

# E-GUIDE

SMALL BUSINESS FUNDAMENTALS EVERY  
BUSINESS OWNER SHOULD KNOW



A publication of





# FINANCIAL STATEMENTS



## Balance Sheet

A balance sheet is typically used to determine the liquidity, and overall health of a business. While every business will differ, some key items to include on your balance sheet are:

- **Assets:** cash, accounts receivable, inventory, fixed assets
- **Liabilities:** accounts payable, taxes, debt, accrued liabilities
- **Equity:** shareholders stock, retained earnings, treasury stock

Keeping accurate track of your business finances begins with a balance sheet. This allows you to have a snapshot of your current and future assets and liabilities. A well-executed balance sheet can help you make decisions about the future needs of your company and allows you to be transparent with any shareholders or partners you may have.

"This statement provides an overall financial snapshot of your small business. As an equation, it looks like liabilities + owner's equity = assets. The two sides of the equation must balance out."

– U.S. Small Business Association

# SAMPLE BALANCE SHEET

## Assets

### Current Assets

Cash	\$150,000
Accounts receivable	\$5,700
Prepaid expenses	\$4,200
Inventory	\$8,800

<b>Total Current Assets</b>	<b>\$168,700</b>
-----------------------------	------------------

Property & equipment	\$65,000
----------------------	----------

<b>Total Assets</b>	<b>\$233,700</b>
---------------------	------------------

## Liabilities

### Current Liabilities

Accounts payable	\$2,300
Accrued expenses	\$1,700
Unearned revenue	\$2,100

<b>Total Current Liabilities</b>	<b>\$6,100</b>
----------------------------------	----------------

Long-term debt	\$55,000
----------------	----------

Other long-term liabilities	\$4,800
-----------------------------	---------

<b>Total Liabilities</b>	<b>\$65,900</b>
--------------------------	-----------------

### Shareholders Equity

Equity capital	\$165,400
Retained earnings	\$2,400

<b>Total Shareholders Equity</b>	<b>\$167,800</b>
----------------------------------	------------------

<b>Total Liabilities &amp; Shareholders Equity</b>	<b>\$233,700</b>
--	------------------

Check (Total Assets – Total Liabilities & Shareholders Equity)	\$0
--	-----



## Cash Flow Statement

Knowing how much cash flow you have on hand and where your money is going are two of the most important financial statistics to track as a small business owner. Available cash flow is what allows you to invest in your business. Having an accurate portrayal of where your money is going will also help you to make better decisions about future investments.

There are several different aspects of a typical cash flow statement:

- **Operating Cash Flow:** net earnings, depreciation and amortization, changes in working capital, cash from operations
- **Investing Cash Flow:** property, equipment, cash from investing
- **Financing Cash Flow:** repayment of debt, repayment of equity, cash from financing
- **Cash Balance:** net increase/decrease in cash, closing cash balance, opening cash balance

"The cashflow statement begins by reporting the net increase or decrease in cash from your revenue and expenses during the period; this statement also summarizes other sources of cash you tapped during the period, and what you did with your available cash."

– Dummies

# SAMPLE CASH FLOW STATEMENT

## Projected Cash Flow

<b>New Cash From Operations</b>	<b>\$119,791</b>
Net Profit	\$130,062
Depreciation and Amortization	\$30,931
Change in Accounts Receivable	(\$19,600)
Change in Inventory	(\$30,010)
Change in Accounts Payable	(\$15,303)
Change in Income Tax Payable	\$22,951
Change in Sales Tax Payable	\$4,760
 <b>Net Cash from Investing</b>	 <b>(\$81,200)</b>
Assets Purchased or Sold	(\$81,200)
 <b>Net Cash from Financing</b>	 <b>\$75,762</b>
Change in Short-term Debt	\$16,609
Change in Long-term Debt	\$59,153
 <b>Cash at the Beginning of Period</b>	 <b>(\$3)</b>
 <b>Net Change in Cash</b>	 <b>\$114,353</b>
 <b>Cash at End of Period</b>	 <b>\$114,350</b>

# Profit & Loss Statement

A profit and loss, or income statement, lets you know how profitable your business is. It measures and reports your expenses and revenue during a specified time. This report gives you an idea of the progress your company is making and your overall financial state.

The statement details a company's ability to profit by driving revenue and/or cutting costs. It details categories of revenue and expenses.

Some key pieces to include in your profit and loss statement include:

- Sales Revenue
- Cost of Goods
- Administrative Expenses
- General Expenses
- Sales Expenses
- Interest Expense
- Tax Expense

"The income statement is a recap of your company's income and expenses over a specified period of time. This can be monthly, quarterly or annually."

– Intuit



# SAMPLE PROFIT & LOSS STATEMENT

Revenues & Gains		
Sales Revenues		\$100,200
Interest Revenues		\$5,100
Gain on Sale of Assets		\$3,450
Total Revenues & Gains		\$108,750
Expenses & Losses		
Cost of Goods Sold		\$75,300
Commissions Expense		\$5,500
Office Supplies Expense		\$4,500
Office Equipment Expense		\$4,900
Advertising Expense		\$6,600
Interest Expense		\$100
Loss from Lawsuit		\$1,700
Total Expenses & Losses		\$98,600
Net Income		
		\$10,150

# PAYROLL





## First and Foremost, Make a Payroll Budget

This sounds like common sense to most, but for some, budgeting can be hard, especially when payroll can fluctuate. When budgeting for payroll, you need to anticipate how many hours will need to be worked in that time period and plan accordingly.

There are several key factors in making a formal payroll budget. Here are some factors that should be included when making your payroll budget.

### Factor in raises and benefits

This portion of your budget may be the most difficult to plan, but remember it is always better to include too much, rather than not enough. Several factors will fold into this amount, and you have to keep in mind that employee retention is very important for your company's bottom line, as well as keeping payroll costs to a minimum. An easy way to budget for increases is by making a chart for your pay scale based off of simple things like cost of living increases and time in position. It is still important that these decisions are based on performance, however budget as if everyone will be receiving a raise, in case they do.



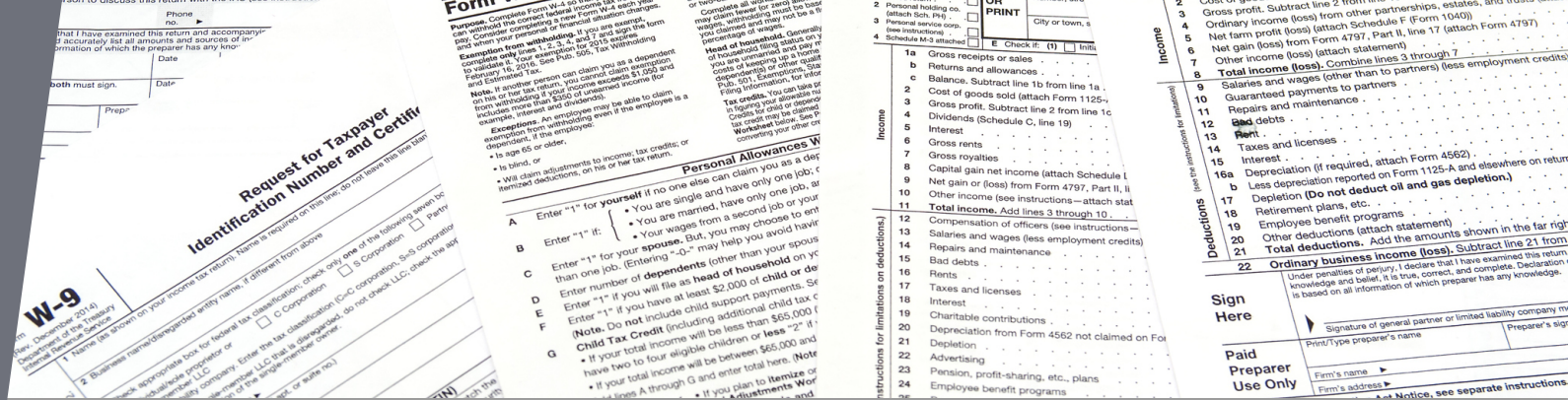
## When will you pay your employees?

If you are currently paying employees weekly, you may be able to save money by changing to a bi-weekly pay period. By doing this, you have 26 pay periods a year rather than 52 and could save you up to 50% with your payroll service. Changing to bi-weekly pay cycles is the least expensive and most simple way to process payroll.

## Do your employees need to be salaried or hourly?

When making this decision it does not need to be across the board. Employees who routinely work overtime and get paid extra wages, may be better suited for an exempt salaried position. Where employees who routinely work less than 40 hours should be on an hourly wage to save your company in wages since they work less.

Exempt salaried positions are positions that are not eligible to make overtime even when they've worked more than 40 hours in a week. These employees are essentially paid to work at their own pace as long as the job gets done. According to the U.S. Department of Labor's Wage and Hour Division, for an employee to be considered exempt (not eligible for FLSA protections such as minimum wage and overtime), they must pass a variety of "tests" such as being paid on a salary basis of at least \$455 per week and working in executive, supervisory, professional, or outside sales positions.



These exempt positions require employees to have the ability to independently make significant decisions, the discretion to create and implement company policies, or the responsibility of supervising and managing other employees.

## Automate taxes and budget for them

It is mandatory in most states that employee's taxes and social security are deducted from their check. This process can be complicated and confusing. To save time, money, and headaches, automating this process is essential. When automating, be certain all employees are properly classified. Keep track of all deductions made from employees' checks and remit to the IRS or state taxing authority in accordance with the authority's guidelines. Penalties for late remittance of these taxes can be very costly.

## Consider fair wages

Sometimes fair wages aren't always desirable, but for easier and less demanding jobs, the pay rate should be less. This works both ways, your harder working positions and employees should be paid more. If you have to make a pay cut to make ends meet and to stay open, it is important that you cut wages across the board to keep things fair. This even means cutting your own wages. This can have a huge impact on your bottom line.

## Schedule employees when it works best for your budget

Know when you need to have the most employees working at one time. Base this off of holidays, usual rush times, and other local events that may cause an influx of business. The opposite is also true. Make sure minimal employees are working when you have known lull periods or slow days. You should also plan on having extra employees on the schedule on days when employees tend to call off. These days are likely Monday's and Friday though Sunday.

## Acquire accounting software

In this day and age technology is beyond amazing. This can be said for a lot of things that may help make running your business sooner. If you do not have a payroll software, or you're not happy with the one you do have, it is time to invest in a new solution. Not only do newer payroll solutions result in cost reductions, they will make your job so much easier and free up a lot of time. Payroll software also comes with the benefit of removing the element of human error. This means that all of your payroll needs will be met without a problem. Budgeting in a new payroll solution should be at the top of your list.





# MANAGING INVENTORY



## Accurate Forecasting

Keeping accurate track of your inventory will allow you to make more accurate forecasts about future use and sales. This will help you to save on excess inventory, reduce waste and avoid stocking up on low turn items. Forecasting can be a difficult practice, but if you keep close track of your previous inventory statements it will become much easier.

“Accurate demand forecasting is important to satisfy customers, minimize inventory costs and optimize cash flow.” – Bizfluent

## First In, First Out Approach

Properly rotating your shelves, refrigerators, freezers and display cases will help you cut back on waste and ensure you are selling your oldest items first. Again, this will involve tracking your overall inventory on a regular basis and ensure physical stock is properly placed. As a tip, non-perishable seasonal items may need to be tracked separately.

“The first in, first out (FIFO) method of inventory valuation is a cost flow assumption that the first goods purchased are also the first goods sold.”  
– Accounting Tools

## Address Low Turn Stock

Knowing which items move quickly and which items are just taking up space is key to maximizing small business profits. Space is expensive so ensuring you do not overstock slow moving items is essential. Tracking purchase and sale dates will help you manage your low turn stock and enable you to make better inventory purchase decisions in the future.

“Low turnover implies weak sales and, excess inventory. A high ratio implies either strong sales or large discounts. The speed with which a company can sell inventory is a critical measure of business performance.” – Investopedia

There are several line items to consider when auditing your inventory. You'll want to ensure you remove any expired items, take a total count of individual items and review your costs. Performing an audit is the first step in being able to accurately track your inventory and make informed purchase decisions.





## Inventory Management Software

"Inventory control is also important to maintaining the right balance of stock in your warehouses. ... Too much inventory can trigger profit losses--whether a product expires, gets damaged, or goes out of season. Key to proper inventory control is a deeper understanding of customer demand for your products." – Handshake

Technology has crept into small businesses over the past 20 years and one of the best tools available to owners is inventory management software. Rather than keeping track on paper and hand counting what's on your shelves, an industry specific inventory management system can save you time and reduce errors.

"Meanwhile, according to GetData research, 55 percent of small and medium business owners say that inventory management software saves them more than five hours each week, with 16 percent of all respondents saying they save more than a day." – Wasp Barcode

Quikstone Capital Solutions has been providing small business owners with merchant cash advances to stabilize and improve their companies for more than 10 years.

If you are in need of a cash advance to cover unexpected costs, or if you're looking to make long overdue improvements, a merchant cash advance could be right for you. With the ability to quickly qualify and get your money in a timely fashion, a cash advance from Quikstone is the most convenient option.

## WE'RE YOUR FUNDING PARTNER.

Learn more about how Quikstone Capital Solutions can provide the cash needed to make these smart investments and help your business grow.

Speak with Quikstone Capital Solutions today.

GET STARTED

QUIKSTONE  
CAPITAL SOLUTIONS



QUIKSTONECAPITAL.COM