

BLACK INK:

FINANCIAL MANAGEMENT SKILLS TRACK

Cashflow Management Secrets
Your Accountant Never Shared!



Presented
by
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PROFITS+PLUS
Solution\$
FOR SMALL BUSINESS

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Do you know these terms of accounting?

Profit-and-Loss Statement. This is also referred to as the Income Statement. It shows the income, expenses, and tells you how much profit (or loss). It is usually created for each month. Some businesses have 13 four-week accounting periods instead of the traditional 12 months.

Balance Sheet. The balance sheet indicates the value of the business. It has a list of the assets and liabilities. It is similar to the financial statement you create when you go to the bank for a personal loan.

Current. On a balance sheet, "current" indicates anything that can be expected to be changed to cash within the next 12 months if it is an asset. And if it is a liability, it is anything that is scheduled to be paid in the next 12 months.

Long Term. The opposite of the definition for "current," these are assets and liabilities that are not expected to change in the next 12 months. With regard to a loan that you would owe, while there is a part of the loan that would change from long-term to current each and every month, most accountants move items from long term to current only once each year.

Cash Basis. Most people think they are on a cash-basis accounting system. This means that with the completion of each accounting period (usually a month), all of the bills have been paid, and all of the outstanding balances have been collected. Technically, a business uses either a cash- or an accrual-based accounting system. Actually, many businesses do have accounts payable and accounts receivable that exist from month to month yet retain the identity of a cash-basis accounting system for all other areas.

Accrual Basis. Again, we have an item that is the opposite of the previous definition. With cash basis, there are incomes and expenses that have occurred over several months, but are posted in only one month; i.e., income tax, property tax, business forms. With accrual basis, these and other incomes and expenses are posted over several months to provide a more accurate picture of what occurred in your business in the past month.

Profit-and-Loss (Income) Statement

SALES:	\$	%
Cash	\$ 42,743.11	68.94%
Bank Card	\$ 10,421.56	16.81%
Charge	\$ 8,835.33	14.25%
Total Sales:	\$ 62,000.00	100.00%
Cost of Goods Sold:	\$ 39,370.00	63.50%
Gross Profit:	\$ 22,630.00	36.50%
Expenses		
Wages	\$ 11,000.00	17.74%
Payroll Taxes	\$ 880.00	1.42%
Property Taxes	\$ -	0.00%
Rent	\$ 8,000.00	12.90%
Telephone and Utilities	\$ 2,400.00	3.87%
Repairs	\$ 150.00	0.24%
Advertising	\$ 1,575.00	2.54%
Accounting and Legal	\$ 200.00	0.32%
Automobile	\$ 140.00	0.23%
Bank Charges	\$ 210.00	0.34%
Computer Operations	\$ 175.00	0.28%
Dues and Subscriptions	\$ 300.00	0.48%
Insurance: General and Workers Compensation	\$ 800.00	1.29%
Licenses and Taxes (not sales tax)	\$ 100.00	0.16%
Office and Store Supplies	\$ 300.00	0.48%
Outside Services	\$ 250.00	0.40%
Travel	\$ 1,000.00	1.61%
Total Operating Expenses:	\$ 27,480.00	44.32%
Operating Income:	\$ (4,850.00)	-7.82%
Other Income and Expenses		
Miscellaneous Income	\$ -	
Interest Income	\$ 265.00	
Interest Expense	\$ -	
Net Income Before Taxes:	\$ (4,585.00)	
Federal Income Tax	\$ -	
Net Income (Loss)	\$ (4,585.00)	

Balance Sheet

	12/31
ASSETS	
Current Assets:	
Cash on hand	\$1,500.00
Checking Account	\$17,500.00
Savings Account	\$3,050.00
Accounts Receivable	\$14,215.87
Bank Card Receivable	\$1,340.34
Inventory	\$275,654.23
Total Current Assets:	\$313,260.44
Investments:	
Cooperative Stock	\$23,125.46
Cooperative Notes	\$12,597.47
Total Investments:	\$35,722.93
Long Term Assets:	
Property and Equipment:	
Fixtures and Equipment	\$126,245.11
Building	\$325,465.88
Total Property and Equipment:	\$451,710.99
Accumulated Depreciation:	\$207,950.25
Total Net Property and Equipment:	\$117,515.63
Other Assets:	
Utility Deposits	\$1,700.00
Total Other Assets:	\$1,700.00
Total Assets:	\$468,199.00
LIABILITIES AND EQUITY	
Current Liabilities:	
Accounts Payable	\$47,850.00
Building mortgage - current	\$24,000.00
Note payable - current	\$45,000.00
Long-Term Liabilities:	
Building mortgage	\$62,000.00
Note payable	\$84,000.00
Total Liabilities:	\$262,850.00
Stockholders' Equity	
Capital Stock	\$65,000.00
Retained Earnings	\$114,664.00
Current Income	\$25,685.00
Total Stockholders' Equity	\$205,349.00

	A	B	C	D	E
1	EZ Cashflow™ Cash Basis				
2					
3	For Month Ending:		1/31	2/28	3/31
4					
5	Income Statement				
6	Cash Sales	P	62,000	65,000	70,000
7	Cost of Goods Sold	C	39,370	41,275	44,450
8	Gross Profit	C	22,630	23,725	25,550
9	Gross Profit Percentage	P	36.5%	36.5%	36.5%
10					
11	Operating Expenses:				
12	Wages	P	11,000	17,500	12,000
13	Payroll Taxes	C	880	1,400	960
14	Property Taxes	P	-	-	-
15	Rent	P	8,000	8,000	2,000
16	Telephone & Utilities	P	2,400	2,400	2,200
17	Repairs	P	150	150	150
18	Advertising	P	1,575	1,600	1,700
19	Accounting & Legal	P	200	200	200
20	Automobile	P	140	140	140
21	Bank Charges	P	210	210	210
22	Computer Operations	P	175	175	175
23	Dues & Subscriptions	P	300	-	-
24	Insurance - General & Workman's Compensation	P	800	800	800
25	Licenses & Taxes (not sales tax)	P	100	-	-
26	Office & Store Supplies	P	300	300	300
27	Outside Services	P	250	250	250
28	Travel	P	1,000	-	-
29					
30	Total Operating Expenses	C	27,480	33,125	21,085
31					
32	Operating Income	C	(4,850)	(9,400)	4,465
33					
34	Other Income and Expenses:				
35	Miscellaneous Income	P	-	-	-
36	Interest Income	P	265	-	-
37	Interest Expense	P	-	-	-
38					
39	Net Income Before Taxes	C	(4,585)	(9,400)	4,465
40					
41	Federal Income Tax	P	-	-	-
42					
43	Net Income (Loss)	C	(4,585)	(9,400)	4,465

	A	B	C	D	E
1	EZ Cashflow™ Cash Basis				
2					
3	For Month Ending:		1/31	2/28	3/31
4					
44					
45					
46	Cash Balance, Beginning of Month	P/C	17,500	9,445	(14,627)
47					
48	Net income (Loss)	C	(4,585)	(9,400)	4,465
49					
50	Add:				
51	Cost of Goods Sold	C	39,370	41,275	44,450
52					
53	Less:				
54	Inventory Purchases of Previous Month	P	42,000	54,850	47,500
55	Freight In of Previous Month	C	840	1,097	950
56	Principal Payments on Loans	P	-	-	-
57					
58	Cash Balance, End of Month	C	9,445	(14,627)	(14,162)

	A	B	O	P	Q
1	EZ Cashflow™ Cash Basis				
2					
3	For Month Ending:		1/31	Totals	Budget
4					
5	Income Statement				
6	Cash Sales	P	64,000	863,000	
7	Cost of Goods Sold	C	40,640	548,005	
8	Gross Profit	C	23,360	314,995	
9	Gross Profit Percentage	P	36.5%	36.5%	
10					
11	Operating Expenses:				
12	Wages	P	11,000	159,200	
13	Payroll Taxes	C	880	12,736	
14	Property Taxes	P	-	10,500	
15	Rent	P	2,000	36,000	
16	Telephone and Utilities	P	2,400	25,600	
17	Repairs	P	150	1,800	
18	Advertising	P	1,700	20,875	
19	Accounting and Legal	P	200	2,400	
20	Automobile	P	140	1,680	
21	Bank Charges	P	210	2,520	
22	Computer Operations	P	175	2,100	
23	Dues and Subscriptions	P	300	525	
24	Insurance - General and Workers Compensation	P	800	10,500	
25	Licenses and Taxes (not sales tax)	P	100	1,850	
26	Office and Store Supplies	P	300	3,600	
27	Outside Services	P	250	3,000	
28	Travel	P	1,000	3,050	
29					
30	Total Operating Expenses	C	21,605	297,936	
31					
32	Operating Income	C	1,755	17,059	
33					
34	Other Income and Expenses:				
35	Miscellaneous Income	P	-	14,400	
36	Interest Income	P	-	265	
37	Interest Expense	P	-	-	
38					
39	Net Income Before Taxes	C	1,755	31,724	
40					
41	Federal Income Tax	P	-	4,200	
42					
43	Net Income (Loss)	C	1,755	27,524	

	A	B	O	P	Q
1	EZ Cashflow (TM) Cash Basis				
2					
3	For Month Ending:		1/31	Totals	Budget
4					
44					
45					
46	Cash Balance, Beginning of Month	P/C	15,709	17,500	
47					
48	Net income (Loss)	C	1,755	27,524	
49					
50	Add:				
51	Cost of Goods Sold	C	40,640	548,005	
52					
53	Less:				
54	Inventory Purchases of Previous Month	P	41,000	566,000	
55	Freight In of Previous Month	C	890	11,320	
56	Principal Payments on Loans	P	-	-	
57					
58	Cash Balance, End of Month	C	16,214	15,709	

EZ CASHFLOW

Cash Basis

A description, by row and column of the cash basis template

Columns

- A.** - The title of each item on your financial sheet and the cash basis template.
- B.** - The letter P denotes that the row is composed of numbers that are copied directly from your financial sheet. The letter C denotes that the row is calculated by the computer and should not be manually entered when you are performing forecasts.
- C. through N.** - The first through twelfth months of the current year.
- O.** - The first month of the next accounting year.
- P.** - The totals columns for the year represented by columns C through N.
- Q.** - Provided so that you can enter your budget for the accounting year.

Rows

- 3. For Month Ending** - These notations, January through December in the examples, could be used to represent a fiscal year or calendar year.
- 6. Cash Sales** - The gross cash sales for that particular month. This should be net of any returns. Do not include any miscellaneous incomes.
- 7. Cost of Goods Sold** - This figure is calculated by multiplying your cash sales (row 6) by one minus the gross profit percentage (row 9).
- 8. Gross Profit** - This figure is calculated by taking your cash sales (row 6) and subtracting your total operating expenses (row 30).
- 9. Gross Profit Percentage** - This figure is taken from your profit and loss statement. Changing this number will allow you to utilize the "what if" scenario that is a part of the template.
- 12. through 28. Expenses** - These rows represent the most common expenses on a financial sheet. You can change the name of any of the rows without affecting any of the template.
- 13. Payroll Taxes** - Calculated as 8% of row 12.
- 30. Total Operating Expenses** - The cumulative total of rows 12 through 28.
- 32. Operating Income** - Row 32 is the difference, positive or negative, between row 8 and row 30.
- 35. Miscellaneous Income** - An example of miscellaneous income would be the cash part of a dividend that would be received from being a member of a cooperative. This could also be the place for entering the income from the rental of space within your building.

36. Interest Income - If your business owns certificates of deposit (CD's), or other sources of income of similarity, this is the proper entry point for the income received from these investments.

37. Interest Expense - If your business has loans outstanding, this is the traditional place for the interest that you have paid to those that have loaned money to you.

39. Net Income before taxes - This row is calculated by taking the operating income, row 32, adding rows 35 and 36, and subtracting row 37.

41. Federal Income Tax - A projection of the income tax that your business will owe (hopefully, there is a profit).

43. Net Income - This row is calculated by taking Net Income Before Taxes (row 39), and subtracting Federal Income Tax, (row 41).

46. Cash Balance, Beginning of Month - This number is provided by you for the first month, and then calculated by the template for the balance of the cash flow chart. In columns D through O, row 46 is a repeat of row 58 in the previous column.

48. Net Income - A repeat of row 43.

51. Cost of Goods Sold - A repeat of row 7.

54. Inventory Purchases of Previous Month - This number is provided by you to reflect the amount of inventory purchased during the previous month. Changing this number also allows you to utilize the "what if" scenario to create your open to buy figure.

55. Freight In of Previous Month - Calculated at 2% of row 54 of the same column.

56. Principal Payment on Loans - The amount of principal that you repay to loans outstanding.

58. Cash Balance, End of Month - The total of Cash Balance, Beginning of Month (row 46), adding Cost of Goods Sold, (row 51), and subtracting Inventory Purchases of Previous Month, (row 54), Freight In of Previous Month, (row 55), and Principal Payments on Loans, (row 56).

	A	B	C	D	E
1	EZ Cashflow™ Accrual Basis				
2					
3	For Month Ending:		1/31	2/28	3/31
4	Income Statement				
5					
6	Gross Sales	P	62,000	65,000	70,000
7	Cost of Goods Sold	C	39,370	41,275	44,450
8	Gross Profit	C	22,630	23,725	25,550
9	Gross Profit Percentage	P	36.5%	36.5%	36.5%
19					
11	Operating Expenses:				
12	Wages (Including accrued)	P	12,000	12,500	13,000
13	Payroll Taxes	C	960	1,000	1,040
14	Property Taxes (Accrued)	P	875	875	875
15	Rent (Including accrued)	P	3,000	3,000	3,000
16	Telephone & Utilities	P	2,400	2,400	2,200
17	Repairs	P	150	150	150
18	Advertising	P	1,575	1,600	1,700
19	Accounting & Legal	P	200	200	200
20	Automobile	P	140	140	140
21	Accounts Receivable Written Off	P	250	-	-
22	Bank Charges	P	210	210	210
23	Computer Operations	P	175	175	175
24	Depreciation (Accrued)	P	300	300	300
25	Dues & Subscriptions	P	300	-	-
26	Insurance - General & Workman's Compensation	P	800	800	800
27	Licenses & Taxes (not sales tax)	P	100	-	-
28	Office & Store Supplies	P	300	300	300
29	Outside Services	P	250	250	250
30	Travel	P	1,000	-	-
31					
32	Total Operating Expenses	C	24,985	23,900	24,340
33					
34	Operating Income	C	(2,355)	(175)	1,210
35					
36	Other Income and Expenses:				
37	Accrued Income	P	1,200	1,200	1,200
38	Interest Income	P	265	-	-
39	Interest Expense	P	-	-	-
40					
41	Net Income Before Taxes	C	(890)	1,025	2,410
42					
43	Federal Income Tax (Accrued)	P	350	350	350
44					
45	Net Income (Loss)	C	(1,240)	675	2,060

	A	B	C	D	E
1	EZ Cashflow™ Accrual Basis				
2					
3	For Month Ending:		1/31	2/28	3/31
47	Statement of Cash Flows				
48					
49	Cash Balance, Beginning of Month	P/C	17,500	(962)	(16,757)
50					
51	Net Income (Loss)	C	(1,240)	675	2,060
52					
53	(Increase)Decrease in Accounts Receivable	C	(12,150)	(1,220)	(1,650)
54					
55	Add:				
56	Accruals/Non-Cash Expenses				
57	Included in Income Statement:				
58	Cost of Goods Sold	C	39,370	41,275	44,450
59	Wages	P	1,000	1,000	1,000
60	Payroll Taxes	C	80	80	80
61	Property Taxes	C	875	875	875
62	Rent	P	1,000	1,000	1,000
63	Accounts Receivable Written Off	C	250	-	-
64	Depreciation	C	300	300	300
65	Federal Income Tax	C	350	350	350
66					
67	Cash Receipts Not Included in Income Statement:				
68	Accrued Income Received	P	-	-	-
69					
70	Less:				
71	Accruals/Non-Cash Income				
72	Included in Income Statement:				
73	Accrued Income	C	1,200	1,200	1,200
74					
75	Cash Payments Not Included in Income Statement:				
76	Inventory Purchases, Cash	C	40,000	42,500	40,000
77	Freight In	C	1,097	950	840
78	Inventory Purchases, Delayed Payment	C	-	3,000	8,400
79	Wages	P	-	6,480	-
80	Property Taxes	P	-	-	-
81	Rent	P	6,000	6,000	-
82	Federal Income Tax	P	-	-	-
83					
84	Non-Operations Related Cash Receipts(Payments):				
85	Sale of Equipment	P	-	-	-
86	Purchase of Equipment	P	-	-	-
87	Loan Principal Payments	P	-	-	-
88	Cash Infusion from Loan	P	-	-	-
89					
90	Net Cash Increase(Decrease)	C	(18,462)	(15,795)	(1,975)
91					
92	Cash Balance, End of Month	C	(962)	(16,757)	(18,732)

	A	B	C	D	E
1	EZ Cashflow™ Accrual Basis				
2					
3	For Month Ending:		1/31	2/28	3/31
93					
94	Balance Sheet				
95					
96	Accounts Receivable, Beginning	P/C	14,000	26,150	27,370
97	Add: Credit Sales	C	12,400	13,000	14,000
98	Less: Collections	C	-	11,780	12,350
99	Less: Write Offs	C	250	-	-
100	Accounts Receivable, Ending	C	26,150	27,370	29,020
101					
102	Inventory, Beginning	P/C	300,000	316,577	323,752
103	Purchases, Cash	P	40,000	42,500	40,000
104	Purchases, 30 Days	P	3,000	5,000	2,000
105	Purchases, 60 Days	P	3,400	-	-
106	Purchases, 90 Days	P	8,450	-	-
107	Purchases, Total	C	54,850	47,500	42,000
108	Freight In	C	1,097	950	840
109	Cost of Goods Available for Sale	C	355,947	365,027	366,592
110	Cost of Goods Sold	C	39,370	41,275	44,450
111	Inventory, Ending	C	316,577	323,752	322,142
112					
113	Inventory Payable, Beginning	P/C	-	14,850	16,850
114	Purchases, 30 Days	C	3,000	5,000	2,000
115	Purchases, 60 Days	C	3,400	-	-
116	Purchases, 90 Days	C	8,450	-	-
117	Purchases on Credit, Total	C	14,850	5,000	2,000
118	Payments, 30 Days	C	-	(3,000)	(5,000)
119	Payments, 60 Days	C	-	-	(3,400)
120	Payments, 90 Days	C	-	-	-
121	Payments, Total	C	-	(3,000)	(8,400)
122	Inventory Payable, Ending	C	14,850	16,850	10,450

	A	B	O	P	Q
1	EZ Cashflow™ Accrual Basis				
2					
3	For Month Ending:		1/31	Year Totals	Budget
4	Income Statement				
5					
6	Gross Sales	P	64,000	863,000	
7	Cost of Goods Sold	C	40,640	548,005	
8	Gross Profit	C	23,360	314,995	
9	Gross Profit Percentage	P	36.5%	36.5%	
10					
11	Operating Expenses:				
12	Wages (Including accrued)	P	12,000	159,200	
13	Payroll Taxes	C	960	12,736	
14	Property Taxes (Accrued)	P	875	10,500	
15	Rent (Including accrued)	P	3,000	36,000	
16	Telephone & Utilities	P	2,400	25,600	
17	Repairs	P	150	1,800	
18	Advertising	P	1,700	20,875	
19	Accounting & Legal	P	200	2,400	
20	Automobile	P	140	1,680	
21	Accounts Receivable Written Off	P	275	250	
22	Bank Charges	P	210	2,520	
23	Computer Operations	P	175	2,100	
24	Depreciation (Accrued)	P	300	3,600	
25	Dues & Subscriptions	P	300	525	
26	Insurance - General & Workman's Compensation	P	800	10,500	
27	Licenses & Taxes (not sales tax)	P	100	1,850	
28	Office & Store Supplies	P	300	3,600	
29	Outside Services	P	250	3,000	
30	Travel	P	1,000	3,050	
31					
32	Total Operating Expenses	C	25,135	301,786	
33					
34	Operating Income	C	(1,775)	13,209	
35					
36	Other Income and Expenses:				
37	Accrued Income	P	1,200	14,400	
38	Interest Income	P	-	265	
39	Interest Expense	P	-	-	
40					
41	Net Income Before Taxes	C	(575)	27,874	
42					
43	Federal Income Tax (Accrued)	P	350	4,200	
44					
45	Net Income (Loss)	C	(925)	23,674	

	A	B	O	P	Q
1	EZ Cashflow™ Accrual Basis				
2					
3	For Month Ending:		1/31	Year Totals	Budget
47	Statement of Cash Flows				
48					
49	Cash Balance, Beginning of Month	P/C	(4,571)	17,500	
50					
51	Net Income (Loss)	C	(925)	23,674	
52					
53	(Increase)Decrease in Accounts Receivable	C	395	(21,300)	
54					
55	Add:				
56	Accruals/Non-Cash Expenses				
57	Included in Income Statement:				
58	Cost of Goods Sold	C	40,640	548,005	
59	Wages	P	1,000	12,000	
60	Payroll Taxes	C	80	960	
61	Property Taxes	C	875	10,500	
62	Rent	P	1,000	12,000	
63	Accounts Receivable Written Off	C	275	250	
64	Depreciation	C	300	3,600	
65	Federal Income Tax	C	350	4,200	
66					
67	Cash Receipts Not Included in Income Statement:				
68	Accrued Income Received	P	-	14,400	
69					
70	Less:				
71	Accruals/Non-Cash Income				
72	Included in Income Statement:				
73	Accrued Income	C	1,200	14,400	
74					
75	Cash Payments Not Included in Income Statement:				
76	Inventory Purchases, Cash	C	40,000	519,000	
77	Freight In	C	800	11,300	
78	Inventory Purchases, Delayed Payment	C	-	46,000	
79	Wages	P	-	12,960	
80	Property Taxes	P	-	10,500	
81	Rent	P	-	12,000	
82	Federal Income Tax	P	-	4,200	
83					
84	Non-Operations Related Cash Receipts(Payments):				
85	Sale of Equipment	P	-	-	
86	Purchase of Equipment	P	-	-	
87	Loan Principal Payments	P	-	-	
88	Cash Infusion from Loan	P	-	-	
89					
90	Net Cash Increase(Decrease)	C	1,990	(22,071)	
91					
92	Cash Balance, End of Month	C	(2,581)	(4,571)	

	A	B	O	P	Q
1	EZ Cashflow™ Accrual Basis				
2					
3	For Month Ending:		1/31	Year Totals	Budget
94	<u>Balance Sheet</u>				
95					
96	Accounts Receivable, Beginning	P/C	35,300	14,000	
97	Add: Credit Sales	C	12,800	172,600	
98	Less: Collections	C	12,920	151,050	
99	Less: Write Offs	C	275	250	
100	Accounts Receivable, Ending	C	34,905	35,300	
101					
102	Inventory, Beginning	P/C	328,295	300,000	
103	Purchases, Cash	P	40,000	519,000	
104	Purchases, 30 Days	P	-	17,250	
105	Purchases, 60 Days	P	-	13,400	
106	Purchases, 90 Days	P	-	15,350	
107	Purchases, Total	C	40,000	565,000	
108	Freight In	C	800	11,300	
109	Cost of Goods Available for Sale	C	369,095	876,300	
110	Cost of Goods Sold	C	40,640	548,005	
111	Inventory, Ending	C	328,455	328,295	
112					
113	Inventory Payable, Beginning	P/C	-	-	
114	Purchases, 30 Days	C	-	17,250	
115	Purchases, 60 Days	C	-	13,400	
116	Purchases, 90 Days	C	-	15,350	
117	Purchases on Credit, Total	C	-	46,000	
118	Payments, 30 Days	C	-	(17,250)	
119	Payments, 60 Days	C	-	(13,400)	
120	Payments, 90 Days	C	-	(15,350)	
121	Payments, Total	C	-	(46,000)	
122	Inventory Payable, Ending	C	-	-	

EZ CASHFLOW

Accrual Basis

Columns

- A.** The title for each item on your financial sheet and the accrual basis template.
- B.** The letter "P" denotes that the row is composed of numbers that are copied directly from your financial sheet. The letter "C" denotes that the row is calculated by the computer and should not be manually entered when you are performing forecasts.
- C. through N.** The first through twelfth months of the current year.
- O.** The first month of the next accounting year.
- P.** The totals column for the year represented by columns C through N.
- Q.** Provided so that you can enter your budget for the accounting year.

Rows

3. For Month Ending - These notations, January through December in the examples, can be used to represent a fiscal year or calendar year.

6. Gross Sales - The gross sales for that particular month. This should be net of any returns. Do not include any miscellaneous incomes.

7. Cost of Goods Sold - This figure is calculated by multiplying your gross sales (row 6) by one minus the gross profit percentage (row 9).

8. Gross Profit - This figure is calculated by taking gross sales (row 6) and subtracting cost of goods sold (row 7).

9. Gross Profit Percentage - This figure is taken from your profit and loss statement.

Changing this number will allow you to utilize the "what if" scenario that is a part of the template.

12. through 30. Expenses - These rows represent the most common expenses on a financial sheet. You can change the name of any of the rows without affecting any part of the template.

13. Payroll Taxes - Calculated as 8% of row 12.

32. Total Operating Expenses - The cumulative total of rows 12 through 30.

34. Operating Income - The difference, positive or negative, between row 32 and row 8.

37. Accrued Income - This row allows you to enter an income that is paid to you in one or two installments. By establishing it as an accrued income, you are estimating the total annual income and recognizing it in 12 monthly installments.

38. Interest Income - If your business owns certificates of deposit (CD's), this is the proper entry point for the income received from these investments.

39. Interest Expense - If your business has loans outstanding, this is the traditional entry place for the interest that you have paid to those that have loaned money to you.

41. Net Income Before Taxes - This row is calculated by taking the operating income, row 34, adding rows 37 and 38, and subtracting row 39.

43. Federal Income Tax - This figure, and hopefully you have a need for this figure, is accrued in the same manner as row 37.

45. Net Income - This row is a result of the number in row 41 and subtracting row 43.

49. Cash Balance, Beginning of Month - This number is supplied by you for column C, and for columns D through O, this row is calculated and is the same as row 90 in the previous column. Example: D49 is the same as C92.

51. Net Income - This is a repeat of row 45.

53. (Increase) Decrease in Accounts Receivable - This row represents a change in the amount of accounts receivable each month. If you increase the ending balance of your accounts receivable, you will see a decrease in the amount of cash on hand at the end of the month.

58. Cost of Goods Sold - This is a repeat of row 7.

59. Wages - This row accommodates the business that is paying their employees on a weekly or bi-weekly basis. In the example, the number is provided by you, and represents the amount of wages from row 12 that are not actually paid during the current month.

60. Payroll Taxes - This row is 8% of row 59.

61. Property Taxes - This is a reversal of row 14. The actual payment of the property taxes will be denoted in row 80.

62. Rent - This is a reversal of the accrual that you have made for rent each month. This row accommodates the business that pays an annual override on their sales, and have charged that amount to their financial sheet each month. This row will be a number provided by you, and the total of this row for columns C through N, should equal the total for row 81.

63. Accounts Receivable Written Off - This is a repeat of row 21. This is done because the accounts receivable written off do not affect your cash flow, as this item was never actual cash on hand.

64. Depreciation - This row is a reversal of row 24. Depreciation does not appear again on the cash flow chart as this is not an actual cash item.

65. Federal Income Tax - This is a reversal of row 43. The actual payment of the federal income tax is made on row 82.

68. Accrued Income Received - This is the row in which you recognize the actual receipt of the accrued income. In our example. This row is designed for the cash portion of a dividend from a cooperative. The CD, or note portion of this income does not appear on the cash flow chart.

73. Accrued Income - This is a reversal of row 37.

76. Inventory Purchases, Cash - The amount of inventory that is purchased and paid for during this month. This is a repeat of row 103.

77. Freight In - This is a repeat of row 108.

78. Inventory Purchases, Delayed Payment - This the total of rows 104 through 106.

79. Wages - This is the row to accommodate the third payroll of the month if you are using the accrual method of payroll and are paying bi-weekly.

80. Property Taxes - This is the row to enter the actual payment of the property taxes.

81. Rent - If you have been accruing rent due to a sales override lease, this is the row in which you enter the overage payments.

82. Federal Income Tax - This is the row to enter the actual payment of federal income taxes.

85. Sale of Equipment - This row is designed to allow you to receive additional cash. The example given is that of the sale of equipment.

86. Purchase of Equipment - This is the row to enter the payment for equipment purchased.

87. Loan Principal Payments - This is the row to enter the amount of principal paid towards any loans outstanding.

88. Cash Infusion from Loan - If you have need of cash because of anticipated cash deficits, as demonstrated in this example, this is the row to enter the amount of cash received.

90. Net Cash Increase (Decrease) - This row represents the summation of rows of 51 through 88.

92. Cash Balance, End of Month - This row is the difference of row 49 and row 90. Row 92 is also copied to row 49 of the following column to give the cash balance, beginning of month.

Example: Row 92 in column C is the same as row 49 in column D.

96. Accounts Receivable, Beginning - The beginning number in column C is provided by you, and represents the balance of your accounts receivable at the beginning of the month. For columns D through O, this number is calculated and comes from row 100 of the previous column.

97. Credit Sales - This row is shown as being calculated. It is done so at 20% of the gross sales in row 6. If your percentage is different, you will need to change the formula.

98. Collections - This row is shown as being calculated. The calculation is shown as being 95% of the credit sales of the previous month. Again, if your percentage is different, you will need to change the formula. Notice that this chart allows for less than 100% collection of your credit sales.

99. Less Write Offs - This is the row where the uncollectible accounts are written off. In our example, we have chosen to take all of the write offs for the year in one month.

100. Accounts Receivable, Ending - This row is the difference of row 96, and the changes shown in rows 97 through 99, which will affect the ending balance of your accounts receivable. This number in one column will become the number in row 96 of the following column.

102. Inventory, Beginning - In column C, this number is provided by you. For columns D through O, this number is calculated as a result of rows 103 through 110.

103. Purchases, Cash - This is the amount of inventory that you have purchased during this month which is to be paid for during this month. This number is provided by you.

104. Purchases, 30 Days - This is the amount of inventory that you have purchased during this month which is to be paid for during the next month. This number is provided by you.

105. Purchases, 60 Days - This is the amount of inventory that you have purchased during this month which is to be paid for two months from now. This number is provided by you.

- 106. Purchases, 90 Days** - This is the amount of inventory that you have purchased during this month which is to be paid for three months from now. This number is provided by you.
- 107. Purchases, Total** - The total amount of inventory added during this month. It is the total of rows 103 through 106.
- 108. Freight In** - This is calculated as 2% of row 107.
- 109. Cost of Goods Available for Sale** - The cost of goods available for sale is calculated by adding the beginning inventory (row 102), purchases total (row 107) and freight in (row 108).
- 110. Cost of Goods Sold** - The cost of goods sold is a repeat of row 7.
- 111. Inventory, Ending** - Ending inventory is calculated by subtracting the cost of goods sold (row 110) from the cost of goods available for sale (row 109).
- 113. Inventory Payable, Beginning** - This number is provided by you for column C. For columns D through O, this number is a repeat of row 122 of the previous column.
- 114. Purchases, 30 Days** - This is a repeat of row 104.
- 115. Purchases, 60 Days** - This is a repeat of row 105.
- 116. Purchases, 90 Days** - This is a repeat of row 106.
- 117. Purchases on Credit, Total** - This row is the total of rows 114 through 116.
- 118. Payments, 30 Days** - This row is a repeat of row 104 from the previous column. Example E118 is a repeat of D104. It provides for the payment of inventory that was received 30 days earlier.
- 119. Payments, 60 Days** - This row is a repeat of row 105 from the column two back. Example: E119 is a repeat of C105. It provides for the payment of inventory that was received 60 days earlier.
- 120. Payments, 90 Days** - This row is a repeat of row 106 from the column three back.
Example: F120 is a repeat of C106. It provides for the payment of inventory that was received 90 days earlier.
- 121. Payments, Total** - Row 121 is the sum of rows 118 to 120 of the same column. This is the total amount of dollars that you will pay out for inventory for this month.
- 122. Inventory Payable, Ending** - Row 122 is the sum of row 113, row 117, and row 121 of the same column.



Managing Your Own Financial Statements

By Tom Shay

SOUND ADVICE FOR BUSINESS

It is very common for business owners, upon receiving the latest copy of their financial sheet, to make comments such as, "I see payroll expenses are down," or "sales are down slightly, but we made more money."

These are comments of surprise in response to changes, which hopefully do not drastically affect the existence of your business. These comments, however, are the first of a four-point concern that you should have about your financial sheet and the information it contains. The second concern is in regard to the timeliness in which you receive or create your monthly financial sheets; the third concern is your ability or decision to make a change; and the fourth is your knowledge of what the financial sheets contain.

Let's take a quick look at each and see how your business stacks up. Comments of surprise are to be expected, as long as they are within certain boundaries. If you have been in business for several years, you should be able to anticipate your financial statement for any month by examining your statements from previous months and calculating the changes that may occur.

If sales for July of this year are more than July of last year, you should be able to anticipate your cost of sales, and with an estimate of your variable expenses, accurately calculate the bottom line and your end-of-the-month cash balance.

Of course, there are many businesses that have never felt the need to have this information. But those that do gather and use this information within their business will tell you that having this will often assist them in taking profitable advantages of changes in the marketplace.

The second concern is to ask how soon after the end of the month you have received or created your financial sheet. While there is not a one correct answer for everyone, the business that does not use its financial sheets to assist in the month-to-month decisionmaking probably has little need to have financial sheets promptly. The business that can look at its July financial sheets and make minor adjustments to its business plan for the next 90 days will definitely want to be reviewing the financial sheets by the 10th of August.

Can you really use your financial sheets to make your business more profitable? Let's look at two examples using a business that grosses \$750,000 per year and has a net income of 3 percent. If that business could save only \$100 per month in the expenses, that savings will affect the bottom line as much as increasing sales by \$40,000; and if we were to examine the gross margin from this business, being able to increase the bottom line more than if we could create a 13th month.



Managing Your Own Financial Statements

(continued) By Tom Shay

SOUND ADVICE FOR BUSINESS

With examples like this, not only is timeliness important, but also important is the ability and decision to make adjustments that can drastically change the profitability of your business. This leads us into the fourth concern—knowing what is contained within the financial sheets. You may not have a degree in accounting, but you should know about your financial sheets if for no other reason than to save that hypothetical \$100 we were just looking for.

Expanding your ability to understand and work with your financial sheets can reduce the fees you pay an accountant. Most accountants would feel better knowing that their clients were actually using the financial sheet to manage the business, as compared to only being concerned about tax preparation at year-end.

To gain this knowledge, you can find many choices in a bookstore, as well as columns such as this in many trade magazines. There may even be an accounting class available through a community college or the Small Business Administration.

As you are reading, you will need to know the difference between cash-basis accounting and accrual-basis accounting; and, as you gain more knowledge, you may find that you will rearrange your financial sheets to better give you guidance.

Just like a captain steering a boat, you will not be looking over the rear of the boat, but instead will be looking ahead to the future. You will find your financial sheets, rather than being just historic information, will now guide you into a more profitable future.