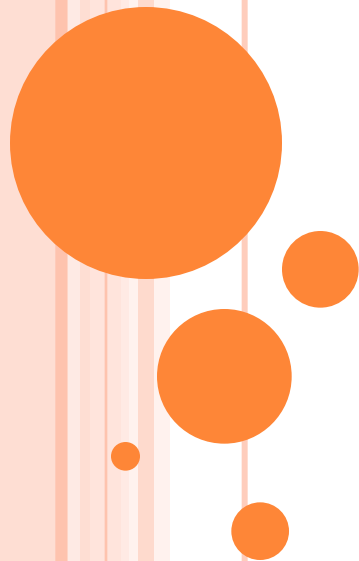


# WISE CONFERENCE

FANTASTIC FINANCIALS  
THAT WON'T TAX YOU.

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APRIL 8, 2009



# FIVE THINGS ENTREPRENEURS MUST KNOW ABOUT ACCOUNTING

1. Do I have adequate cash flow to survive?
2. At what level of sales am I profitable?
3. How do I finance my company and grow?
4. How do I build my equity (Value)?
5. How do I protect my assets?



# ACCOUNTING ASSISTANCE

- MUST DEVELOP A RELATIONSHIP WITH SOMEONE KNOWLEDGABLE FOR ACCOUNTING GUIDANCE
- This is no place for amateurs.



# CASH FLOW

- UNDERSTANDING THE CASH FLOW CYCLE AND MANAGEING IT ARE ESSENTIAL.
- Important to establish a good relationship with the bank.
- Rapid Growth is the cause, not the solution, for cash problems

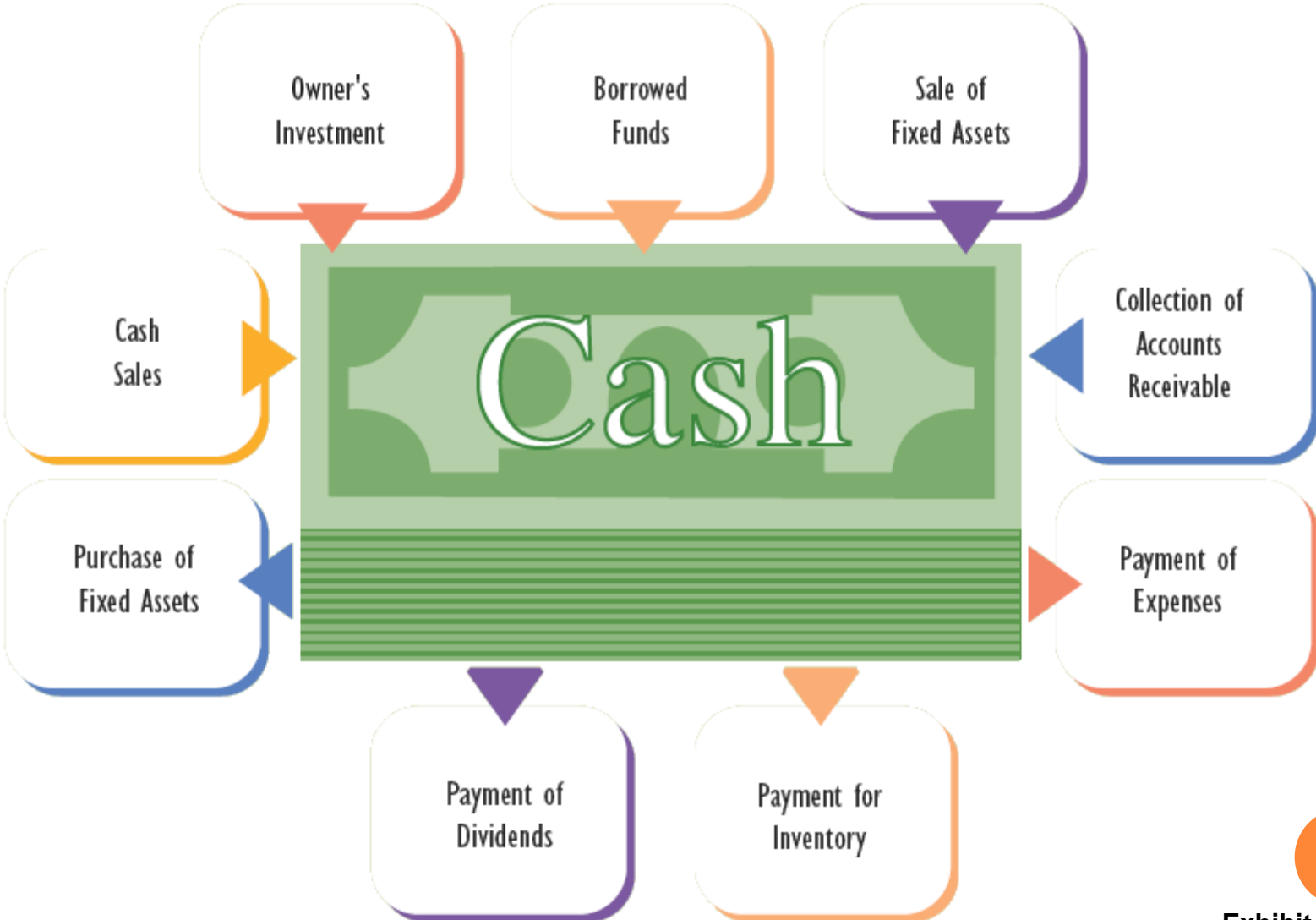


# FINANCING

- How are you going to FUEL the growth of your business.
- This is a delicate strategy.
- If you're relying on the banks for most of it, it won't work.



# FLOW OF CASH THROUGH A BUSINESS



# CASH FLOW:

	May	June	July	August	September
<b>Monthly Sales</b>	<b>\$100,000</b>	<b>\$120,000</b>	<b>\$130,000</b>	<b>\$130,000</b>	<b>\$120,000</b>
<b>Cash receipts</b>					
Cash sales for month (40%)		\$ 52,000	\$ 52,000	\$ 48,000	
1 month after sale (30%)		36,000	39,000	39,000	
2 months after sale (30%)		30,000	36,000	39,000	
<b>Step 1 Total collections</b>			<b>\$118,000</b>	<b>\$127,000</b>	<b>\$126,000</b>
Purchases (80% of sales)		\$104,000	\$104,000	\$ 96,000	\$ 80,000
<b>Cash disbursements</b>					
<b>Step 2a Payments on purchases</b>			<b>\$104,000</b>	<b>\$104,000</b>	<b>\$ 96,000</b>
Rent			3,000	3,000	3,000
Wages and salaries			18,000	18,000	16,000
<b>Step 2b Tax prepayment</b>			<b>1,000</b>		
Utilities (2% of sales)			2,600	2,600	2,400
Interest on long-term note					800
<b>Step 2c Short-term interest (1% of short-term debt)</b>				<b>106</b>	<b>113</b>
<b>Total cash disbursements</b>			<b>\$128,600</b>	<b>\$127,706</b>	<b>\$118,313</b>
<b>Step 3 Net change in cash</b>			<b>\$ 10,600</b>	<b>\$ 706</b>	<b>\$ 7,687</b>
<b>Step 4 Beginning cash balance</b>			<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Step 5 Cash balance before borrowing</b>			<b>\$ 5,600</b>	<b>\$ 4,294</b>	<b>\$ 12,687</b>
<b>Step 6 Short-term borrowing (payments)</b>			<b>10,600</b>	<b>706</b>	<b>7,687</b>
<b>Ending cash balance</b>			<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>
<b>Step 7 Cumulative short-term debt outstanding</b>			<b>\$ 10,600</b>	<b>\$ 11,306</b>	<b>\$ 3,619</b>

*INCOME STATEMENT FOR TRIMBLE & ASSOCIATES LEASING, INC.,*

*FOR THE YEAR ENDING DECEMBER 31, 2007*

Sales		\$850,000
Cost of goods sold		<u>550,000</u>
Gross profit on sales		\$300,000
Operating expenses:		
Marketing expenses	\$90,000	
General and administrative expenses	80,000	
Depreciation expense	<u>30,000</u>	
Total operating expenses		<u>\$200,000</u>
Operating income		\$100,000
Interest expense		<u>20,000</u>
Earnings before taxes		\$ 80,000
Income tax (25%)		<u>20,000</u>
Net income		<u><u>\$ 60,000</u></u>
Net income		\$ 60,000
Dividends paid		<u>15,000</u>
Change in retained earnings		<u><u>\$ 45,000</u></u>

# BREAK EVEN SALES

- Depending on how high your margin is , you can calculate the amount of sales you must have in order to break even.
- Restaurants for instance measure the number of times they turns their tables in a night.



## BALANCE SHEETS FOR TRIMBLE & ASSOCIATES LEASING, INC., FOR DECEMBER 31, 2006 AND 2007

	2006	2007	Changes
<b>Assets</b>			
Current assets:			
Cash	\$ 45,000	\$ 50,000	\$ 5,000
Accounts receivable	75,000	80,000	5,000
Inventories	180,000	220,000	40,000
Total current assets	<u>\$300,000</u>	<u>\$350,000</u>	<u>\$ 50,000</u>
Fixed assets:			
Gross fixed assets	\$860,000	\$960,000	\$100,000
Accumulated depreciation	( 360,000)	( 390,000)	( 30,000)
Net fixed assets	<u>\$500,000</u>	<u>\$570,000</u>	<u>\$ 70,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$800,000</u></u>	<u><u>\$920,000</u></u>	<u><u>\$120,000</u></u>
 <b>Debt (Liabilities) and Equity</b>			
Current liabilities:			
Accounts payable	\$ 15,000	\$ 20,000	\$ 5,000
Short-term notes	60,000	80,000	20,000
Total current liabilities (debt)	<u>\$ 75,000</u>	<u>\$100,000</u>	<u>\$ 25,000</u>
Long-term debt	150,000	200,000	50,000
Total debt	<u>\$225,000</u>	<u>\$300,000</u>	<u>\$ 75,000</u>
Common stockholders' equity:			
Common stock	\$300,000	\$300,000	\$ 0
Retained earnings	275,000	320,000	45,000
Total Common stockholders' equity	<u>\$575,000</u>	<u>\$620,000</u>	<u>\$ 45,000</u>
<b>TOTAL DEBT AND EQUITY</b>	<u><u>\$800,000</u></u>	<u><u>\$920,000</u></u>	<u><u>\$120,000</u></u>

# EQUITY

- What does it mean to build retained Earnings???
- What is a good combination of debt and Equity?



# LIABILITY

- The owner is ultimately responsible.
- While there are many pitfalls, with good advice you can avoid them.



# THEFT

- Can I trust my employees?
- How many companies are ruined by employee theft? Either of the assets or the customers and ideas??
- How do you protect yourself against this?



# TAXATION

- You're responsible for filing your companies tax returns on time. Also responsible for timely filing of payroll and sales tax returns.
- Your initial choice of entity is important and can have a large effect on taxes.
- Rely on a "trusted" advisor.

