

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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