

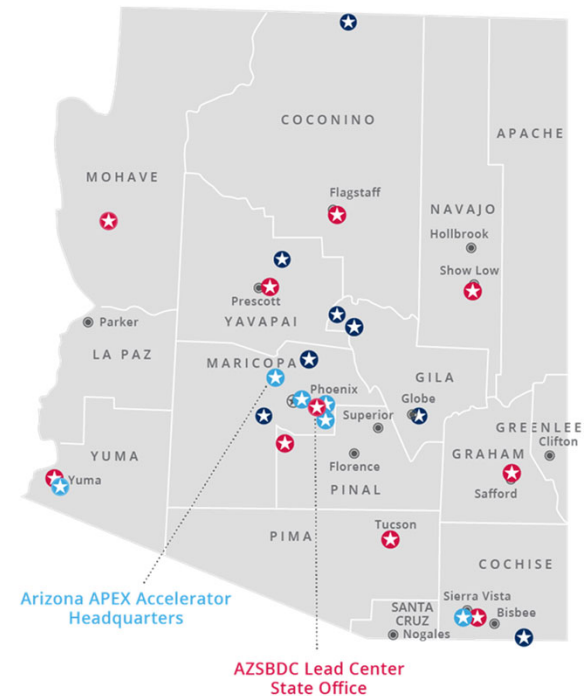


# The Importance of Financial Management



# Assistance for Your Small Business

- Confidential Business Counseling (No fee)
- No cost or low-cost training
- SBDC counselors can help you with:
  - Business Planning and Strategy
  - Financial Strength Knowledge and Tools
  - Funding Strategy and Capital Access
  - Marketing Strategy Development
  - Export Assistance
  - Government Contracting (APEX counselors)
  - And much more!

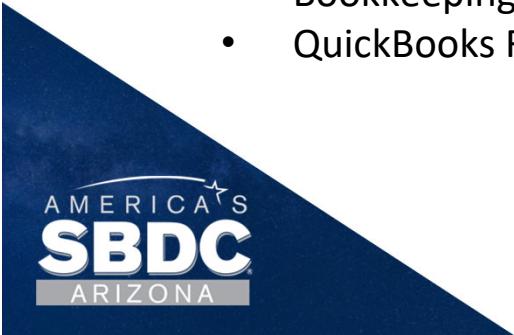


To learn more, visit [azsbdc.net/where-we-are](https://azsbdc.net/where-we-are)

# Account for it All

Savannah owns Account for it All, LLC in Flagstaff, AZ. She and her team help small businesses around all of Arizona to help understand their businesses' financials and ensure the financial reports are accurate. Savannah has developed a passion for helping small businesses grow.

- Certified QuickBooks ProAdvisor
- Owner of Account For It All, LLC
- Flagstaff, AZ – services all of AZ
- 9+ years of training experience
- Bookkeeping/ Consulting/ Profitability Coaching
- QuickBooks Review



# Learning Objectives

- Explain the importance of financial management for business owners.
- Explain how proper bookkeeping, financial statements, budgets, and cash flow forecasts can help owners manage their finances effectively.
- Identify financial management challenges, tips, and tools commonly available to small businesses.



# Financial Management

- Is your business profitable?
- Is your business going to grow? How much?
- Can you plan for new product lines, reaching new markets, or diversification?
- Would a bank give you a loan for your business? Can you afford to pay it back?



# Assets – What you Own

## Liabilities – What you Owe



Tangible      Intangible      Living      Moving



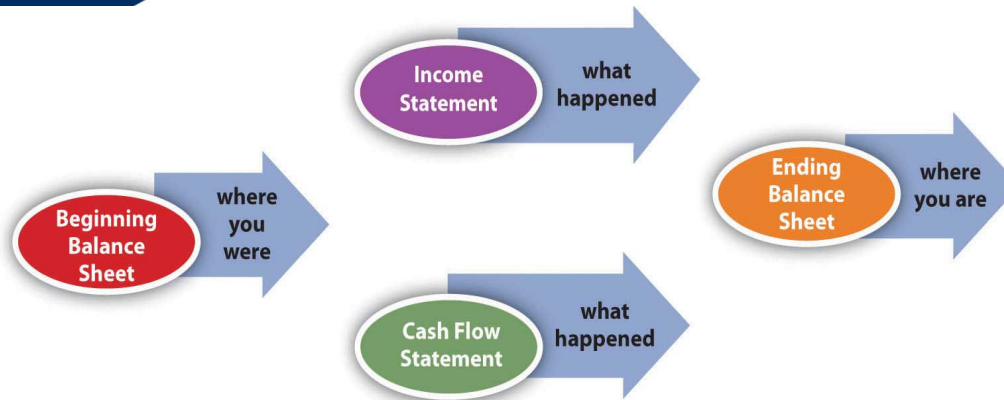
# Revenue (Income) – What you Earn

## Expenses – What you Spend



# Financial Statements

- Balance Sheet
- Income Statement/Profit and Loss or P&L
- Cash Flow Statement



# Income Statement

| BARRY'S SUPERSTORE<br>Comparative Year-End Income Statements |                  |                  |
|--------------------------------------------------------------|------------------|------------------|
|                                                              | Prior Year       | Current Year     |
| Net Sales                                                    | \$100,000        | \$120,000        |
| Cost of Goods Sold                                           | <u>50,000</u>    | <u>60,000</u>    |
| Gross Profit                                                 | 50,000           | 60,000           |
| Rent Expense                                                 | 5,000            | 5,500            |
| Depreciation Expense                                         | 2,500            | 3,600            |
| Salaries Expense                                             | 3,000            | 5,400            |
| Utility Expense                                              | <u>1,500</u>     | <u>2,500</u>     |
| Operating Income                                             | 38,000           | 43,000           |
| Interest Expense                                             | 3,000            | 2,000            |
| Income Tax Expense                                           | <u>5,000</u>     | <u>6,000</u>     |
| Net Income                                                   | <u>\$ 30,000</u> | <u>\$ 35,000</u> |



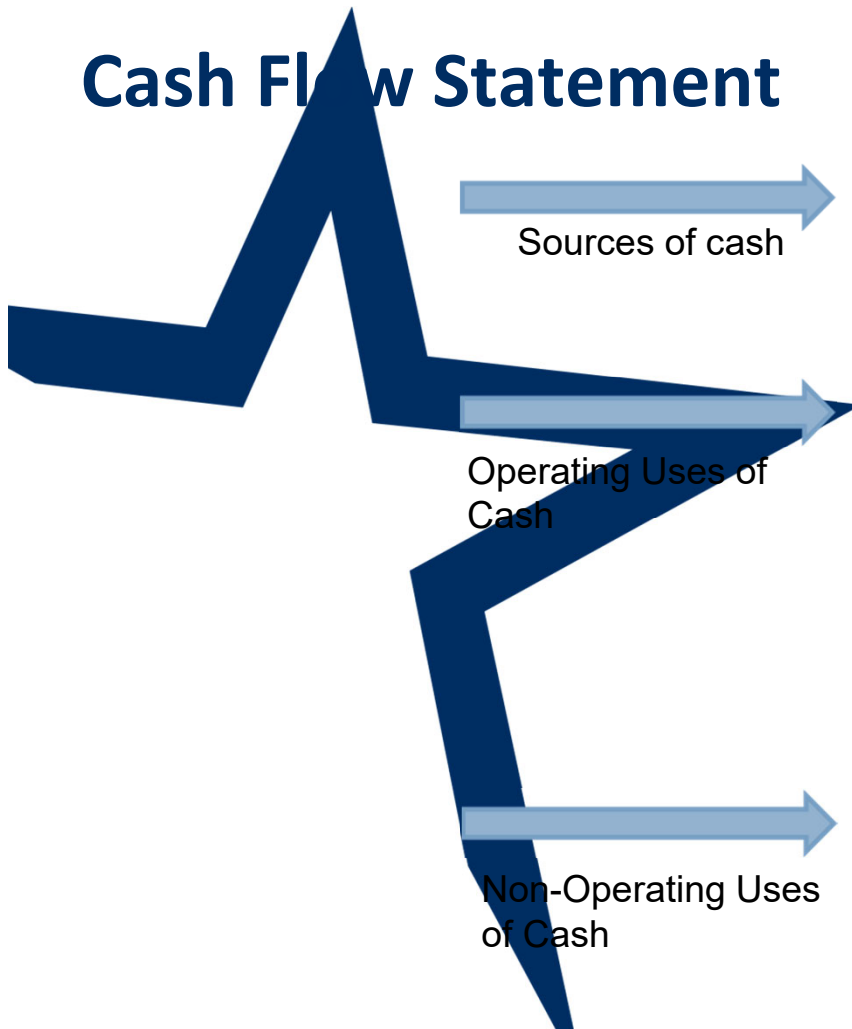


# Balance Sheet

| BARRY'S SUPERSTORE<br>Comparative Year-End Balance Sheets |                         |                         |
|-----------------------------------------------------------|-------------------------|-------------------------|
|                                                           | Prior Year              | Current Year            |
| <b>Assets:</b>                                            |                         |                         |
| Cash                                                      | \$90,000                | \$110,000               |
| Accounts Receivable                                       | 20,000                  | 30,000                  |
| Inventory                                                 | 35,000                  | 40,000                  |
| Short-Term Investments                                    | 15,000                  | 20,000                  |
| Total Current Asstes                                      | <u>160,000</u>          | <u>200,000</u>          |
| Equipment                                                 | 40,000                  | 50,000                  |
| <b>Total Assets</b>                                       | <u><u>\$200,000</u></u> | <u><u>\$250,000</u></u> |
| <b>Liabilities:</b>                                       |                         |                         |
| Accounts Payable                                          | \$ 60,000               | \$ 75,000               |
| Unearned Revenue                                          | <u>10,000</u>           | <u>25,000</u>           |
| Total Current Liabilities                                 | 70,000                  | 100,000                 |
| Notes Payable                                             | <u>40,000</u>           | <u>50,000</u>           |
| Total Liabilities                                         | <u><u>110,000</u></u>   | <u><u>150,000</u></u>   |
| <b>Stockholder Equity</b>                                 |                         |                         |
| Common Stock                                              | 75,000                  | 80,000                  |
| Ending Retained Earnings                                  | <u>15,000</u>           | <u>20,000</u>           |
| Total Stockholder Equity                                  | <u>90,000</u>           | <u>100,000</u>          |
| <b>Total Liabilities and Stockholder Equity</b>           | <u><u>\$200,000</u></u> | <u><u>\$250,000</u></u> |



# Cash Flow Statement



| Sources of Cash                   | Opening Balances* | Month 1  | Month 2  |
|-----------------------------------|-------------------|----------|----------|
| Beginning Cash                    | 0                 | 0        | 0        |
| Cash Sales                        |                   |          |          |
| Collections on A/R                |                   |          |          |
| Interest income                   |                   |          |          |
| Loan Received                     |                   |          |          |
| Equity Contribution               |                   |          |          |
| <b>Total Cash Available</b>       | <b>0</b>          | <b>0</b> | <b>0</b> |
| <b>Operating Uses of Cash</b>     |                   |          |          |
| Contract labor                    |                   |          |          |
| Wages                             |                   |          |          |
| Payroll Taxes                     |                   |          |          |
| Rent                              |                   |          |          |
| Phone                             |                   |          |          |
| Office Supplies                   |                   |          |          |
| Utilities                         |                   |          |          |
| Travel                            |                   |          |          |
| Insurance                         |                   |          |          |
| Licenses                          |                   |          |          |
| Marketing                         |                   |          |          |
| Professional Fees                 |                   |          |          |
| Other                             |                   |          |          |
| <b>Total Op Uses</b>              | <b>0</b>          | <b>0</b> | <b>0</b> |
| <b>Net Cash</b>                   | <b>0</b>          | <b>0</b> | <b>0</b> |
| <b>Non-Operating Uses of Cash</b> |                   |          |          |
| Debt Service                      |                   |          |          |
| Equipment Purchases               |                   |          |          |
| Self Employment Taxes             |                   |          |          |
| Owner's Draw                      |                   |          |          |
| Inventory Purchases               |                   |          |          |
| <b>Ending Cash</b>                | <b>0</b>          | <b>0</b> | <b>0</b> |



# Bookkeeping

- Organized process of tracking income and expense transactions.
- Creates the basis for all financial management, business, financing, taxes, and owner compensation decisions.
- Critical component of financial management.



# Budgeting

- Ensures you only spend what you can afford.
- Shows efforts to spend within limits and what is working and what needs to be fixed.
- Can help you plan for emergencies.
- Can help you plan for retirement/exiting.



# Cash Flow Forecasting

- Cash flow statements summarize the inflows and outflows from a prior period.
- Forecasting looks ahead to predict future cash flows and balances.
- Forecasting can help show how growth could affect the business cash flow.





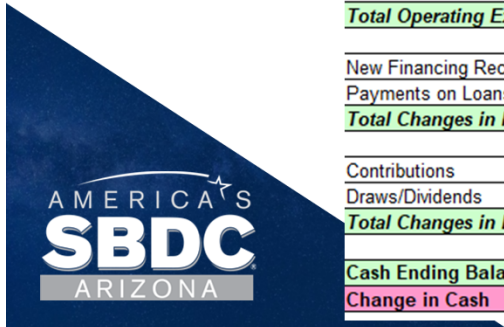
# Cash Flow

## Example Business

|                                   | January     | February  | March     | April     | May       | June      | July       | August    | September  | October    | November  | December  | Totals     |
|-----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|------------|-----------|------------|------------|-----------|-----------|------------|
| <b>Cash Beginning Balance</b>     | \$ 46,906   | \$ 36,640 | \$ 49,568 | \$ 72,305 | \$ 73,365 | \$ 75,663 | \$ 77,706  | \$ 75,914 | \$ 77,486  | \$ 75,797  | \$ 74,078 | \$ 74,886 |            |
| Income from Sales                 | \$ 45,950   | \$ 58,320 | \$ 62,540 | \$ 57,390 | \$ 54,600 | \$ 55,120 | \$ 52,260  | \$ 58,640 | \$ 62,220  | \$ 71,640  | \$ 75,220 | \$ 78,460 | \$ 732,360 |
| Sales Returns & Allowances        | \$ 1,240    | \$ 820    | \$ 960    | \$ 670    | \$ 780    | \$ 590    | \$ 760     | \$ 830    | \$ 620     | \$ 570     | \$ 920    | \$ 1,190  | \$ 9,950   |
| <b>Total Income from Sales</b>    | \$ 44,710   | \$ 57,500 | \$ 61,580 | \$ 56,720 | \$ 53,820 | \$ 54,530 | \$ 51,500  | \$ 57,810 | \$ 61,600  | \$ 71,070  | \$ 74,300 | \$ 77,270 | \$ 722,410 |
| Inventory Purchased               | \$ 16,223   | \$ 12,240 | \$ 17,260 | \$ 14,290 | \$ 10,590 | \$ 13,220 | \$ 15,590  | \$ 18,270 | \$ 21,520  | \$ 25,340  | \$ 20,530 | \$ 18,990 | \$ 204,063 |
| Purchases Returns & Allowances    | \$ 441      | \$ 326    | \$ 526    | \$ 248    | \$ 620    | \$ 360    | \$ 422     | \$ 556    | \$ 540     | \$ 764     | \$ 671    | \$ 483    | \$ 5,957   |
| <b>Total Inventory Purchased</b>  | \$ 15,782   | \$ 11,914 | \$ 16,734 | \$ 14,042 | \$ 9,970  | \$ 12,860 | \$ 15,168  | \$ 17,714 | \$ 20,980  | \$ 24,576  | \$ 19,859 | \$ 18,507 | \$ 198,106 |
| Advertising                       | \$ 199      |           | \$ 670    |           |           | \$ 340    |            |           | \$ 220     |            | \$ 760    |           | \$ 2,189   |
| Bank Charges                      | \$ 25       | \$ 25     | \$ 25     | \$ 25     | \$ 25     | \$ 25     | \$ 25      | \$ 25     | \$ 25      | \$ 25      | \$ 25     | \$ 25     | \$ 300     |
| Dues and Subscriptions            | \$ 99       | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99      | \$ 99     | \$ 99      | \$ 99      | \$ 99     | \$ 99     | \$ 1,188   |
| Insurance                         | \$ 220      | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220     | \$ 220    | \$ 220     | \$ 220     | \$ 220    | \$ 220    | \$ 2,640   |
| Legal & Professional              | \$ 350      | \$ 150    | \$ 150    | \$ 600    |           |           | \$ 350     | \$ 150    |            |            | \$ 225    |           | \$ 1,975   |
| Licenses & Permits                | \$ 124      |           |           |           | \$ 620    |           |            |           |            |            |           |           | \$ 744     |
| Payroll                           | \$ 22,460   | \$ 19,230 | \$ 25,630 | \$ 26,120 | \$ 25,180 | \$ 24,165 | \$ 23,189  | \$ 24,122 | \$ 25,550  | \$ 32,170  | \$ 36,420 | \$ 37,560 | \$ 321,796 |
| Payroll Taxes                     | \$ 3,578    | \$ 3,080  | \$ 4,100  | \$ 4,200  | \$ 4,025  | \$ 3,870  | \$ 3,725   | \$ 3,890  | \$ 4,095   | \$ 5,175   | \$ 5,850  | \$ 6,050  | \$ 51,638  |
| Rent                              | \$ 8,250    | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250   | \$ 8,250  | \$ 8,250   | \$ 8,250   | \$ 8,250  | \$ 8,250  | \$ 99,000  |
| Supplies                          | \$ 529      |           | \$ 361    |           |           | \$ 924    |            |           | \$ 428     |            |           |           | \$ 2,242   |
| Telephone                         | \$ 324      | \$ 324    | \$ 324    | \$ 324    | \$ 324    | \$ 324    | \$ 324     | \$ 324    | \$ 324     | \$ 324     | \$ 324    | \$ 324    | \$ 3,888   |
| Travel                            | \$ 1,260    |           |           |           | \$ 1,360  |           |            |           | \$ 1,680   |            |           |           | \$ 4,300   |
| Utilities                         | \$ 636      | \$ 640    | \$ 640    | \$ 640    | \$ 629    | \$ 590    | \$ 622     | \$ 624    | \$ 598     | \$ 630     | \$ 640    | \$ 629    | \$ 7,518   |
| <b>Total Operating Expenses</b>   | \$ 38,054   | \$ 32,018 | \$ 40,469 | \$ 40,478 | \$ 40,732 | \$ 38,807 | \$ 36,804  | \$ 37,704 | \$ 41,489  | \$ 46,893  | \$ 52,813 | \$ 53,157 | \$ 499,418 |
| New Financing Received            |             |           | \$ 12,500 |           |           |           |            |           |            |            |           |           | \$ 12,500  |
| Payments on Loans                 | \$ 640      | \$ 640    | \$ 640    | \$ 640    | \$ 820    | \$ 820    | \$ 820     | \$ 820    | \$ 820     | \$ 820     | \$ 820    | \$ 820    | \$ 9,120   |
| <b>Total Changes in Financing</b> | \$ (640)    | \$ (640)  | \$ 11,860 | \$ (640)  | \$ (820)  | \$ (820)  | \$ (820)   | \$ (820)  | \$ (820)   | \$ (820)   | \$ (820)  | \$ (820)  | \$ 3,380   |
| Contributions                     |             |           | \$ 6,500  |           |           |           |            |           |            |            |           |           | \$ 6,500   |
| Draws/Dividends                   | \$ 500      |           |           | \$ 500    |           |           | \$ 500     |           |            | \$ 500     |           |           | \$ 2,000   |
| <b>Total Changes in Equity</b>    | \$ (500)    | \$ -      | \$ 6,500  | \$ (500)  | \$ -      | \$ -      | \$ (500)   | \$ -      | \$ -       | \$ (500)   | \$ -      | \$ -      | \$ 4,500   |
| <b>Cash Ending Balance</b>        | \$ 36,640   | \$ 49,568 | \$ 72,305 | \$ 73,365 | \$ 75,663 | \$ 77,706 | \$ 75,914  | \$ 77,486 | \$ 75,797  | \$ 74,078  | \$ 74,886 | \$ 79,672 |            |
| <b>Change in Cash</b>             | \$ (10,266) | \$ 12,928 | \$ 22,737 | \$ 1,060  | \$ 2,298  | \$ 2,043  | \$ (1,792) | \$ 1,572  | \$ (1,689) | \$ (1,719) | \$ 808    | \$ 4,786  |            |

# Cash Flow

| Example Business                  |            |           |            |            |            |           |           |            |            |            |           |            |
|-----------------------------------|------------|-----------|------------|------------|------------|-----------|-----------|------------|------------|------------|-----------|------------|
|                                   | Year 1     |           |            |            | Year 2     |           |           |            | Year 3     |            |           |            |
|                                   | October    | November  | December   | Total      | October    | November  | December  | Total      | October    | November   | December  | Total      |
| <b>Cash Beginning Balance</b>     | \$ 77,706  | \$ 75,914 | \$ 77,486  |            | \$ 72,305  | \$ 70,586 | \$ 71,394 |            | \$ 75,663  | \$ 73,598  | \$ 71,097 |            |
| Income from Sales                 | \$ 52,260  | \$ 58,640 | \$ 62,220  | \$ 173,120 | \$ 71,640  | \$ 75,220 | \$ 78,460 | \$ 225,320 | \$ 51,670  | \$ 47,550  | \$ 49,660 | \$ 148,880 |
| Sales Returns & Allowances        | \$ 760     | \$ 830    | \$ 620     | \$ 2,210   | \$ 570     | \$ 920    | \$ 1,190  | \$ 2,680   | \$ 680     | \$ 290     | \$ 540    | \$ 1,510   |
| <b>Total Income from Sales</b>    | \$ 51,500  | \$ 57,810 | \$ 61,600  | \$ 170,910 | \$ 71,070  | \$ 74,300 | \$ 77,270 | \$ 222,640 | \$ 50,990  | \$ 47,260  | \$ 49,120 | \$ 147,370 |
| Inventory Purchased               | \$ 15,590  | \$ 18,270 | \$ 21,520  | \$ 55,380  | \$ 25,340  | \$ 20,530 | \$ 18,990 | \$ 64,860  | \$ 14,270  | \$ 12,540  | \$ 10,620 | \$ 37,430  |
| Purchases Returns & Allowances    | \$ 422     | \$ 556    | \$ 540     | \$ 1,518   | \$ 764     | \$ 671    | \$ 483    | \$ 1,918   | \$ 390     | \$ 310     | \$ 280    | \$ 980     |
| <b>Total Inventory Purchased</b>  | \$ 15,168  | \$ 17,714 | \$ 20,980  | \$ 53,862  | \$ 24,576  | \$ 19,859 | \$ 18,507 | \$ 62,942  | \$ 13,880  | \$ 12,230  | \$ 10,340 | \$ 36,450  |
| Advertising                       | \$ -       | \$ -      | \$ 220     | \$ 220     | \$ -       | \$ 760    | \$ -      | \$ 760     | \$ 120     |            |           | \$ 120     |
| Bank Charges                      | \$ 25      | \$ 25     | \$ 25      | \$ 75      | \$ 25      | \$ 25     | \$ 25     | \$ 75      | \$ 25      | \$ 25      | \$ 25     | \$ 75      |
| Dues and Subscriptions            | \$ 99      | \$ 99     | \$ 99      | \$ 297     | \$ 99      | \$ 99     | \$ 99     | \$ 297     | \$ 99      | \$ 99      | \$ 99     | \$ 297     |
| Insurance                         | \$ 220     | \$ 220    | \$ 220     | \$ 660     | \$ 220     | \$ 220    | \$ 220    | \$ 660     | \$ 220     | \$ 220     | \$ 220    | \$ 660     |
| Legal & Professional              | \$ 350     | \$ 150    | \$ -       | \$ 500     | \$ -       | \$ 225    | \$ -      | \$ 225     |            | \$ 150     |           | \$ 150     |
| Payroll                           | \$ 23,189  | \$ 24,122 | \$ 25,550  | \$ 72,861  | \$ 32,170  | \$ 36,420 | \$ 37,560 | \$ 106,150 | \$ 24,442  | \$ 23,169  | \$ 25,101 | \$ 72,712  |
| Payroll Taxes                     | \$ 3,725   | \$ 3,890  | \$ 4,095   | \$ 11,710  | \$ 5,175   | \$ 5,850  | \$ 6,050  | \$ 17,075  | \$ 4,250   | \$ 3,625   | \$ 3,990  | \$ 11,865  |
| Rent                              | \$ 8,250   | \$ 8,250  | \$ 8,250   | \$ 24,750  | \$ 8,250   | \$ 8,250  | \$ 8,250  | \$ 24,750  | \$ 8,250   | \$ 8,250   | \$ 8,250  | \$ 24,750  |
| Supplies                          | \$ -       | \$ -      | \$ 428     | \$ 428     | \$ -       | \$ -      | \$ -      | \$ -       |            | \$ 224     |           | \$ 224     |
| Telephone                         | \$ 324     | \$ 324    | \$ 324     | \$ 972     | \$ 324     | \$ 324    | \$ 324    | \$ 972     | \$ 324     | \$ 324     | \$ 324    | \$ 972     |
| Travel                            | \$ -       | \$ -      | \$ 1,680   | \$ 1,680   | \$ -       | \$ -      | \$ -      | \$ -       |            |            |           | \$ -       |
| Utilities                         | \$ 622     | \$ 624    | \$ 598     | \$ 1,844   | \$ 630     | \$ 640    | \$ 629    | \$ 1,899   | \$ 625     | \$ 625     | \$ 625    | \$ 1,875   |
| <b>Total Operating Expenses</b>   | \$ 36,804  | \$ 37,704 | \$ 41,489  | \$ 115,997 | \$ 46,893  | \$ 52,813 | \$ 53,157 | \$ 152,863 | \$ 38,355  | \$ 36,711  | \$ 38,634 | \$ 113,700 |
| New Financing Received            |            |           |            |            |            |           |           |            |            |            |           |            |
| Payments on Loans                 | \$ 820     | \$ 820    | \$ 820     | \$ 2,460   | \$ 820     | \$ 820    | \$ 820    | \$ 2,460   | \$ 820     | \$ 820     | \$ 820    | \$ 2,460   |
| <b>Total Changes in Financing</b> | \$ (820)   | \$ (820)  | \$ (820)   | \$ (2,460) | \$ (820)   | \$ (820)  | \$ (820)  | \$ (2,460) | \$ (820)   | \$ (820)   | \$ (820)  | \$ (2,460) |
| Contributions                     |            |           |            |            |            |           |           |            |            |            |           |            |
| Draws/Dividends                   | \$ 500     |           |            | \$ 500     | \$ 500     |           |           | \$ 500     |            |            |           | \$ -       |
| <b>Total Changes in Equity</b>    | \$ (500)   | \$ -      | \$ -       | \$ (500)   | \$ (500)   | \$ -      | \$ -      | \$ (500)   | \$ -       | \$ -       | \$ -      | \$ -       |
| <b>Cash Ending Balance</b>        | \$ 75,914  | \$ 77,486 | \$ 75,797  |            | \$ 70,586  | \$ 71,394 | \$ 76,180 |            | \$ 73,598  | \$ 71,097  | \$ 70,423 |            |
| <b>Change in Cash</b>             | \$ (1,792) | \$ 1,572  | \$ (1,689) |            | \$ (1,719) | \$ 808    | \$ 4,786  |            | \$ (2,065) | \$ (2,501) | \$ (674)  |            |



# Cash Flow

|                                  | Example Business    |                |           |                |           |                |            |                  |
|----------------------------------|---------------------|----------------|-----------|----------------|-----------|----------------|------------|------------------|
|                                  | Percentage of Sales |                |           |                |           |                |            |                  |
|                                  | October             | Oct % of Sales | November  | Nov % of Sales | December  | Dec % of Sales | Total      | Total % of Sales |
| Income from Sales                | \$ 71,640           |                | \$ 75,220 |                | \$ 78,460 |                | \$ 732,360 |                  |
| Sales Returns & Allowances       | \$ 570              | 0.80%          | \$ 920    | 1.22%          | \$ 1,190  | 1.52%          | \$ 9,950   | 1.36%            |
| <b>Total Income from Sales</b>   | \$ 71,070           | 99.20%         | \$ 74,300 | 98.78%         | \$ 77,270 | 98.48%         | \$ 722,421 | 98.64%           |
|                                  |                     | 0.00%          |           | 0.00%          |           | 0.00%          |            | 0.00%            |
| Inventory Purchased              | \$ 25,340           | 35.37%         | \$ 20,530 | 27.29%         | \$ 18,990 | 24.20%         | \$ 204,066 | 27.86%           |
| Purchases Returns & Allowances   | \$ 764              | 1.07%          | \$ 671    | 0.89%          | \$ 483    | 0.62%          | \$ 5,957   | 0.81%            |
| <b>Total Inventory Purchased</b> | \$ 24,576           | 34.30%         | \$ 19,859 | 26.40%         | \$ 18,507 | 23.59%         | \$ 198,109 | 27.05%           |
|                                  |                     | 0.00%          |           | 0.00%          |           | 0.00%          |            | 0.00%            |
| Advertising                      |                     | 0.00%          | \$ 760    | 1.01%          |           | 0.00%          | \$ 2,189   | 0.30%            |
| Bank Charges                     | \$ 25               | 0.03%          | \$ 25     | 0.03%          | \$ 25     | 0.03%          | \$ 300     | 0.04%            |
| Dues and Subscriptions           | \$ 99               | 0.14%          | \$ 99     | 0.13%          | \$ 99     | 0.13%          | \$ 1,188   | 0.16%            |
| Insurance                        | \$ 220              | 0.31%          | \$ 220    | 0.29%          | \$ 220    | 0.28%          | \$ 2,640   | 0.36%            |
| Legal & Professional             |                     | 0.00%          | \$ 225    | 0.30%          |           | 0.00%          | \$ 1,975   | 0.27%            |
| Licenses & Permits               |                     | 0.00%          |           | 0.00%          |           | 0.00%          | \$ 744     | 0.10%            |
| Payroll                          | \$ 32,170           | 44.91%         | \$ 36,420 | 48.42%         | \$ 37,560 | 47.87%         | \$ 321,801 | 43.94%           |
| Payroll Taxes                    | \$ 5,175            | 7.22%          | \$ 5,850  | 7.78%          | \$ 6,050  | 7.71%          | \$ 51,639  | 7.05%            |
| Rent                             | \$ 8,250            | 11.52%         | \$ 8,250  | 10.97%         | \$ 8,250  | 10.51%         | \$ 99,002  | 13.52%           |
| Supplies                         |                     | 0.00%          |           | 0.00%          |           | 0.00%          | \$ 2,242   | 0.31%            |
| Telephone                        | \$ 324              | 0.45%          | \$ 324    | 0.43%          | \$ 324    | 0.41%          | \$ 3,888   | 0.53%            |
| Travel                           |                     | 0.00%          |           | 0.00%          |           | 0.00%          | \$ 4,300   | 0.59%            |
| Utilities                        | \$ 630              | 0.88%          | \$ 640    | 0.85%          | \$ 629    | 0.80%          | \$ 7,518   | 1.03%            |
| <b>Total Operating Expenses</b>  | \$ 46,893           | 65.46%         | \$ 52,813 | 70.21%         | \$ 53,157 | 67.75%         | \$ 499,426 | 68.19%           |



# Forecasting

## Example Business

### Forecast (+25%)

|                                  | January          | February         | March            | April            | May              | June             | July             | August           | September        | October          | November         | December         |                   |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Income from Sales                | \$ 57,438        | \$ 72,900        | \$ 78,175        | \$ 71,738        | \$ 68,250        | \$ 68,900        | \$ 65,325        | \$ 73,300        | \$ 77,775        | \$ 89,550        | \$ 94,025        | \$ 98,075        | \$ 915,450        |
| Sales Returns & Allowances       | \$ 1,550         | \$ 1,025         | \$ 1,200         | \$ 838           | \$ 975           | \$ 738           | \$ 950           | \$ 1,038         | \$ 775           | \$ 713           | \$ 1,150         | \$ 1,488         | \$ 12,438         |
| <b>Total Income from Sales</b>   | <b>\$ 55,888</b> | <b>\$ 71,875</b> | <b>\$ 76,975</b> | <b>\$ 70,900</b> | <b>\$ 67,275</b> | <b>\$ 68,163</b> | <b>\$ 64,375</b> | <b>\$ 72,263</b> | <b>\$ 77,000</b> | <b>\$ 88,838</b> | <b>\$ 92,875</b> | <b>\$ 96,588</b> | <b>\$ 903,013</b> |
| Inventory Purchased              | \$ 20,279        | \$ 15,300        | \$ 21,575        | \$ 17,863        | \$ 13,238        | \$ 16,525        | \$ 19,488        | \$ 22,838        | \$ 26,900        | \$ 31,675        | \$ 25,663        | \$ 23,738        | \$ 255,079        |
| Purchases Returns & Allowances   | \$ 551           | \$ 408           | \$ 658           | \$ 310           | \$ 775           | \$ 450           | \$ 528           | \$ 695           | \$ 675           | \$ 955           | \$ 839           | \$ 604           | \$ 7,446          |
| <b>Total Inventory Purchased</b> | <b>\$ 19,728</b> | <b>\$ 14,893</b> | <b>\$ 20,918</b> | <b>\$ 17,553</b> | <b>\$ 12,463</b> | <b>\$ 16,075</b> | <b>\$ 18,960</b> | <b>\$ 22,143</b> | <b>\$ 26,225</b> | <b>\$ 30,720</b> | <b>\$ 24,824</b> | <b>\$ 23,134</b> | <b>\$ 247,633</b> |
| Advertising                      | \$ 249           | \$ -             | \$ 838           | \$ -             | \$ -             | \$ 425           | \$ -             | \$ -             | \$ 275           | \$ -             | \$ 950           | \$ -             | \$ 2,736          |
| Bank Charges                     | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 31            | \$ 375            |
| Dues and Subscriptions           | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 99            | \$ 1,188          |
| Insurance                        | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 220           | \$ 2,640          |
| Legal & Professional             | \$ 438           | \$ 188           | \$ 188           | \$ 750           | \$ -             | \$ -             | \$ 438           | \$ 188           | \$ -             | \$ -             | \$ 281           | \$ -             | \$ 2,469          |
| Licenses & Permits               | \$ 155           | \$ -             | \$ -             | \$ -             | \$ 775           | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ 930            |
| Payroll                          | \$ 28,075        | \$ 24,038        | \$ 32,038        | \$ 32,650        | \$ 31,475        | \$ 30,206        | \$ 28,986        | \$ 30,153        | \$ 31,938        | \$ 40,213        | \$ 45,525        | \$ 46,950        | \$ 402,245        |
| Payroll Taxes                    | \$ 4,473         | \$ 3,850         | \$ 5,125         | \$ 5,250         | \$ 5,031         | \$ 4,838         | \$ 4,656         | \$ 4,863         | \$ 5,119         | \$ 6,469         | \$ 7,313         | \$ 7,563         | \$ 64,548         |
| Rent                             | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 8,250         | \$ 99,000         |
| Supplies                         | \$ 661           | \$ -             | \$ 451           | \$ -             | \$ -             | \$ 1,155         | \$ -             | \$ -             | \$ 535           | \$ -             | \$ -             | \$ -             | \$ 2,803          |
| Telephone                        | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 405           | \$ 4,860          |
| Travel                           | \$ 1,575         | \$ -             | \$ -             | \$ -             | \$ 1,700         | \$ -             | \$ -             | \$ -             | \$ 2,100         | \$ -             | \$ -             | \$ -             | \$ 5,375          |
| Utilities                        | \$ 795           | \$ 800           | \$ 800           | \$ 800           | \$ 786           | \$ 738           | \$ 778           | \$ 780           | \$ 748           | \$ 788           | \$ 800           | \$ 786           | \$ 9,398          |
| <b>Total Operating Expenses</b>  | <b>\$ 45,425</b> | <b>\$ 37,880</b> | <b>\$ 48,444</b> | <b>\$ 48,455</b> | <b>\$ 48,773</b> | <b>\$ 46,367</b> | <b>\$ 43,863</b> | <b>\$ 44,988</b> | <b>\$ 49,719</b> | <b>\$ 56,474</b> | <b>\$ 63,874</b> | <b>\$ 64,304</b> | <b>\$ 598,566</b> |

# Forecasting

## Example Business

### Forecast (+10%)

|                                  | January   | February  | March     | April     | May       | June      | July      | August    | September | October   | November  | December  |            |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Income from Sales                | \$ 50,545 | \$ 64,152 | \$ 68,794 | \$ 63,129 | \$ 60,060 | \$ 60,632 | \$ 57,486 | \$ 64,504 | \$ 68,442 | \$ 78,804 | \$ 82,742 | \$ 86,306 | \$ 805,596 |
| Sales Returns & Allowances       | \$ 1,364  | \$ 902    | \$ 1,056  | \$ 737    | \$ 858    | \$ 649    | \$ 836    | \$ 913    | \$ 682    | \$ 627    | \$ 1,012  | \$ 1,309  | \$ 10,945  |
| <b>Total Income from Sales</b>   | \$ 49,181 | \$ 63,250 | \$ 67,738 | \$ 62,392 | \$ 59,202 | \$ 59,983 | \$ 56,650 | \$ 63,591 | \$ 67,760 | \$ 78,177 | \$ 81,730 | \$ 84,997 | \$ 794,651 |
| Inventory Purchased              | \$ 17,845 | \$ 13,464 | \$ 18,986 | \$ 15,719 | \$ 11,649 | \$ 14,542 | \$ 17,149 | \$ 20,097 | \$ 23,672 | \$ 27,874 | \$ 22,583 | \$ 20,889 | \$ 224,469 |
| Purchases Returns & Allowances   | \$ 485    | \$ 359    | \$ 579    | \$ 273    | \$ 682    | \$ 396    | \$ 464    | \$ 612    | \$ 594    | \$ 840    | \$ 738    | \$ 531    | \$ 6,553   |
| <b>Total Inventory Purchased</b> | \$ 17,360 | \$ 13,105 | \$ 18,407 | \$ 15,446 | \$ 10,967 | \$ 14,146 | \$ 16,685 | \$ 19,485 | \$ 23,078 | \$ 27,034 | \$ 21,845 | \$ 20,358 | \$ 217,917 |
| Advertising                      | \$ 219    | \$ -      | \$ 737    | \$ -      | \$ -      | \$ 374    | \$ -      | \$ -      | \$ 242    | \$ -      | \$ 836    | \$ -      | \$ 2,408   |
| Bank Charges                     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 28     | \$ 330     |
| Dues and Subscriptions           | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 99     | \$ 1,188   |
| Insurance                        | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 220    | \$ 2,640   |
| Legal & Professional             | \$ 385    | \$ 165    | \$ 165    | \$ 660    | \$ -      | \$ -      | \$ 385    | \$ 165    | \$ -      | \$ -      | \$ 248    | \$ -      | \$ 2,173   |
| Licenses & Permits               | \$ 136    | \$ -      | \$ -      | \$ -      | \$ 682    | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ -      | \$ 818     |
| Payroll                          | \$ 24,706 | \$ 21,153 | \$ 28,193 | \$ 28,732 | \$ 27,698 | \$ 26,582 | \$ 25,508 | \$ 26,534 | \$ 28,105 | \$ 35,387 | \$ 40,062 | \$ 41,316 | \$ 353,976 |
| Payroll Taxes                    | \$ 3,936  | \$ 3,388  | \$ 4,510  | \$ 4,620  | \$ 4,428  | \$ 4,257  | \$ 4,098  | \$ 4,279  | \$ 4,505  | \$ 5,693  | \$ 6,435  | \$ 6,655  | \$ 56,802  |
| Rent                             | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 99,000  |
| Supplies                         | \$ 582    | \$ -      | \$ 397    | \$ -      | \$ -      | \$ 1,016  | \$ -      | \$ -      | \$ 471    | \$ -      | \$ -      | \$ -      | \$ 2,466   |
| Telephone                        | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 356    | \$ 4,277   |
| Travel                           | \$ 1,386  | \$ -      | \$ -      | \$ -      | \$ 1,496  | \$ -      | \$ -      | \$ -      | \$ 1,848  | \$ -      | \$ -      | \$ -      | \$ 4,730   |
| Utilities                        | \$ 700    | \$ 704    | \$ 704    | \$ 704    | \$ 692    | \$ 649    | \$ 684    | \$ 686    | \$ 658    | \$ 693    | \$ 704    | \$ 692    | \$ 8,270   |
| <b>Total Operating Expenses</b>  | \$ 41,003 | \$ 34,363 | \$ 43,659 | \$ 43,669 | \$ 43,948 | \$ 41,831 | \$ 39,628 | \$ 40,618 | \$ 44,781 | \$ 50,725 | \$ 57,237 | \$ 57,616 | \$ 539,077 |

A M E

**SBDC**  
ARIZONA



# Forecasting

## Example Business

### Forecast (Income +5%, Expenses -5%)

|                                  | January          | February         | March            | April            | May              | June             | July             | August           | September        | October          | November         | December         |                   |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Income from Sales                | \$ 48,248        | \$ 61,236        | \$ 65,667        | \$ 60,260        | \$ 57,330        | \$ 57,876        | \$ 54,873        | \$ 61,572        | \$ 65,331        | \$ 75,222        | \$ 78,981        | \$ 82,383        | <b>\$ 768,978</b> |
| Sales Returns & Allowances       | \$ 1,302         | \$ 861           | \$ 1,008         | \$ 704           | \$ 819           | \$ 620           | \$ 798           | \$ 872           | \$ 651           | \$ 599           | \$ 966           | \$ 1,250         | <b>\$ 10,448</b>  |
| <b>Total Income from Sales</b>   | <b>\$ 46,946</b> | <b>\$ 60,375</b> | <b>\$ 64,659</b> | <b>\$ 59,556</b> | <b>\$ 56,511</b> | <b>\$ 57,257</b> | <b>\$ 54,075</b> | <b>\$ 60,701</b> | <b>\$ 64,680</b> | <b>\$ 74,624</b> | <b>\$ 78,015</b> | <b>\$ 81,134</b> | <b>\$ 758,531</b> |
| Inventory Purchased              | \$ 17,034        | \$ 12,852        | \$ 18,123        | \$ 15,005        | \$ 11,120        | \$ 13,881        | \$ 16,370        | \$ 19,184        | \$ 22,596        | \$ 26,607        | \$ 21,557        | \$ 19,940        | <b>\$ 214,266</b> |
| Purchases Returns & Allowances   | \$ 463           | \$ 342           | \$ 552           | \$ 260           | \$ 651           | \$ 378           | \$ 443           | \$ 584           | \$ 567           | \$ 802           | \$ 705           | \$ 507           | <b>\$ 6,255</b>   |
| <b>Total Inventory Purchased</b> | <b>\$ 16,571</b> | <b>\$ 12,510</b> | <b>\$ 17,571</b> | <b>\$ 14,744</b> | <b>\$ 10,469</b> | <b>\$ 13,503</b> | <b>\$ 15,926</b> | <b>\$ 18,600</b> | <b>\$ 22,029</b> | <b>\$ 25,805</b> | <b>\$ 20,852</b> | <b>\$ 19,432</b> | <b>\$ 208,011</b> |
| Advertising                      | \$ 189           | \$ -             | \$ 637           | \$ -             | \$ -             | \$ 323           | \$ -             | \$ -             | \$ 209           | \$ -             | \$ 722           | \$ -             | <b>\$ 2,080</b>   |
| Bank Charges                     | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | \$ 24            | <b>\$ 285</b>     |
| Dues and Subscriptions           | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | \$ 94            | <b>\$ 1,129</b>   |
| Insurance                        | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | \$ 209           | <b>\$ 2,508</b>   |
| Legal & Professional             | \$ 333           | \$ 143           | \$ 143           | \$ 570           | \$ -             | \$ -             | \$ 333           | \$ 143           | \$ -             | \$ -             | \$ 214           | \$ -             | <b>\$ 1,876</b>   |
| Licenses & Permits               | \$ 118           | \$ -             | \$ -             | \$ -             | \$ 589           | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | <b>\$ 707</b>     |
| Payroll                          | \$ 21,337        | \$ 18,269        | \$ 24,349        | \$ 24,814        | \$ 23,921        | \$ 22,957        | \$ 22,030        | \$ 22,916        | \$ 24,273        | \$ 30,562        | \$ 34,599        | \$ 35,682        | <b>\$ 305,706</b> |
| Payroll Taxes                    | \$ 3,399         | \$ 2,926         | \$ 3,895         | \$ 3,990         | \$ 3,824         | \$ 3,677         | \$ 3,539         | \$ 3,696         | \$ 3,890         | \$ 4,916         | \$ 5,558         | \$ 5,748         | <b>\$ 49,056</b>  |
| Rent                             | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | \$ 7,838         | <b>\$ 94,050</b>  |
| Supplies                         | \$ 503           | \$ -             | \$ 343           | \$ -             | \$ -             | \$ 878           | \$ -             | \$ -             | \$ 407           | \$ -             | \$ -             | \$ -             | <b>\$ 2,130</b>   |
| Telephone                        | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | \$ 308           | <b>\$ 3,694</b>   |
| Travel                           | \$ 1,197         | \$ -             | \$ -             | \$ -             | \$ 1,292         | \$ -             | \$ -             | \$ -             | \$ 1,596         | \$ -             | \$ -             | \$ -             | <b>\$ 4,085</b>   |
| Utilities                        | \$ 604           | \$ 608           | \$ 608           | \$ 608           | \$ 598           | \$ 561           | \$ 591           | \$ 593           | \$ 568           | \$ 599           | \$ 608           | \$ 598           | <b>\$ 7,142</b>   |
| <b>Total Operating Expenses</b>  | <b>\$ 36,151</b> | <b>\$ 30,417</b> | <b>\$ 38,446</b> | <b>\$ 38,454</b> | <b>\$ 38,695</b> | <b>\$ 36,867</b> | <b>\$ 34,964</b> | <b>\$ 35,819</b> | <b>\$ 39,415</b> | <b>\$ 44,548</b> | <b>\$ 50,172</b> | <b>\$ 50,499</b> | <b>\$ 474,447</b> |

# Comparison

| October   | November  | December  | Totals     |
|-----------|-----------|-----------|------------|
| \$ 75,797 | \$ 74,078 | \$ 74,886 |            |
| \$ 71,640 | \$ 75,220 | \$ 78,460 | \$ 732,360 |
| \$ 570    | \$ 920    | \$ 1,190  | \$ 9,950   |
| \$ 71,070 | \$ 74,300 | \$ 77,270 | \$ 722,410 |
| \$ 25,340 | \$ 20,530 | \$ 18,990 | \$ 204,063 |
| \$ 764    | \$ 671    | \$ 483    | \$ 5,957   |
| \$ 24,576 | \$ 19,859 | \$ 18,507 | \$ 198,106 |
|           | \$ 760    |           | \$ 2,189   |
| \$ 25     | \$ 25     | \$ 25     | \$ 300     |
| \$ 99     | \$ 99     | \$ 99     | \$ 1,188   |
| \$ 220    | \$ 220    | \$ 220    | \$ 2,640   |
|           | \$ 225    |           | \$ 1,975   |
|           |           |           | \$ 744     |
| \$ 32,170 | \$ 36,420 | \$ 37,560 | \$ 321,796 |
| \$ 5,175  | \$ 5,850  | \$ 6,050  | \$ 51,638  |
| \$ 8,250  | \$ 8,250  | \$ 8,250  | \$ 99,000  |
|           |           |           | \$ 2,242   |
| \$ 324    | \$ 324    | \$ 324    | \$ 3,888   |
|           |           |           | \$ 4,300   |
| \$ 630    | \$ 640    | \$ 629    | \$ 7,518   |
| \$ 46,893 | \$ 52,813 | \$ 53,157 | \$ 499,418 |

| October   | November  | December  | Totals     |
|-----------|-----------|-----------|------------|
| \$ 75,222 | \$ 78,981 | \$ 82,383 | \$ 768,978 |
| \$ 599    | \$ 966    | \$ 1,250  | \$ 10,448  |
| \$ 74,624 | \$ 78,015 | \$ 81,134 | \$ 758,531 |
| \$ 26,607 | \$ 21,557 | \$ 19,940 | \$ 214,266 |
| \$ 802    | \$ 705    | \$ 507    | \$ 6,255   |
| \$ 25,805 | \$ 20,852 | \$ 19,432 | \$ 208,011 |
| \$ -      | \$ 722    | \$ -      | \$ 2,080   |
| \$ 24     | \$ 24     | \$ 24     | \$ 285     |
| \$ 94     | \$ 94     | \$ 94     | \$ 1,129   |
| \$ 209    | \$ 209    | \$ 209    | \$ 2,508   |
| \$ -      | \$ 214    | \$ -      | \$ 1,876   |
| \$ -      | \$ -      | \$ -      | \$ 707     |
| \$ 30,562 | \$ 34,599 | \$ 35,682 | \$ 305,706 |
| \$ 4,916  | \$ 5,558  | \$ 5,748  | \$ 49,056  |
| \$ 7,838  | \$ 7,838  | \$ 7,838  | \$ 94,050  |
| \$ -      | \$ -      | \$ -      | \$ 2,130   |
| \$ 308    | \$ 308    | \$ 308    | \$ 3,694   |
| \$ -      | \$ -      | \$ -      | \$ 4,085   |
| \$ 599    | \$ 608    | \$ 598    | \$ 7,142   |
| \$ 44,548 | \$ 50,172 | \$ 50,499 | \$ 474,447 |



# Challenges

- Managing a budget.
- Making payroll.
- Paying bills on time.
- Controlling debt.
- Securing financing.
- Planning for emergencies.



# Tools

- Accounting software.
- Bookkeeper/Accountant.
- Resources like SBDC and ACA.
- Financial Managers/Bankers.



# Tips

- Monitor and understand your financial statements.
- Create a budget.
- Track your cash flow.
- Review your pricing.
- Accuracy is key.
- Set goals.
- Have an emergency fund.





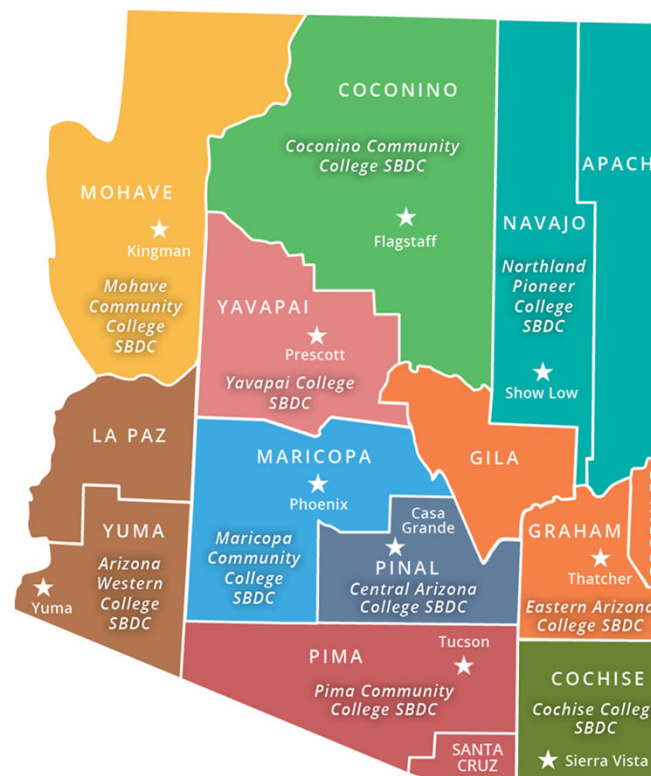
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|                                                                                    |                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Savannah Torkelson (Searles)</b><br/>Owner, Accountant<br/>Certified QuickBooks ProAdvisor<br/>Office: 928-224-5248<br/>Cell: 928-890-9048<br/>Hours: M-Thurs: 8:30am to 5pm<br/>Friday: 8:30am to 12pm</p> |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



*Thank You*  
for participating.

