

Understanding Your Financial Statements

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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

<u>Assets</u>	=	<u>Liabilities</u>
Cash		Accounts Payable
Accounts Receivable		Taxes Payable
Supplies		Notes Payable
Inventory		
Prepaid Expenses		+
Land		<u>Owner's Equity</u>
Buildings		Owner's Capital
Equipment		

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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