



Managing Your Business' “Blood” Pressure

Understanding Cashflow and other Financial Statements

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Objective:

To discuss and explore how to generate and use, what is arguably the most useful accounting tools for business owners, the Cash Flow Statement.

Agenda:

- Your Sphygmomanometer and other tools
- The Cash flow cycle
- How is a Cashflow Statement created?
- What does the Cashflow statement tell you?
- Tips for managing your cashflow.
- Other Statements of note.

What is this?



SPHYGMOMANOMETER

RIGOL

DS1102D
DIGITAL OSCILLOSCOPE

2+ 16 Channel
1280MHz 1GS/s

What is this?



Electrokardiogram

CH 1

X

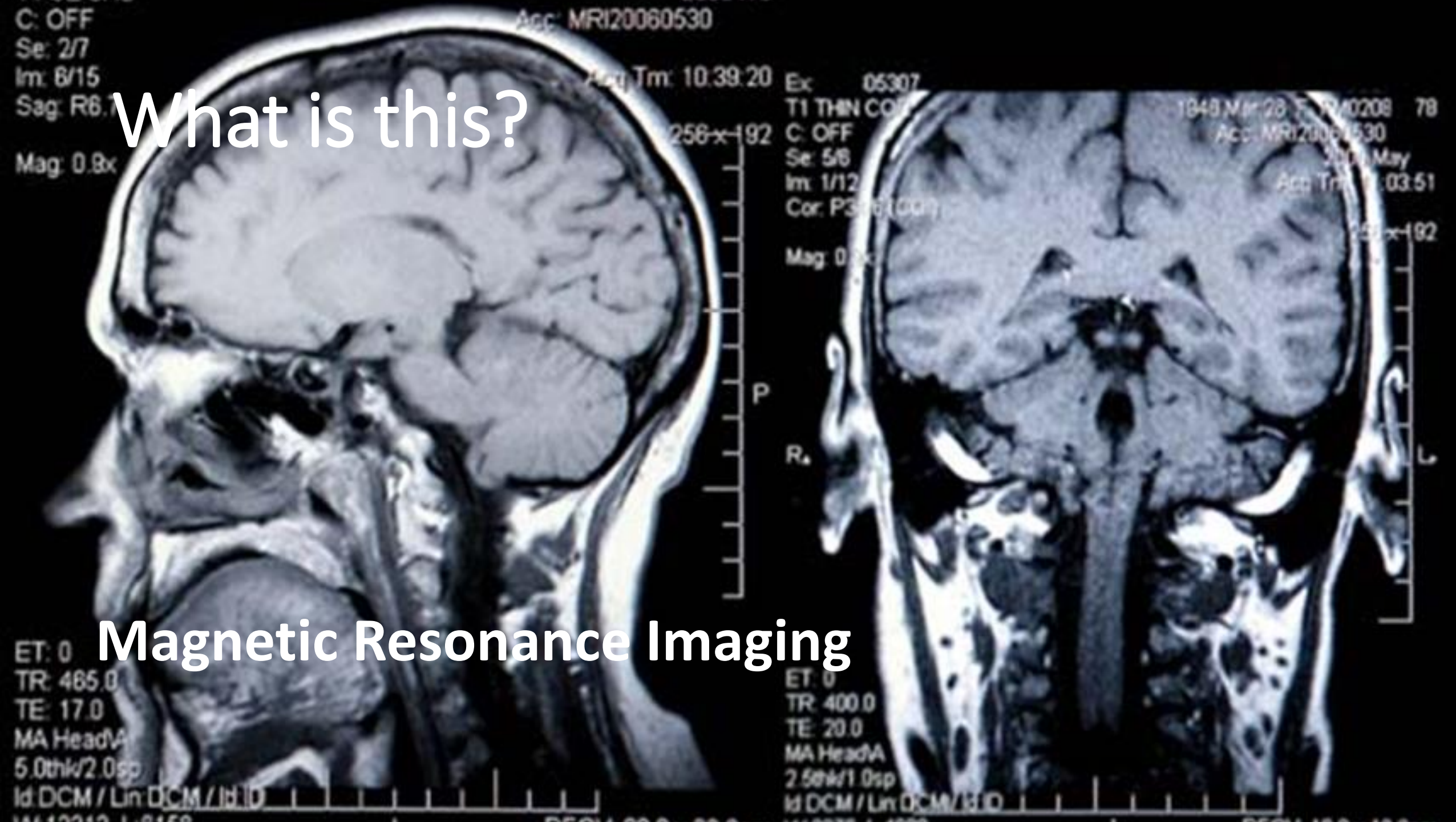
Y

CH 2

EXT TRIG

What is this?

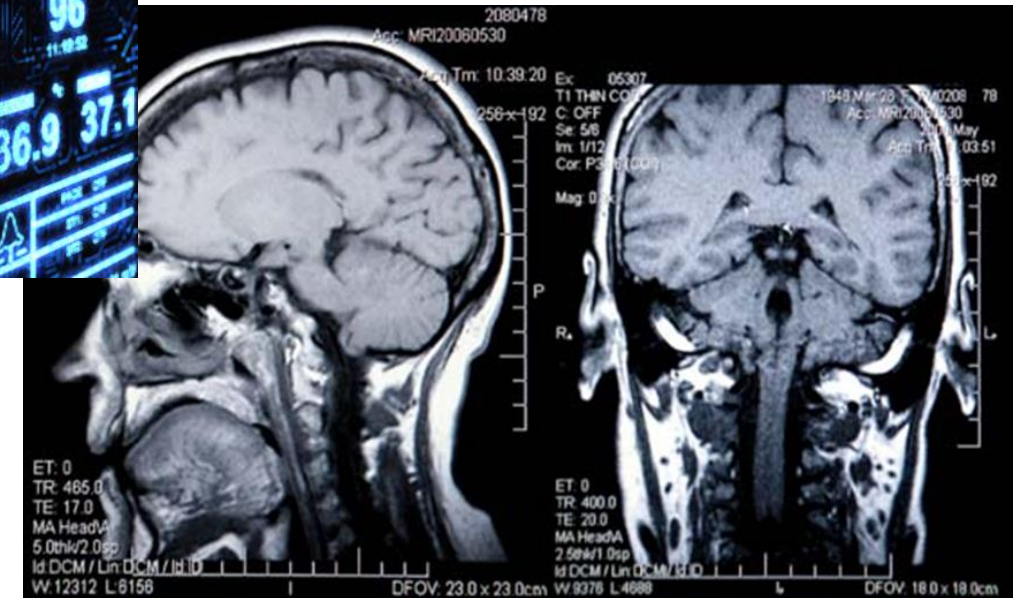
Magnetic Resonance Imaging



How are they used?



Diagnostic Tools





SPHYGMOMANOMETER

Cash Flow Statement

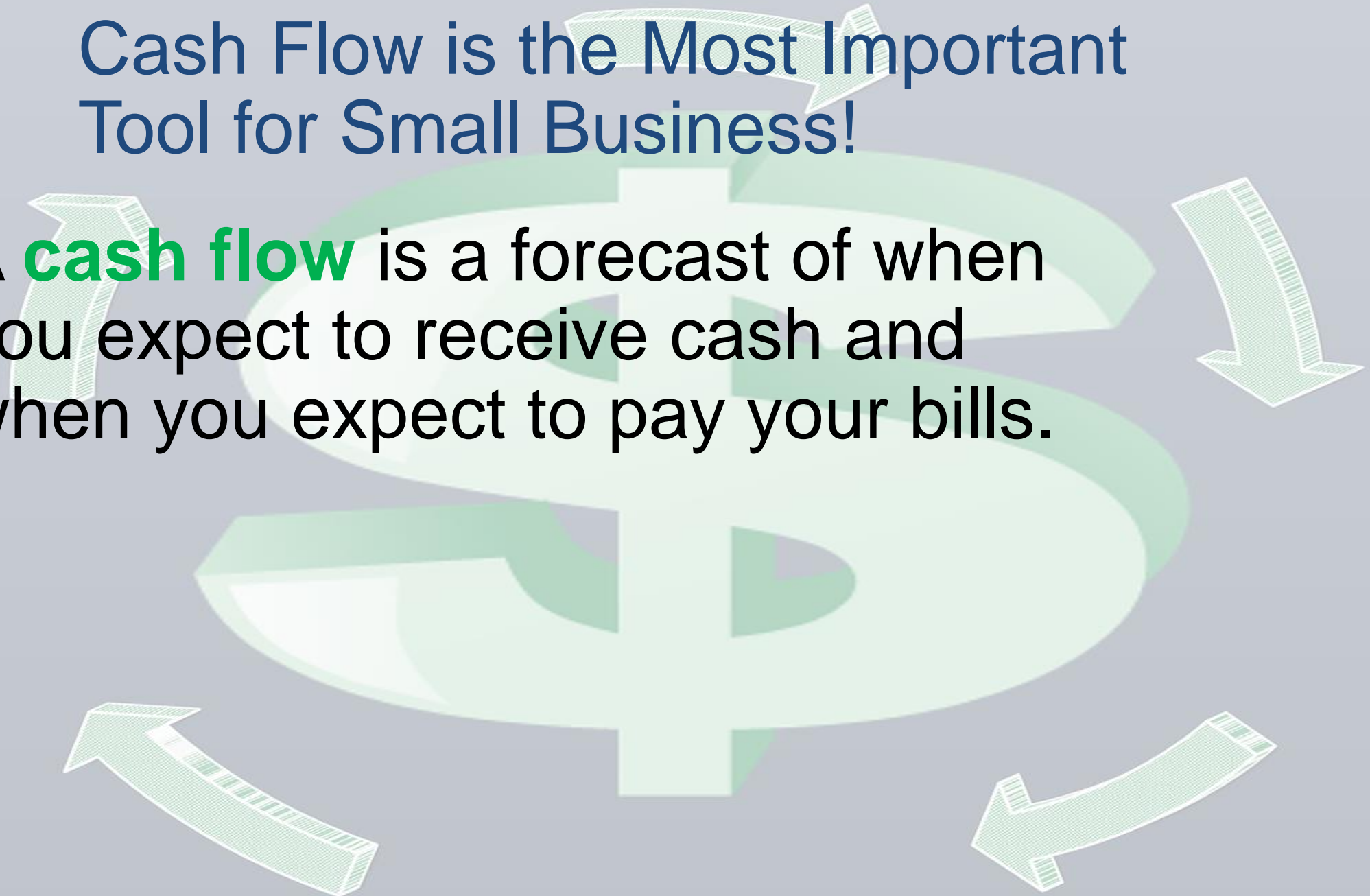


CASH IS...

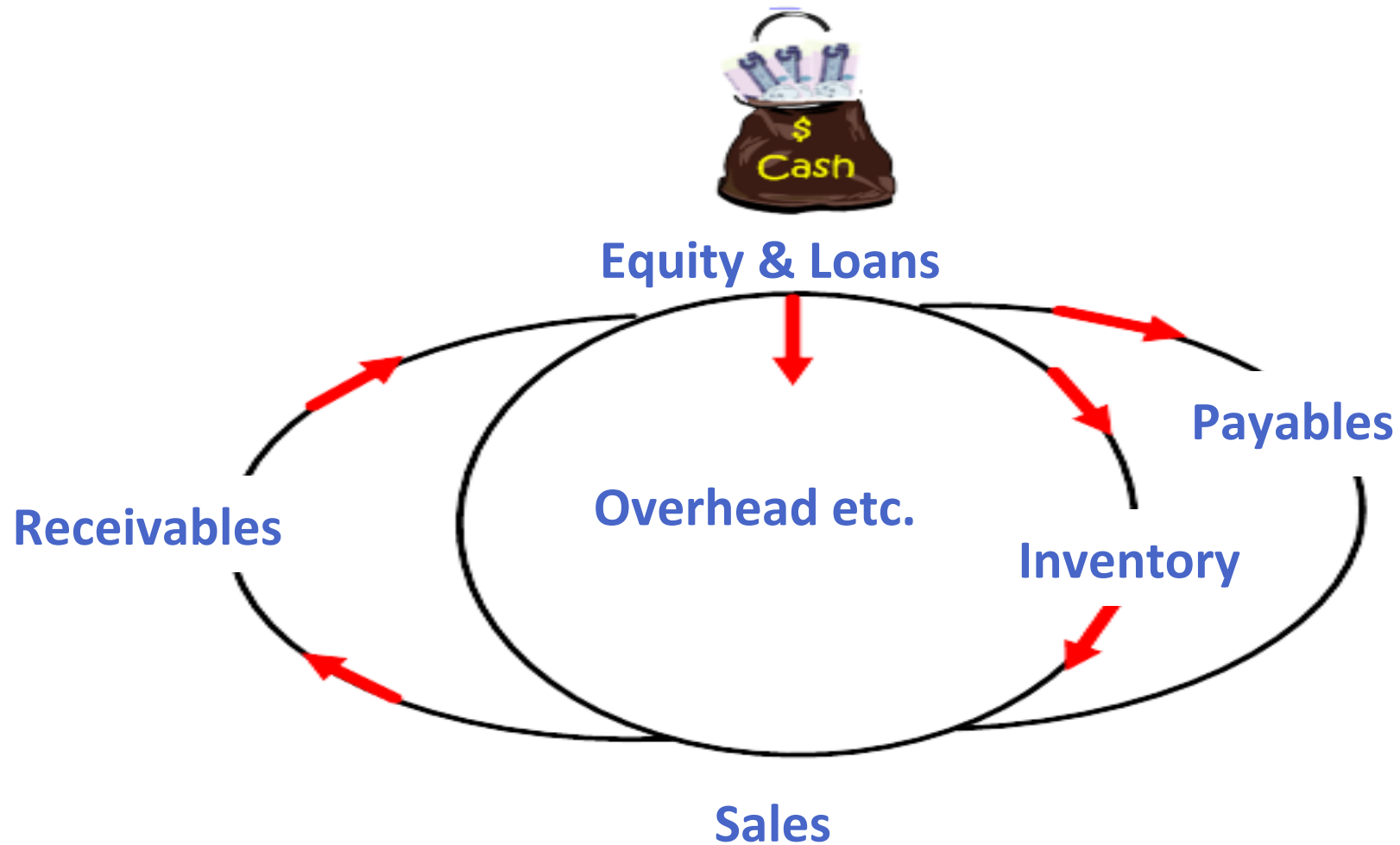
The life blood of your
business. Runout of it
and you are dead.

Cash Flow is the Most Important Tool for Small Business!

A **cash flow** is a forecast of when you expect to receive cash and when you expect to pay your bills.



What is Cash Flow?



Cash Flow-An Activity

- Using the form “A Sample Cash Flow” complete a cash flow for your PERSONAL cash in the month of October.
- Step 1: How much CASH have you received from October 1 until today?
- Step 2: Add the amounts together.
- Step 3: How much cash have you spent? (Not credit sales).
- Step 4: Total the Cash spent amounts
- Step 5: Subtract the amount spent from the amount received.
- Step 6: Repeat for the amounts you expect to receive and spend for the rest of the month.

Cash Flow Process



Cash In - Cash Out = Cash Balance

Record the cash when it moves.

Month	Startup	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals
Cash In													
Sales	7,661	9,932	13,897	16,279	16,920	18,660	19,000	18,410	18,300	18,970	19,100	14,073	191,202
Loans	15,000												15,000
Owner	20,000												20,000
Other													0
Total Cash In	42,661	9,932	13,897	16,279	16,920	18,660	19,000	18,410	18,300	18,970	19,100	14,073	226,202
Cash Out													
Materials	19,897	8,340	11,676	13,344	13,344	15,012	15,012	14,178	14,178	15,012	15,012	10,837	165,842
Wages	338	372	521	595	595	670	670	632	632	670	670	670	7,035
Automobile	3,260												3,260
Fixtures	2,104												2,104
Equipment	1,500												1,500
Loan Payment	0												0
Loan Interest	113	113	113	113	113	113	113	113	113	113	113	113	1,356
Advertising	99	115	165	180	180	200	200	190	190	200	200	200	2,119
Bank Fees	56	52	52	52	52	52	52	52	52	52	52	52	628
Insurance	350					348							698
Licenses/Fees	597												597
Office Exp.	35	15	35	15	35	20	35	20	35	20	35	16	316
Rent	775	375	375	375	375	375	375	375	375	375	375	375	4,900
Repairs & Maint.			333			333					333		999
Travel & Auto	82	84	87	89	89	93	93	91	91	93	93	93	1,078
Telephone	224	44	44	44	44	44	44	44	44	44	44	44	708
Utilities	180	81	81	81	81	81	81	81	81	81	81	81	1,071
Drawings	0	0	0	1,000	1,000	1,088	2,000	2,000	2,000	2,000	2,000	2,000	15,088
Total Cash Out	29,610	9,591	13,482	15,888	15,908	18,429	18,675	17,776	17,791	18,660	19,008	14,481	209,299
Net Cash	13,051	341	415	391	1,012	231	325	634	509	310	92	-408	16,903
Cumulative	13,051	13,392	13,807	14,198	15,210	15,441	15,766	16,400	16,909	17,219	17,311	16,903	

Why Use a “Cash flow”

- Early warning indicator
- Meet required commitments
- Plan for purchases expansion
- Determine money needed
- Sufficient tracking inventory
- Timing hiring

Planning Pitfalls

When preparing a cash flow forecast, be aware of the following dangers:

1. Underestimating costs and delays likely to be encountered
2. Terms of ?
3. Making optimistic assumptions about the availability of bank loans (credit)
4. Overstating Sales Forecasts

Cash Out

- Can you negotiate better terms?
- Will you consider a fee schedule?
- Will you take credit, debit cards or other methods of payment? There are costs associated with this!
 - calculate the costs
- Consider business registration, taxes, vendors permits and professional fees



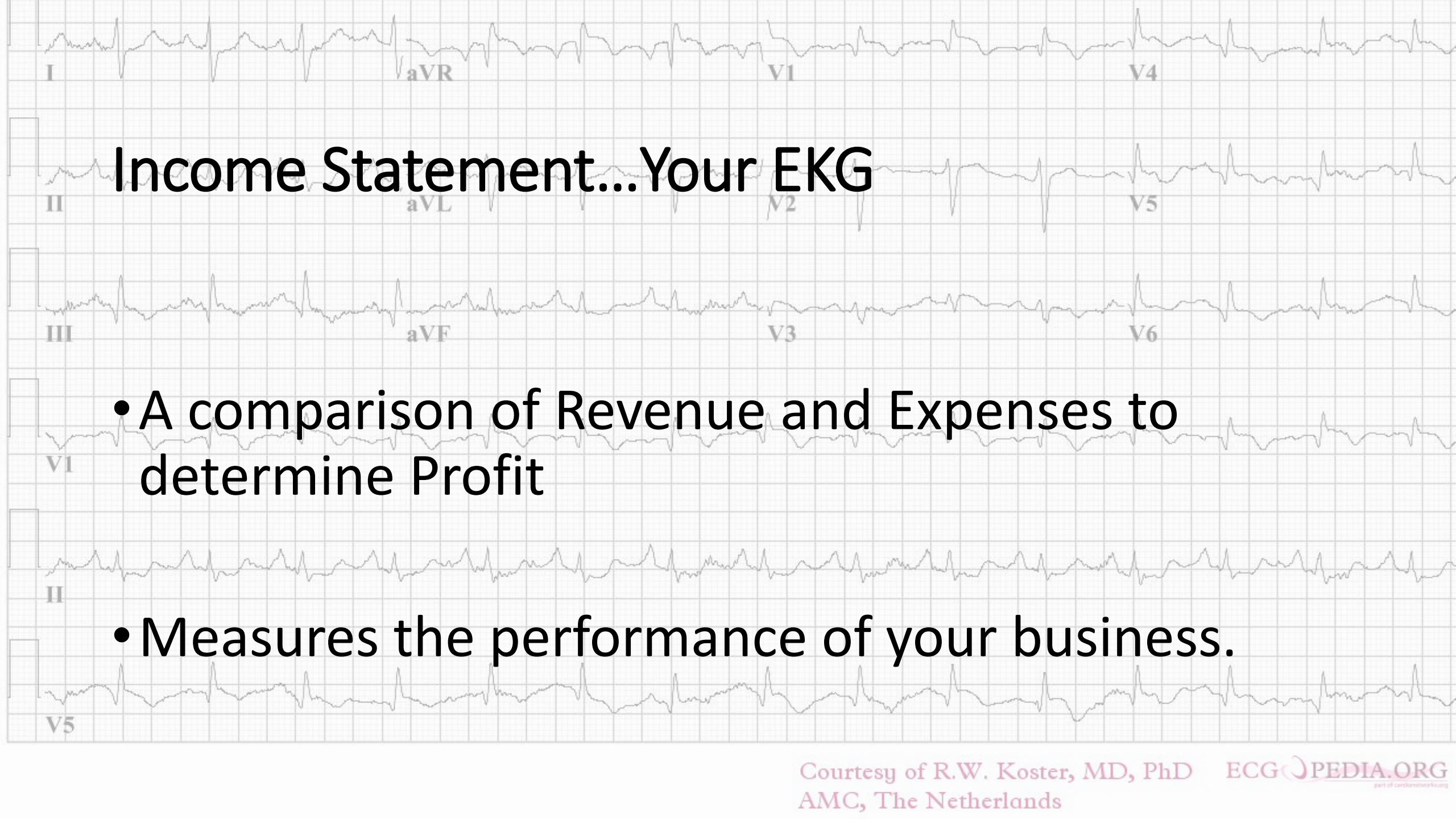
Can you afford to extend credit?



Cash Balance



- What's left ?
- If deficit – review what can be eliminated or put off
- Ensure you have enough financing up front...it is tough going back to the well!



Income Statement...Your EKG

- A comparison of Revenue and Expenses to determine Profit
- Measures the performance of your business.

Income Statement

Year Ending December		
Sales	\$191,202	
Cost of Goods Sold	165,842	86.70%
Gross Profit	25,360	13.30%
Operating Expenses		
Wages	\$7,035	3.70%
Loan Interest	1,356	0.70%
Advertising	2,119	1.10%
Bank Fees	628	0.30%
Insurance	698	0.40%
License/Fees	597	0.30%
Office Expense	316	0.20%
Rent	4,900	2.60%
Repairs & Maintenance	999	0.50%
Travel & Auto	1,078	0.60%
Telephone	708	0.40%
Utilities	1,071	0.60%
Total Expenses	\$21,505	11.20%
Net Profit/Loss	\$3,855	2.00%
<i>Drawings</i>	\$15,088	
	-\$11,233	



Balance Sheet

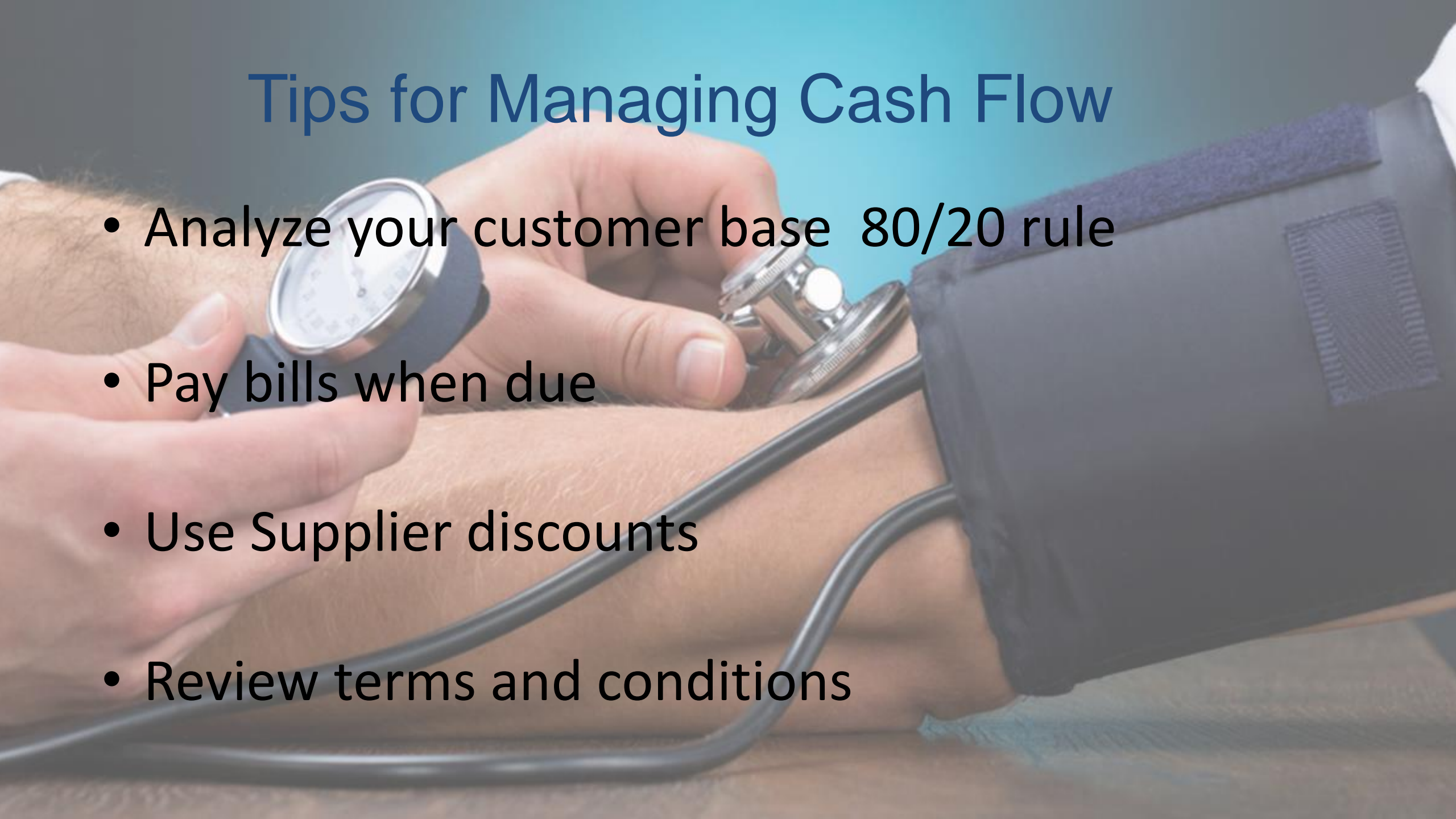
- The X-Ray or MRI (Magnetic resonance imaging) of your business
- Comparison of what your company owns to what it owes

Balance Sheet

Balance Sheet				
Opening January				
ASSETS			Liabilities	
Current Assets:			Current Liabilities	
Cash	\$8,239		Long Term Liabilities:	
Inventory	19,897		Loan	\$15,000
Total Current Assets	\$28,136		TOTAL LIABILITIES	\$15,000
Fixed Assets			Capital	\$20,000
Equipment	\$1,500		TOTAL OWNER'S EQUITY	\$20,000
Fixtures	2,104			
Automobile	3,260			
Total Fixed Assets	6,864			
			TOTAL LIABILITIES AND	
Total Assets	\$35,000		OWNER'S EQUITY	\$35,000

Tips for Managing Cash Flow

- Analyze your customer base 80/20 rule
- Pay bills when due
- Use Supplier discounts
- Review terms and conditions





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QUESTIONS?