

Cash Flow Essentials

The Basics of Understanding Cashflow



A Workshop Exclusively for Small Business Owners and Their Team





Welcome to EWH University for Small Business Cash Flow Essentials

Welcome to Cash Flow Essentials, where business owners come to *Finally Understanding their Numbers and put the fun back into running their small business*. This is our introductory course to our full day workshop, *Cash Flow Fundamentals*. Running a small business can be challenging and not understanding how to use your financial information to make sound business decisions only makes it harder than it already is. Finally Understanding your Numbers was created for one very simple reason; to help you and your businesses become more successful than you already are.

Working with small business owners 35+ years, EWH knows that success starts with having proper tools to run your business more profitably and sustainably. Your financial tools are your financial reports. Utilizing these items in your business toolbox will empower you to run your business with more control. However, no tool is useful if you don't know how to use it. At our workshops, we teach you what tools to use and how to use them in a simple, fun and easy format.

We hope that after attending this introductory course, you take the next step with us and join us for our full day workshop called *Cash Flow Fundamentals*. This engaging workshop teaches you the details of reading and understanding your financial statement, enabling you to make sound financial decisions. EWH also provides accounting, payroll, tax services and business consultation to better help you navigate the financial end of your business.

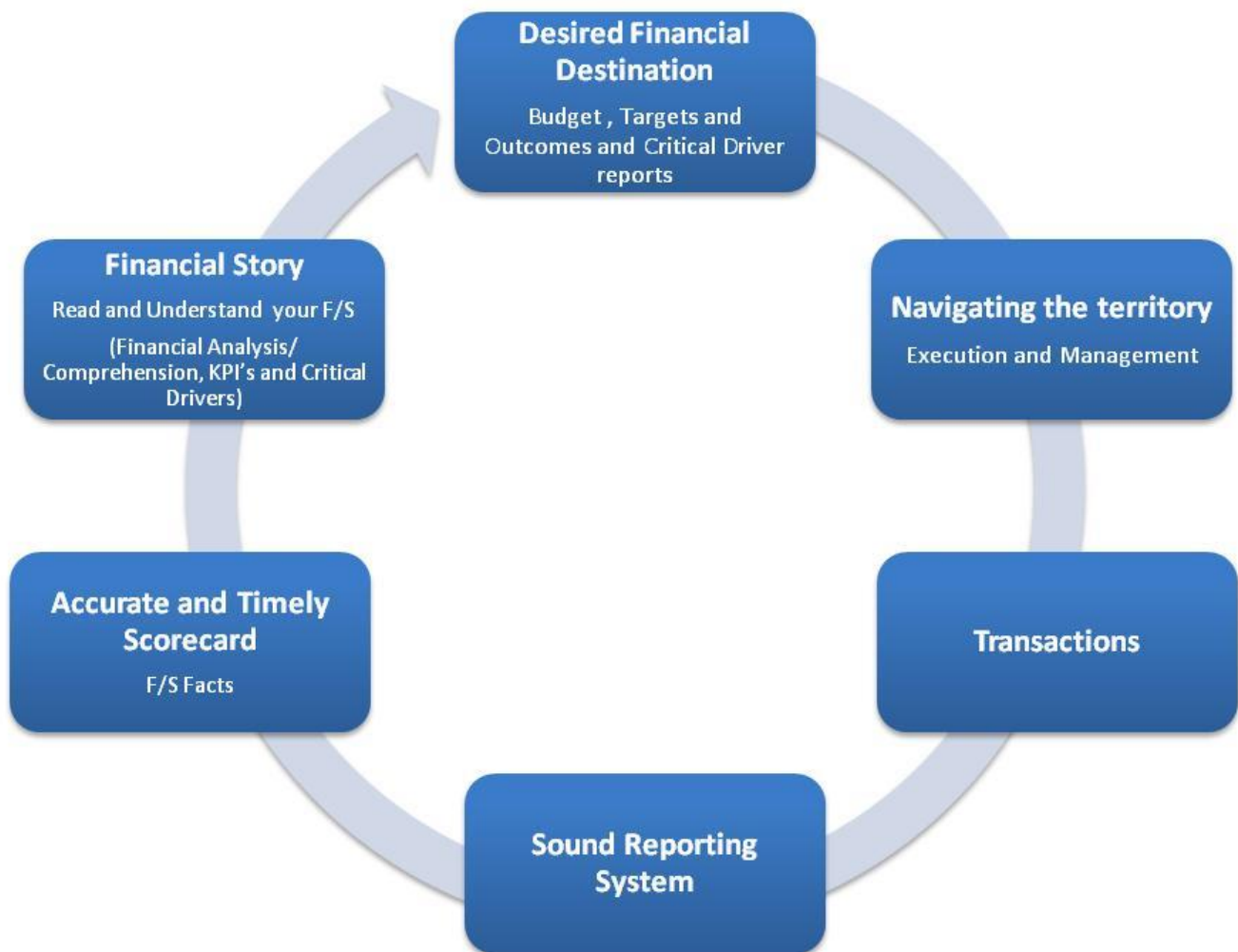
Thank you for attending our **FUN** workshop and we look forward to guiding you along your journey to business success.

Enjoy



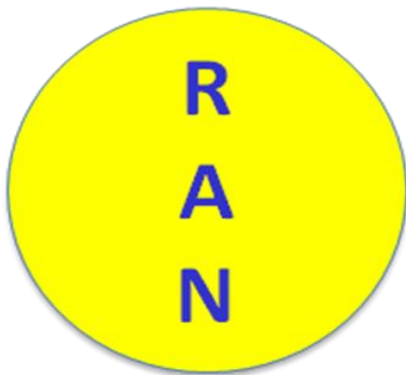
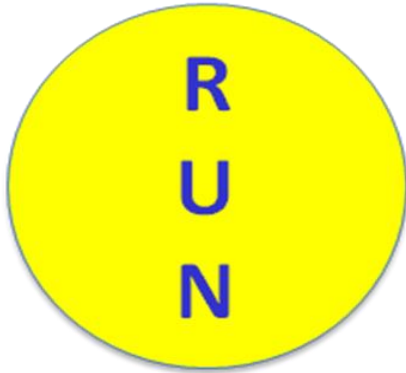
Implementing a Numbers Based Strategy

Management, Leadership and Operations



Accounting





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Becoming the “BEST” You

B

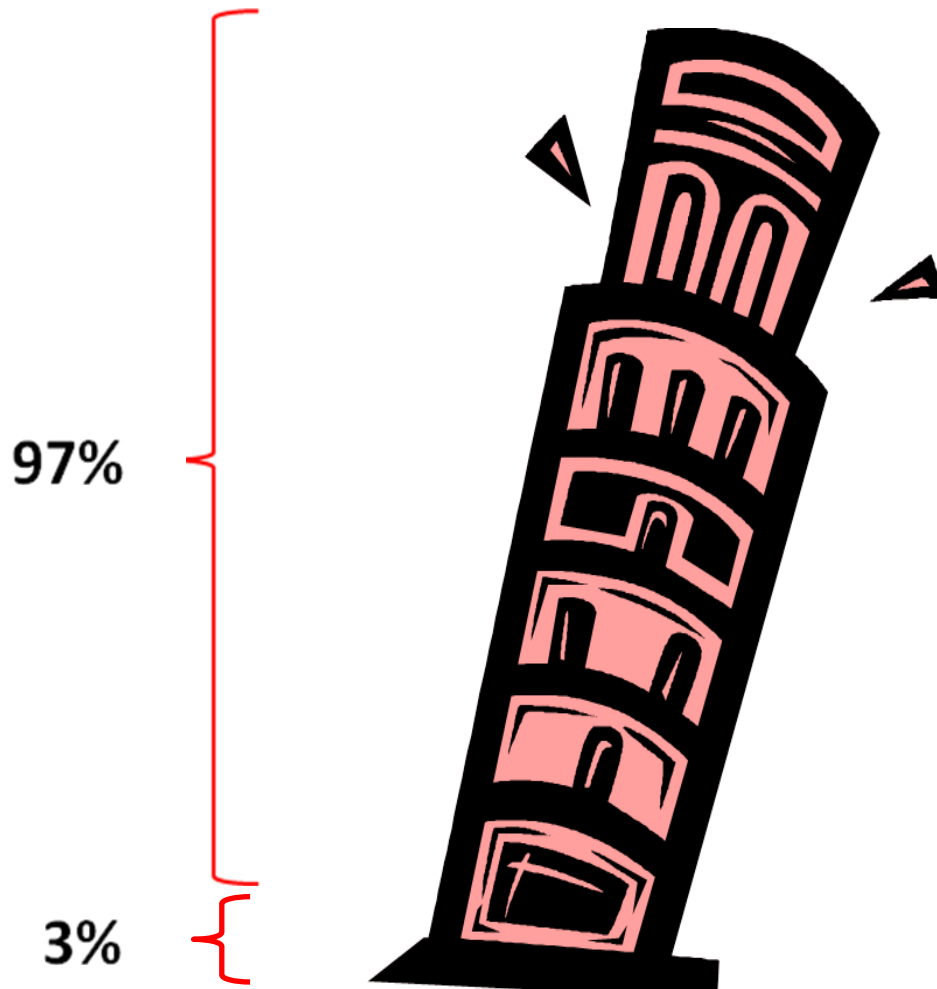
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Cause and Effect



The Leaning Tower of Pisa



Notes



The Cash Flow Loop



Accounting and Bookkeeping Essentials



Software Program or Manual System

- Record Sales and Deposits
- Make sure deposits are accounted for
- What are sales compared to other deposits (what is taxable)
- How write checks
- How pay for bills and expenses
 - Debit card?
 - EFT's
 - Auto withdrawals
 - Credit Cards
- Properly coded

Reporting Essentials

- Reporting Checklist
- Bank Reconciliation: Account for everything going in and out, and what is outstanding. (*Note: Checks and Balances*)
- Managerial Accounting compared to Financial Accounting
- Internal Bookkeeper: Day to Day Tasks
- Team Approach: Organize into scorecard, prepare Financial Statement, Watch out of tax implications and provide guidance
- A/P Specialist, Bookkeeper, Accountant
- Year end, Monthly, Controllership



Profit and Loss Statement

a.k.a. _____
For the Month of December

The diagram consists of a green horizontal line at the top. Below it is a small red dash. Further down are four parallel red horizontal lines. At the bottom left is a blue horizontal line, and at the bottom right is a blue oval.

Profit and Loss Statements are: Fact or Theory?



My Restaurant, Inc.
Income Statement
For The Month Ended June 30, 2012

Item	Current Month	6 Months Year-to-Date	% Sales	
			Current	YTD
Sales				
Liquor	22,265	108,043	45.84	38.17
Food	<u>26,304</u>	<u>174,983</u>	<u>54.16</u>	<u>61.83</u>
Total Sales	48,569	283,026	100.0	100.0
Cost of Sales				
Liquor	8,906	36,700	40.00	33.97
Food	<u>11,310</u>	<u>78,647</u>	<u>43.00</u>	<u>44.95</u>
Total Cost of Sales	20,216	115,347	41.62	40.75
Gross Profit	28,353	167,679	58.38	59.25
Expenses				
Operating Supplies	1,509	7,371	3.1	2.6
Postage	1,250	7,463	2.6	2.6
Gross Wages	9,821	46,506	16.1	16.4
Officer's Salary	4,000	37,000	8.24	13.07
Utilities	510	2,620	1.1	0.9
Telephone	859	5,079	1.8	1.8
Maintenance & Repairs	573	2,917	1.2	1.0
Advertising & Promotion	2,466	8,562	5.1	3.0
Insurance	1,420	9,626	2.9	3.4
Travel & Entertainment	157	2,971	0.3	1.0
Payroll Tax Expense	1,146	7,125	2.4	2.5
Interest	853	5,137	1.8	1.8
Vehicle	584	2,952	1.2	1.0
Legal & Professional	275	1,650	0.6	0.6
Office Expense	434	3,013	0.9	1.1
Depreciation	750	4,500	1.5	1.6
Laundry & Uniforms	79	431	0.2	0.2
Miscellaneous	<u>185</u>	<u>1,357</u>	<u>0.4</u>	<u>0.5</u>
Total Expenses	<u>26,871</u>	<u>156,280</u>	<u>55.33</u>	<u>55.22</u>
Net Operating Income	1,482	11,399	3.1	4.0
Rental Income	<u>550</u>	<u>3,300</u>	<u>1.1</u>	<u>1.2</u>
Net Income	<u><u>2,032</u></u>	<u><u>14,699</u></u>	<u><u>4.2</u></u>	<u><u>5.2</u></u>

Balance Sheet

a.k.a. _____

As of December 31, 2012

Cash		

_____	Stuff	_____

<hr/>		

_____	Owe	_____

<hr/>		

_____	Own	_____



Balance Sheet

As of December 31, 2012

Stuff	_____
Owe	_____
Own	_____



My Restaurant, Inc.

Balance Sheet

June 30, 2012

Assets

Current Assets

Cash in Checking Account	\$26,881
Money Market Account	9,000
Inventory - Liquor	32,062
Inventory - Food	19,192

Total Current Assets \$87,135

Fixed Assets

Land	125,000
Buildings	112,900
Fixtures & Equipment	37,148
Accumulated Depreciation	(21,414)

Total Fixed Assets 253,634

Total Assets \$340,769

Liabilities

Current Liabilities

Accounts Payable	\$36,700
Federal Payroll Tax	6,394
State Payroll Tax	534
Accrued Unemployment Tax	430
Accrued Property Tax	1,658

Total Current Liabilities \$45,716

Long Term Liabilities

Mortgage Payable	85,108
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Total Long Term Liabilities 85,108

Total Liabilities \$130,824

Equity

Common Stock	174,000
Distributions	(6,000)
Retained Earnings	27,248
Profit / (Loss)	14,698

Total Equity 209,945

Total Liabilities And Equity \$340,769

Statement of Cash Flows

For the Month of December

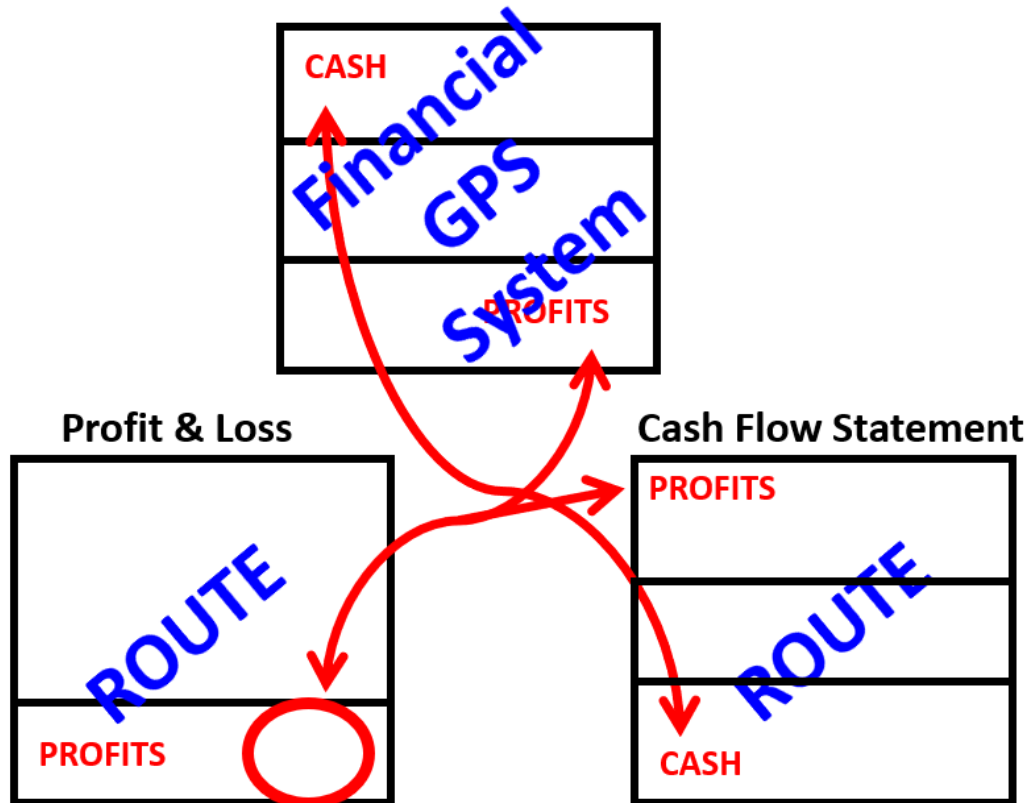
OPERATING	_____	
	_____	+

	_____	-
INVESTING	_____	+
	_____	-
FINANCING	_____	
	_____	+
	_____	-

Statement of Cash Flows is: Fact or Theory?



Reading My Maps



Where's the Cash?

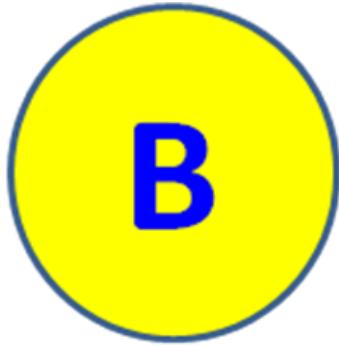
Profit &
Loss



Cash Flow
Statement



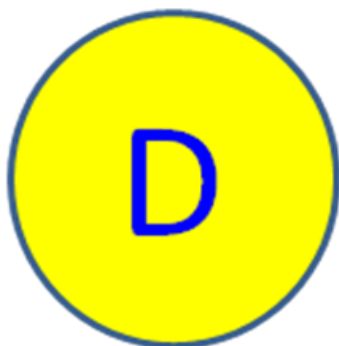
Accounting is your BUD!



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Source: Becker CPA Review Course



How do we keep Score?

Chart of Accounts



Sales



Expenses



Balance Sheet Accounts

Cash vs. Accrual



Cash Accounting

Transactions are only recorded in your accounting system ... when cash is paid out or received.

Benefits:

More representative of cash position

Weaknesses:

Doesn't tell you the whole story

Accrual Accounting

A transaction gets recorded once a transaction occurs in your business... regardless of whether cash was paid out or received.

Benefits:

Shows you the whole story!

Weaknesses:

Is a more detailed and complex method of accounting.



Cash Accounting

Balance Sheet

CASH
A/R
A/P

Profit & Loss

Sales
- Expenses
Profit

Accrual Accounting

Balance Sheet

CASH	
A/R	\$10,000
A/P	\$5,000
Profit	\$5,000

Profit & Loss

Sales	\$10,000
- Expenses	\$5,000
Profit	\$5,000



Accrual Accounting

Balance Sheet

CASH	
A/R	\$10,000
A/P	\$5,000
Profit	\$5,000

Profit & Loss

Sales	\$10,000
- Expenses	\$5,000
Profit	\$5,000



KPI's

Key Performance Indicators: *a number that's important in monitoring and measuring the performance of your business.*

Benefits of KPI's:

- Anticipate and solve challenges before they occur
- Tell you the story behind your numbers
- Becomes the benchmark to measure progress within your business and financial goals

What gets measured is what gets done.

~ Keith Cunningham



KPI's

Key Performance Indicators

What KPI's did you learn today?

- Current ratio
- Gross Profit Margin
- Profitability
- Revenue
- Cash Flow
- Equity and the Value of your business

Will your industry impact the KPI's that are important to you?



KPI's

Key Performance Indicators (Notes)



Building a Team to Manage your Money

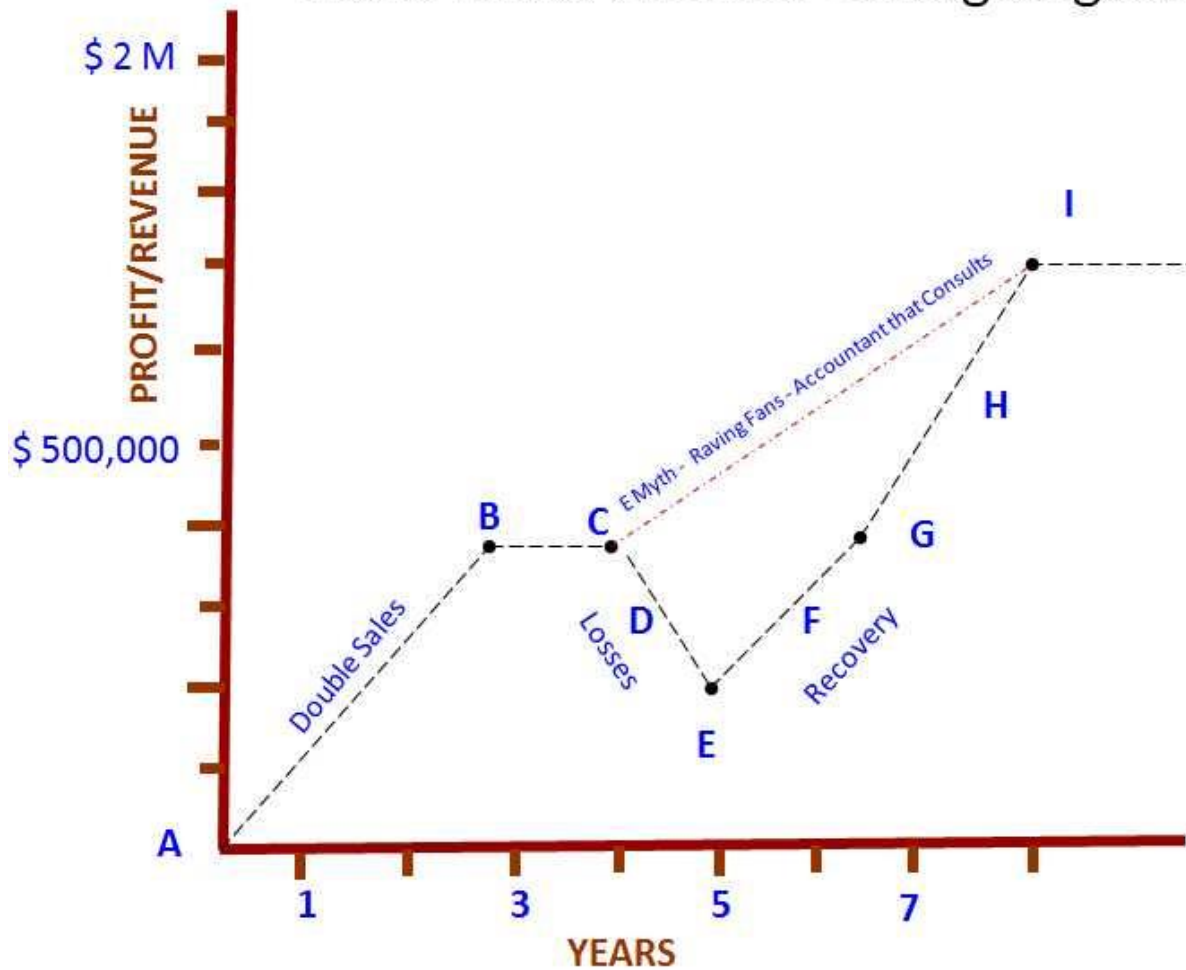
Who Does What?

1. **Accountant** – Track, Manage, and Save Money (Defense)
2. **Attorney** – Protect your Wealth
3. **Banker** – Manage daily cash flow needs
4. **Financial Planner** – Diversify assets, grow wealth
5. **Insurance Agent** – Risk Management



Change vs. Progress

Never Make Another Change Again!



Going Forward Back into Your Business

Secret #9: Grow S.M.A.R.T by Setting Written Goals

~ Ten Secrets To Achieving Results In Your Small Business by Edward Hastreiter

What did I learn?
How and when will I use it?



Write down 1 – 3 goals and a time line of when you will put them into action:

- **Time spent reviewing KPI's every month**
- **Target your Cash Flow Break-even**
- **Read 1 book a month**
- **Schedule a time to review F/S every month**
- **Develop a budget and operate to it**
- **Break-even Monthly**
- **Do 6 Week Cash Flow Forecast on Monday**
- **Leave a cushion in the checking account of \$_____**



Setting Written Goals

Write down 3 goals you want to achieve for your company.
Make them reasonable and attainable. List a start date and a completion date.

1. _____

Start Date _____

Completion Date _____

2. _____

Start Date _____

Completion Date _____

3. _____

Start Date _____

Completion Date _____

