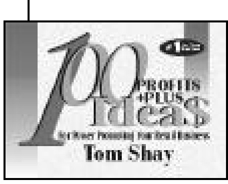
Black Ink: Cashflow Management Secrets Your Accountant Never Shared!

by

Tom Shay

PROFITS+PLUS Seminar$



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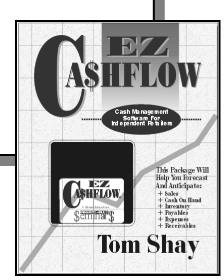


Do you know these terms of accounting?

Profit & 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.

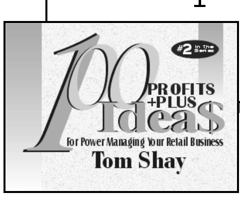
Balance Sheet - The balance sheet indicates the value of the business. It has a list of the assets and liabilities. It is similar to the financial statement you create when you go to the bank for a personal loan.

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.



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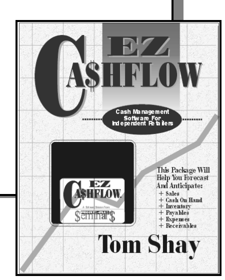

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Any Business

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	0.00%
Rent	8,000.00	12.90%
Telephone & Utilities	2,400.00	3.87%
Repairs	150.00	0.24%
Advertising	1,575.00	2.54%
Accounting & Legal	200.00	0.32%
Automobile	140.00	0.23%
Bank Charges	210.00	0.34%
Computer Operations	175.00	0.28%
Dues & Subscriptions	300.00	0.48%
Insurance - General & Workmans Compensation	800.00	1.29%
Licenses & Taxes (not sales tax)	100.00	0.16%
Office & 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	0.00	
Interest Income	265.00	
Interest Expense	0.00	
Net Income Before Taxes	(4,585.00)	
Federal Income Tax	0.00	
Net Income (Loss)	(4,585.00)	

PROFIT LOSS STATEMENT

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Any Business

	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**
Property and Equipment:	
Fixtures and Equipment	$126,245.11
Property	$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	$54,850.00
Long Term Liabilites:	
Total Liabilities:	**$54,850.00**
Stockholders' Equity	
Capital Stock	$175,000.00
Retained Earnings	$212,663.45
Current Income	$25,685.55
Total Stockholders' Equity	**$413,349.00**
Total Liabilities and Equity	**$468,199.00**

BALANCE SHEET

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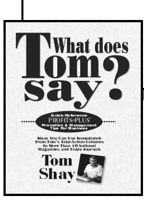
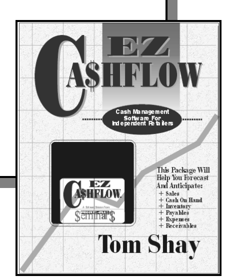
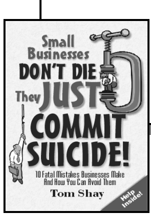
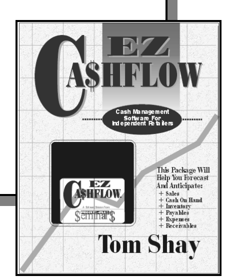
	A	B	C	D	E
1	**EZ Cashflow (TM) Cash Basis**				
2					
3	**For Month Ending:**		**1/31**	**2/28**	**3/31**
4					
5	Income Statement				
6	Cash Sales	P	62,000	65,000	70,000
7	Cost of Goods Sold	C	39,370	41,275	44,450
8	Gross Profit	C	22,630	23,725	25,550
9	Gross Profit Percentage	P	36.5%	36.5%	36.5%
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 (TM) Cash Basis**				
2					
3	**For Month Ending:**		**1/31**	**2/28**	**3/31**
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)





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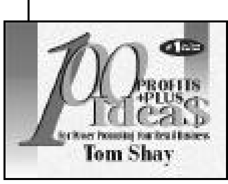
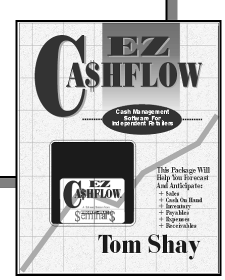
	A	B	O	P	Q
1	**EZ Cashflow (TM) Cash Basis**				
2					
3	**For Month Ending:**		**1/31**	**Totals**	**Budget**
4					
5	Income Statement				
6	Cash Sales	P	64,000	863,000	
7	Cost of Goods Sold	C	40,640	548,005	
8	Gross Profit	C	23,360	314,995	
9	Gross Profit Percentage	P	36.5%	36.5%	
10					
11	Operating 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 & 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	Bank Charges	P	210	2,520	
22	Computer Operations	P	175	2,100	
23	Dues & Subscriptions	P	300	525	
24	Insurance - General & Workman's Compensation	P	800	10,500	
25	Licenses & Taxes (not sales tax)	P	100	1,850	
26	Office & 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**
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	

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EZ CASHFLOWÔ

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,

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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).

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1	**EZ Cashflow (TM) 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%
10					
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

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	A	B	C	D	E
1	EZ Cashflow (TM) 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)

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1	**EZ Cashflow (TM) Accrual Basis**				
2					
3	**For Month Ending:**		**1/31**	**2/28**	**3/31**
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

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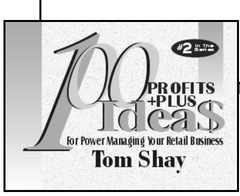
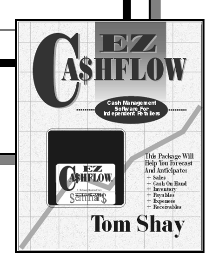
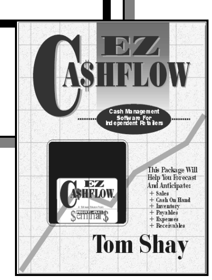
4	Income Statement				
5					
6	Gross Sales	P	64,000	863,000	
7	Cost of Goods Sold	C	40,640	548,005	
8	Gross Profit	C	23,360	314,995	
9	Gross Profit Percentage	P	36.5%	36.5%	
10					
11	Operating Expenses:				
12	Wages (Including accrued)	P	12,000	159,200	
13	Payroll Taxes	C	960	12,736	
14	Property Taxes (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 (TM) Accrual Basis**				
2					
3	**For Month Ending:**		**1/31**	**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 Receipt (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)	



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	A	B	O	P	Q
1	**EZ Cashflow (TM) Accrual Basis**				
2					
3	**For Month Ending:**		**1/31**	**Totals**	**Budget**
94	Balance Sheet				
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	-	-	

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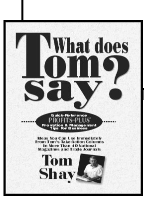
EZ CASHFLOWÔ
Accrual Basis

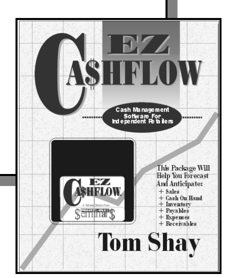
Columns

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.





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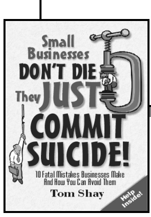
43. Federal Income Tax - This figure, and hopefully you have a need for this figure, is accrued in the same manner as row 37.
45. Net Income - This row is a result of the number in row 41 and subtracting row 43.
49. Cash Balance, Beginning of Month - This number is supplied by you for column C, and for 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.



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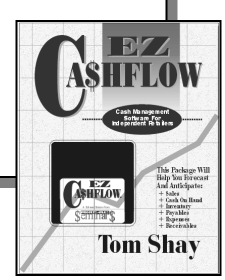

81. Rent - If you have been accruing rent due to a sales override lease, this is the row in which you enter the overage payments.
82. Federal Income Tax - This is the row to enter the actual payment of federal income taxes.
85. Sale of Equipment - This row is designed to allow you to receive additional 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 show 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.

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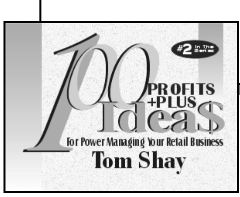
105. Purchases, 60 Days - This is the amount of inventory that you have purchased during this month which is to be paid for two months from now. This number is provided by you.
106. Purchases, 90 Days - This is the amount of inventory that you have purchased during this month which is to be paid for 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.



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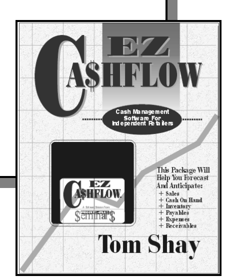

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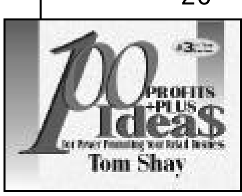

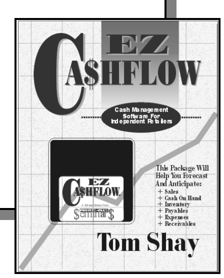

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SHAY'S WAY

Business Advice

Take control of your cash flow
by Tom Shay

Sometime during the middle of the month, the owner of a business performs a monthly ritual; a file folder begins to fill with various sheets of information, all of which is delivered to the accountant for the appropriate processing. Within the next couple of weeks, the accountant calls the business owner or manager. "I have the numbers ready," is the traditional beginning of the conversation.

At the meeting, the accountant will review the monthly financial sheets with their client. The meeting lasts approximately an hour, and during this time the gross sales, gross margin, maybe a couple of expense items, and the bottom line are reviewed. The business person then takes the financial sheets back to their office, files them in the appropriate cabinet and returns to work, often with a facial expression that is indicative of how the financial sheet looked.

Is this an exaggeration of the monthly ritual? In many businesses, the answer is no, even though many businesses own computers and are able to generate preliminary financial sheets. At larger businesses, an office manager might perform this exercise. Regardless of the size, the scenario can apply to any type of business.

For too many businesses, the sequence is exactly as described, which prompts me to ask, "If you are not making decisions in a timely manner from the financial sheets you receive or create each month, why not create them only once a year for the necessary tax purposes?

The answer will probably be that in observing the sheets for several months, the business may see a trend that can be avoided or promoted as the situation dictates. While the logic does make sense, it can also be likened to deciding which direction to drive a car by looking in the rear view mirror to see where you have been. Fortunately for all businesses, there is an alternative.

Stepping back to observe the available material, businesses have long depended on the two traditional sheets: the income statement (also known as the profit and loss statement), and the balance sheet. The income statement is the story of what the business has done for the last month. The story begins with the first day of the month and ends with the last day. It reflects the incomes and all of the expenses charged to that month.

A business utilizes one of two styles of income statements. The first is a cash basis income statement and the second is an accrual basis income statement. To explain the difference, we can look at one of the many items that appear on the statement. The federal income tax due on March 15 can be entered into the books for the month of March, an action that will likely greatly affect that month's statement. Because the taxes are both paid and entered into the books in March, this type of accounting is referred to as cash basis accounting. However if an estimation of the federal income tax due is divided by 12, with this lesser amount being entered on each of the 12 income statements, the business is utilizing an accrual basis accounting system.

With accrual, each of the 12 months will now have a financial sheet that is more reflective of the true income and expenses of the month. The example of federal income tax can be extended to include wagers, insurance, and rent, as well as many other expenses (or income) that is created by the events of more than one month.

The balance sheet is the financial strength of the business; items from the business' entire existence are included. As the income statement is created at the end of the month, select items (cash on hand, inventory, accounts receivable, accounts payable, net income and a few others) are updated as a result of the last 30 days of business.

With this backdrop of information, let's look forward as we decide where the business is going. The tool necessary to turn our head from looking exclusively at the history to primarily looking forward is a cashflow sheet.

The cash flow sheet allows a business to anticipate the opportunities and pitfalls that present themselves to the decision makers within the business. So how do you create the cashflow sheet and what can you use it for?

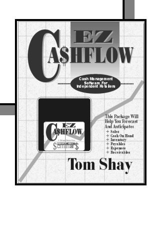
While earlier versions of cashflow sheets were created using multicolumn ledger sheets and an adding machine, today's versions utilize computer spreadsheet programs and provide answers within a few moments once the format is created within the software.

For those who have not experienced a cashflow sheet, visualize 12 columns of information that are a hybrid of the income statement. The first row of information is the cash on hand on the first day of the month, followed by sales information and the types of sales. Obviously a sale on a 30 day credit basis affects the cash flow sheet over two months as compared with the cash sale, which affects only one month of cash flow.

Follow this section with rows of information about the expenses, payments toward accounts payable and collection of accounts receivable, as well as purchases and sales of fixtures, and inventory. All of these rows of entries share a commonality in that they affect the checking account of the business. And when this calculation is completed, the last line of information is the cash on hand balance on the last day of the month.

Again, imagine a column for each of the next 12 months, and you have created a cashflow sheet. To make each of the columns tie together, you will notice the last line on one column (cash on hand, end of month) becomes the first line of the next column (cash on hand, beginning of month).

To enter the correct information for each of the cells (the intersection of a row and column), you would examine your past 12 financial statements for the appropriate numbers. Between your income state-



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ment and balance sheet, all of the necessary figures are at hand.

After creating this cash flow sheet, which is reflective of the past 12 months, you can begin to ask yourself questions about where you believe your business is going. You can start by anticipating the sales for each month as well as the expenses. As you change each cell to indicate what you expect is going to happen from what did happen last year, you will notice the last line (cash on hand) changes to reflect how the new entry will affect your cash on hand for not only the current month but each of the succeeding months.

With this new tool in hand what can you do to utilize it? After all, if you are not going to make decisions from the information you receive, there is not a strong case to be made in defense of creating the tool. There is, however, an abundant supply of possible decisions to be made. Let's look at several examples.

Do you think you need an extra employee? Once you add this expense to your current wages, insurances and payroll taxes, you will see if you have the necessary cash on hand. And if you believe the new employee will increase your sales, you can make this entry as well, and see if you are now a more profitable business or one that is just trading dollars.

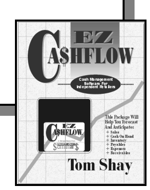
Another opportunity for use applies to businesses that utilize an outside person. If you have had the experience of the salesperson who habitually brings in orders with lower margins, the cash flow sheet can be used as a motivational tool. Utilizing your cash flow sheet, calculate the total sales this person would produce each year if he or she had an acceptable margin, and you will see the increase in your profits. Knowing that dollar amount, you can create an incentive program which could be a powerful tool in training this salesperson to stress the quality and services of your business. You may find that giving a $1,000 bonus to this salesperson can create an additional $5,000 through increased sales.

Lastly, from the experiences of several businesses that have had cashflow deficiencies, a cash flow sheet provides an opportunity to foresee the problem and take corrective actions. It allows businesses to see well in advance any and all months in which their business would experience a cash shortage.

Though this problem usually leads to concern, worry and sleepless nights, the situation would instead be taken in stride if a cash flow sheet were present. The cash flow sheet would show the depth and duration of the cash shortage. Using your cash flow sheet, you would be equipped to visit your banker with a plan of action stating how much money you would need, for how long and what type of interest rate and payment plan would work with the needs of your business.

Needless to say, you can eliminate sleepless nights while you impress your financial advisors and creditors with your ability to manage money.

Perhaps there is truth in the idea that a little information can be a dangerous thing. But in addition to having too little information, the failure to utilize information can not only be dangerous, it can prelude the failure to take advantage of opportunities or even the failure of the business. The cash flow sheet is more than a piece of paper; it can be the best tool in your management arsenal.



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