


## The Balance Sheet

*This is your Scoreboard*



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Pretty Fast Printing, Inc.  
Condensed Balance Sheet  
March 31, 2009

ASSETS	
Current Assets	
Cash	\$ 18,729.62
Accounts Receivable	\$ 22,637.33
Notes Receivable - Current	\$ 28,981.34
Inventory	\$ 10,000.00
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 80,348.29</b>
Non-Current Assets	
Machinery and Equipment	\$ 535,631.65
Accumulated Depreciation	\$ (385,830.79)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$ 149,800.86</b>
<b>TOTAL ASSETS</b>	<b>\$ 230,149.15</b>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 14,168.05
Payroll Taxes Payable	\$ (143.17)
Sales Tax Payable	\$ 5,099.20
Federal Income Taxes Pay	\$ 6,013.93
Current Portion Notes Pay	\$ 25,525.92
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 50,663.93</b>
Non-Current Liabilities	
Notes Payable	\$ 135,674.53
Less Current Portion	\$ (25,525.92)
<b>Total Non-Current Liabilities</b>	<b>\$ 59,484.68</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 110,148.61</b>
EQUITY	
Equity	\$ 120,000.54
<b>TOTAL EQUITY</b>	<b>\$ 120,000.54</b>
<b>TOTAL LIABILITY AND EQUITY</b>	<b>\$ 230,149.15</b>

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Condensed Balance Sheet  
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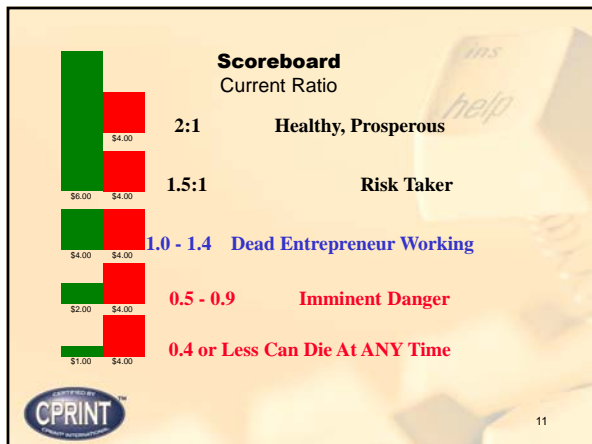
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**Current Ratio =**  
**Current Assets**  
**Current Liabilities**

**\$80,348.29**  
**\$50,663.93**  
**= 1.6**

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### Read the scoreboard

Days' Sales in Cash on Hand

Sales = \$365,000

$\$365,000 / 365 = \$1,000$  or One Day's Sales

Cash on Hand = \$20,000

Divide Cash on Hand / One Day's Sales or

$\$20,000 / \$1,000 = 20$  Days Cash

*We need 30, 15 (minimum)*

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### Most Important Strength Measurements

1. Current Ratio 2:1
2. Days' Cash on Hand 30 days



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### Effect of Being Cash Starved

- Pressed for cash; harried; grouchy
- Have less time to do work because we have to talk to creditors more (*or spouse does*)
- Sell for less to make it up in volume
- Work longer hours; less free time
- No vacations
- Lose house, wife, kids, dog and more



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### The Income Statement

*This is the Instant Replay*



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### 3. The Income Statement

Revenues - Expenses = Income

Sales	100%
- Direct Materials	25% - 30%
- Wages / Others	25%
- Overhead	25%
= Income B4 Owner	20% - 25%
- Owner	- 40%
= Net Income	= (15%)



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### 3. The Income Statement

Revenues - Expenses = Income

Sales	100%	
- Direct Materials	25% - 30%	<b>Box Score</b>
- Wages / Others	25%	
- Overhead	25%	
= Income B4 Owner	20% - 25%	
- Owner	- 40%	
= Net Income	= Bad News	



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### 3. The Income Statement

Revenues - Expenses = Income

Sales	100%	
- Direct Materials	25% - 30%	25%
- Wages / Others	25%	50%
- Overhead	25%	25%
= Income B4 Owner	20% - 25%	0%
- Owner		
= Net Income		




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### 3. The Income Statement

Revenues - Expenses = Income

Sales	100%	
- Direct Materials	25% - 30%	25%
- Wages / Others	25%	25%
- <u>Overhead</u>	<u>25%</u>	<u>50%</u>
= Income B4 Owner	20% - 25%	0%
- Owner		
= Net Income		




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### 3. The Income Statement

Revenues - Expenses = Income

Sales	100%	
- Direct Materials	25% - 30%	40%
- Wages / Others	25%	35%
- <u>Overhead</u>	<u>25%</u>	<u>25%</u>
= Income B4 Owner	20% - 25%	0%
- Owner		
= Net Income		

*The prices are too low!*




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### 3. The Income Statement

Revenues - Expenses = Income

Sales	100%	
- Direct Materials	25% - 30%	33%
- Wages / Others	25%	33%
- <u>Overhead</u>	<u>25%</u>	<u>33%</u>
= Income B4 Owner	20% - 25%	0%

*Compound Problem - Usually Low Prices and High Overhead*



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### What is a good strategy?

Anything that produces standard Income before Owner's Compensation of 20%

And IF working capital is protected and equipment needs met - the owner can take it ALL out!




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### Excuse Me, But what about THE Question?


*If We're Doing So Well, How Come We Don't Have Any Cash?*




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### Cash and Income Aren't the Same

Sales	\$500,000	100%
- Direct Materials	\$125,000	25%
- Wages	\$125,000	25%
- <u>Overhead</u>	<u>\$125,000</u>	<u>25%</u>
- Income B4 Owner	\$125,000	25%
- Owner Salary	\$100,000	10%
= Net Income	\$ 25,000	15%



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## Then Consider Cash Flow

= Net Income	\$ 25,000	5%
+ Depreciation/Amortization	\$ 40,000	8%
+ Interest	\$ 30,000	16%
- Pay on Bal. Sheet Loans	\$ 80,000	10%
- Withdraw/Dividend/Dist	\$ 20,000	4%
= Estimated Cash +/-	(\$ 5,000)	(1%)



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## Pretty Fast Printing, Inc. Statement of Cash Flows For the Period Ending March 31, 2019

Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ 19,000
Other receivables	\$ (600)
Inventories	\$ 2,610
Increase (decrease) in:	
Accounts Payable	\$ 11,908
Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	
Purchase of Property and Equipment	\$ (41,328)
Cash Flows From Financing Activities	
Repayment of Notes Payable	\$ (20,777)
<b>Increase (Decrease) In Cash</b>	<b>\$ (70,612)</b>
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)



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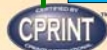
## Checkbook



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## What the Numbers Mean

\$100,000 ↑	\$70,000 Purchases Of Inventory	\$55,000 Cost of Direct Materials
	\$15,000 Increase	\$45,000 Ending Inventory
	\$30,000 Beginning Inventory	



- Cash

## What the Numbers Mean

\$100,000 ↑	\$55,000 Purchases Of Inventory	\$70,000 Cost of Direct Materials
	\$45,000 Beginning Inventory	\$15,000 Decrease
		\$30,000 Ending Inventory



+ Cash

ASSETS		LIABILITIES	
Current Assets	End	Current Liabilities	Accounts Payable
Cash	\$12,146.95	Payroll Taxes Payable	\$9,168.05
Accounts Receivable	\$27,000.00	Sales Tax Payable	(\$143.17)
Notes Receivable - Current	\$28,981.34	Federal Income Taxes Pay	\$2,099.20
Inventory	\$12,000.00	Current Portion Notes Pay	\$2,013.93
TOTAL CURRENT ASSETS	\$80,348.29	TOTAL CURRENT LIABILITIES	\$50,663.93
Non-Current Assets		Non-Current Liabilities	
Machinery and Equipment	\$545,631.65	Notes Payable	\$120,674.53
Accumulated Depreciation	(\$385,830.79)	Less Current Portion	(\$25,525.92)
TOTAL NON-CURRENT ASSETS	\$149,800.86	TOTAL LIABILITIES	\$116,148.61
TOTAL ASSETS	\$230,149.15	EQUITY	\$116,980.54
		TOTAL EQUITY	\$120,000.54
		TOTAL LIABILITY AND EQUITY	\$230,149.15

			Begin	End	Change
ASSETS	Current Assets	Cash	\$18,729.62	\$12,346.95	(\$6,382.67)
		Accounts Receivable	\$22,637.33	\$27,000.00	(\$4,362.67)
		Notes Receivable - Current	\$28,981.34	\$28,981.34	
		Inventory	\$10,000.00	\$12,000.00	(\$2,000.00)
		<b>TOTAL CURRENT ASSETS</b>	<b>\$80,348.29</b>	<b>\$80,348.29</b>	
	Non-Current Assets	Machinery and Equipment	\$535,631.65	\$545,631.65	(\$10,000.00)
		Accumulated Depreciation	(\$385,830.79)	(\$385,830.79)	
		<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$149,800.86</b>	<b>\$149,800.86</b>	
		<b>TOTAL ASSETS</b>	<b>\$230,149.15</b>	<b>\$230,149.15</b>	
LIABILITIES	Current Liabilities	Accounts Payable	\$14,168.05	\$9,168.05	(\$5,000.00)
		Payroll Taxes Payable	(\$143.17)	(\$143.17)	
		Sales Tax Payable	\$5,099.20	\$2,099.20	(\$3,000.00)
		Federal Income Taxes Pay	\$6,013.93	\$2,013.93	(\$4,000.00)
		Current Portion Notes Pay	\$25,525.92	\$25,525.92	
		<b>TOTAL CURRENT LIABILITIES</b>	<b>\$50,663.92</b>	<b>\$50,663.92</b>	
	Non-Current Liabilities	Notes Payable	\$135,674.53	\$120,674.53	(\$15,000.00)
		Less Current Portion	(\$25,525.92)	(\$25,525.92)	
		<b>Total Non-Current Liabilities</b>	<b>\$59,484.68</b>	<b>\$59,484.68</b>	
		<b>TOTAL LIABILITIES</b>	<b>\$110,148.61</b>	<b>\$110,148.61</b>	
		EQUITY	\$120,000.54	\$166,980.54	(\$46,980.00)
		<b>TOTAL EQUITY</b>	<b>\$120,000.54</b>	<b>\$120,000.54</b>	
		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$230,149.15</b>	<b>\$230,149.15</b>	

	One Month		Year to Date	
	Amount	Percent	Amount	Percent
Depreciation	\$ 2,333	1.8	\$ 16,374	1.9
Amortization	555	0.4	3,888	0.5
Date and subscriptions	725	0.6	5,795	0.6
Equipment rentals	3,250	2.5	24,613	2.8
Repair and maintenance	756	0.6	7,921	0.9
Interest expense	125	0.1	2,365	0.3
Meals and conferences	2,862	2.2	13,188	1.5
Office supplies	321	0.3	5,836	0.7
Professional services	9,435	7.4	16,075	1.8
Rent	6,025	4.7	49,022	5.6
Shipping, freight and courier services	602	0.5	9,370	1.1
Taxes, licenses, and fees	798	0.6	4,510	0.8
Telecommunications	785	0.6	5,574	0.6
Utilities	2,121	1.7	18,176	2.1
Auto expense	1,804	0.8	10,920	1.2
Miscellaneous expenses	( 2,024)	(1.6)	4,856	0.6
<b>Total overhead</b>	<b>\$ 31,327</b>	<b>24.5</b>	<b>\$ 219,551</b>	<b>25.2</b>
Net profit from operations	\$ 26,472	20.8	\$ 113,802	13.0
<b>OTHER INCOME AND EXPENSES</b>				
Interest and dividends earned	\$ 56	0.0	\$ 2,814	0.3
Invoiced shipping	260	0.2	6,003	0.7
Other income	0	0.0	2,800	0.3
Discounts taken	319	0.3	1,392	0.2
Other expenses	0	0.0	0	0.0
Gain on disposal of assets	0	0.0	9	0.0
<b>Total other income and expenses</b>	<b>\$ 645</b>	<b>0.5</b>	<b>\$ 12,709</b>	<b>1.5</b>
<b>INCOME BEFORE OWNER COMPENSATION</b>	<b>\$ 27,117</b>	<b>21.3</b>	<b>\$ 126,511</b>	<b>14.5</b>
Owner compensation	( 12,561)	( 9.9)	( 79,511)	( 9.3)
<b>NET INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>\$ 14,556</b>	<b>11.4</b>	<b>\$ 46,999</b>	<b>5.3</b>

			Begin	End	Change
ASSETS	Current Assets	Cash	\$18,729.62	\$65,709.62	\$46,980.00
		Accounts Receivable	\$22,637.33	\$22,637.33	
		Notes Receivable - Current	\$28,981.34	\$28,981.34	
		Inventory	\$10,000.00	\$10,000.00	
		<b>TOTAL CURRENT ASSETS</b>	<b>\$80,348.29</b>	<b>\$80,348.29</b>	
	Non-Current Assets	Machinery and Equipment	\$535,631.65	\$535,631.65	
		Accumulated Depreciation	(\$385,830.79)	(\$385,830.79)	
		<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$149,800.86</b>	<b>\$149,800.86</b>	
		<b>TOTAL ASSETS</b>	<b>\$230,149.15</b>	<b>\$230,149.15</b>	
LIABILITIES	Current Liabilities	Accounts Payable	\$14,168.05	\$14,168.05	
		Payroll Taxes Payable	(\$143.17)	(\$143.17)	
		Sales Tax Payable	\$5,099.20	\$5,099.20	
		Federal Income Taxes Pay	\$6,013.93	\$6,013.93	
		Current Portion Notes Pay	\$25,525.92	\$25,525.92	
		<b>TOTAL CURRENT LIABILITIES</b>	<b>\$50,663.92</b>	<b>\$50,663.92</b>	
	Non-Current Liabilities	Notes Payable	\$135,674.53	\$135,674.53	
		Less Current Portion	(\$25,525.92)	(\$25,525.92)	
		<b>Total Non-Current Liabilities</b>	<b>\$59,484.68</b>	<b>\$59,484.68</b>	
		<b>TOTAL LIABILITIES</b>	<b>\$110,148.61</b>	<b>\$110,148.61</b>	
		EQUITY	\$120,000.54	\$166,980.54	(\$46,980.00)
		<b>TOTAL EQUITY</b>	<b>\$120,000.54</b>	<b>\$120,000.54</b>	
		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$230,149.15</b>	<b>\$230,149.15</b>	

			Begin	End	Change
ASSETS	Current Assets	Cash	\$18,729.62	\$60,709.62	\$41,980.00
		Accounts Receivable	\$22,637.33	\$22,637.33	
		Notes Receivable - Current	\$28,981.34	\$28,981.34	
		Inventory	\$10,000.00	\$10,000.00	
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		Notes Receivable - Current	\$28,981.34	\$28,981.34	
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		EQUITY	\$120,000.54	\$166,980.54	(\$46,980.00)
		<b>TOTAL EQUITY</b>	<b>\$120,000.54</b>	<b>\$120,000.54</b>	
		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$230,149.15</b>	<b>\$230,149.15</b>	

			Begin	End	Change
ASSETS	Current Assets	Cash	\$18,729.62	\$12,346.95	(\$6,382.67)
		Accounts Receivable	\$22,637.33	\$27,000.00	(\$4,362.67)
		Notes Receivable - Current	\$28,981.34	\$28,981.34	
		Inventory	\$10,000.00	\$12,000.00	(\$2,000.00)
		TOTAL CURRENT ASSETS	\$80,348.29	\$80,348.29	
	Non-Current Assets	Machinery and Equipment	\$535,631.65	\$535,631.65	
		Accumulated Depreciation	(\$385,830.79)	(\$385,830.79)	
		TOTAL NON-CURRENT ASSETS	\$149,800.86	\$149,800.86	
		TOTAL ASSETS	\$230,149.15	\$230,149.15	
LIABILITIES	Current Liabilities	Accounts Payable	\$14,168.05	\$9,168.05	(\$5,000.00)
		Payroll Taxes Payable	(\$143.17)	(\$143.17)	
		Sales Tax Payable	\$5,099.20	\$2,099.20	(\$3,000.00)
		Federal Income Taxes Pay	\$6,013.93	\$2,013.93	(\$4,000.00)
		Current Portion Notes Pay	\$25,525.92	\$25,525.92	
		TOTAL CURRENT LIABILITIES	\$50,663.92	\$50,663.92	
	Non-Current Liabilities	Notes Payable	\$135,674.53	\$120,674.53	(\$15,000.00)
		Less Current Portion	(\$25,525.92)	(\$25,525.92)	
		Total Non-Current Liabilities	\$59,484.68	\$59,484.68	
		TOTAL LIABILITIES	\$110,148.61	\$110,148.61	
		EQUITY	\$120,000.54	\$116,980.54	(\$3,020.00)
		TOTAL EQUITY	\$120,000.54	\$120,000.54	
		TOTAL LIABILITY AND EQUITY	\$230,149.15	\$230,149.15	

			Begin	End	Change
ASSETS	Current Assets	Cash	\$18,729.62	\$12,346.95	(\$6,382.67)
		Accounts Receivable	\$22,637.33	\$27,000.00	(\$4,362.67)
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		TOTAL LIABILITIES	\$110,148.61	\$110,148.61	
		EQUITY	\$120,000.54	\$116,980.54	(\$3,020.00)
		TOTAL EQUITY	\$120,000.54	\$120,000.54	
		TOTAL LIABILITY AND EQUITY	\$230,149.15	\$230,149.15	

**This Statement Ties Net Income (Income Statement)**

**To show cash goes to three places!**

**With Ending Cash (Balance Sheet)**

Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ (155,413)
Other receivables	\$ (643)
Inventories	\$ 2,610
Increase (decrease) in:	
Accounts Payable	\$ 11,908
Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	\$ (41,328)
Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	\$ (41,328)
Purchase of Property and Equipment	\$ (41,328)
Cash Flows From Financing Activities	\$ (20,777)
Increase (Decrease) in Cash	\$ (70,612)
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)

**CPRINT**

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**1. Cash Required In Operating Activities**

**Note how this \$71,607 in Net Income is really a \$8,507 cash loss**

Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ (155,413)
Other receivables	\$ (643)
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Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	\$ (41,328)
Purchase of Property and Equipment	\$ (41,328)
Cash Flows From Financing Activities	\$ (20,777)
Repayment of Notes Payable	\$ (20,777)
Increase (Decrease) in Cash	\$ (70,612)
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)

**CPRINT**

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**2. Cash Required In Investing Activities**

**We bought \$41,328 of stuff on a \$8,507 cash loss = \$49,835**

Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ (155,413)
Other receivables	\$ (643)
Inventories	\$ 2,610
Increase (decrease) in:	
Accounts Payable	\$ 11,908
Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	\$ (41,328)
Purchase of Property and Equipment	\$ (41,328)
Cash Flows From Financing Activities	\$ (20,777)
Repayment of Notes Payable	\$ (20,777)
Increase (Decrease) in Cash	\$ (70,612)
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)

**CPRINT**

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**3. Cash Required In Financing Activities**

**Paid \$20,777 of payments so now our cash loss is \$70,612**

Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ (155,413)
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Inventories	\$ 2,610
Increase (decrease) in:	
Accounts Payable	\$ 11,908
Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	\$ (41,328)
Purchase of Property and Equipment	\$ (41,328)
Cash Flows From Financing Activities	\$ (20,777)
Repayment of Notes Payable	\$ (20,777)
Increase (Decrease) in Cash	\$ (70,612)
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)

**CPRINT**

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**And that's how to turn \$71,607 of income into a cash loss of \$70,612**

**Change in Cash + Begin Cash = Ending Cash**

Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ (155,413)
Other receivables	\$ (643)
Inventories	\$ 2,610
Increase (decrease) in:	
Accounts Payable	\$ 11,908
Net Cash Provided by Operating Activities	\$ (8,507)
Cash Flows From Investing Activities	\$ (41,328)
Purchase of Property and Equipment	\$ (41,328)
Cash Flows From Financing Activities	\$ (20,777)
Repayment of Notes Payable	\$ (20,777)
Increase (Decrease) in Cash	\$ (70,612)
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)

**CPRINT**

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Cash Flows From Operating Activities	
Net Income	\$ 71,607
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 61,424
(Increase) decrease in:	
Accounts Receivable	\$ (155,413)
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Cash Flows From Financing Activities	\$ (20,777)
Repayment of Notes Payable	\$ (20,777)
Increase (Decrease) in Cash	\$ (70,612)
Cash, Beginning	\$ 61,057
Cash, Ending	\$ (9,555)

**CPRINT**

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**And That's  
Where the Cash Goes**

Thank You!!!



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**Questions?**



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