOUNTS RECEIVABLE</td>
<td>$ _______</td>
</tr>
<tr>
<td>INVENTORY</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$ _______</td>
</tr>
</tbody>
</table>

### FIXED ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MACHINERY &amp; EQUIPMENT</td>
<td>$ _______</td>
</tr>
<tr>
<td>FIXTURES &amp; FURNISHINGS</td>
<td>$ _______</td>
</tr>
<tr>
<td>BUILDINGS &amp; LAND</td>
<td>$ _______</td>
</tr>
<tr>
<td>LESS DEPRECIATION</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>TOTAL FIXED ASSETS</strong></td>
<td>$ _______</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed Capital Owner's</td>
<td>$ _______</td>
</tr>
<tr>
<td>Equity Owner's Draw / Dividends</td>
<td>$ _______</td>
</tr>
<tr>
<td>Current Retained Earnings</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$ _______</td>
</tr>
</tbody>
</table>

**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 $_____

Terry
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)

<table>
<thead>
<tr>
<th>OVERHEAD EXPENSES</th>
<th>YTD 2008</th>
<th>YTD 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Advertising</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Auto Expenses</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Insurance</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>License &amp; Permits</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Supplies</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Payroll &amp; Taxes</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>Misc.</td>
<td>$_______</td>
<td>_____%</td>
</tr>
<tr>
<td>TOTAL OVERHEAD EXPENSES</td>
<td>$_______</td>
<td>_____%</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash</td>
<td>$___________</td>
</tr>
<tr>
<td>Current revenue</td>
<td>$___________</td>
</tr>
<tr>
<td>Receivables</td>
<td>$___________</td>
</tr>
<tr>
<td>Withdrawal from Line of Credit</td>
<td>$___________</td>
</tr>
<tr>
<td>Additional Equity (Cash)</td>
<td>$___________</td>
</tr>
<tr>
<td>Additional Debt (Cash)</td>
<td>$___________</td>
</tr>
<tr>
<td><strong>TOTAL CASH AVAILABLE</strong></td>
<td>$___________</td>
</tr>
</tbody>
</table>
**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) $_______