

# UNDERSTANDING FINANCIAL STATEMENTS

PRESENTED BY: CINDY SCOTT

# WHO ARE WE?



## **The Coconino Small Business Development Center:**

provides advising, training, online courses and resources for businesses throughout the Northern Arizona region. Our two conveniently located centers assist business people like you in every aspect of business development and management.

The SBDC is part of a statewide network of centers that deliver services to anyone who operates a business or is planning to start a business. We work with businesses in every industry and at every stage of growth from start-ups to well-established companies.

We're Arizona's largest and most accessible statewide source of assistance for small businesses, opening doors to opportunity in Arizona since 1988.

For more  
information visit us  
at:  
[coconino.edu/sbdc](http://coconino.edu/sbdc)







## America's SBDC Clients

- > Start a new business every 32 minutes
- > Create a new job every 5.3 minutes
- > Access \$100,000 in capital every 9.4 minutes
- > Make \$100,000 in new sales every 8 minutes









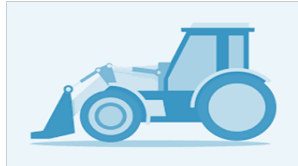
## SERVICES WE OFFER:

- No cost Confidential Business Counseling
- No cost to low cost Seminars & Training
- New Business Check List
- Access to Capital Loan Assistance
- Government Contracting
- And much more

- **Overview of Assets, Liabilities, Income, & Expenses**
- **Importance of the Chart of Accounts**
- **Income Statement & Balance Sheet**
- **Other Financial Statements**



# ASSETS

Tangible	Intangible	Living	Moving
			
			
			
			

**Assets  
are what  
you own**

# LIABILITIES



	Current	YTD
Income Tax	43.34	3,465.35
Security (FICA)	136.59	6,504.76
al Medicare	254.91	4,633.10
land Income Tax	185.32	1,083.55
Federal Income Tax	43.34	3,465.35
Social Security (FICA)	136.59	6,504.76
Federal Medicare	620.16	15,886.76
Maryland Income Tax		
TOTAL	77.00	
DUCTIONS	208.33	4.9
	8.05	5.8



**Liabilities  
are what  
you owe**

# INCOME



**Income  
is what  
you earn**



# EXPENSES



**Expenses  
are what  
you spend**



# CHART OF ACCOUNTS



Chart of Accounts			
Number	Description	Account Type	Financial Statement
1-001	Cash	Asset	Balance Sheet
1-010	Accounts Receivable	Asset	Balance Sheet
1-020	Prepaid Expenses	Asset	Balance Sheet
1-030	Inventory	Asset	Balance Sheet
1-040	Fixed Assets	Asset	Balance Sheet
1-050	Accumulated Depreciation	Asset	Balance Sheet
1-060	Other Assets	Asset	Balance Sheet
2-001	Accounts Payable	Liability	Balance Sheet
2-010	Accrued Liabilities	Liability	Balance Sheet
2-020	Taxes Payable	Liability	Balance Sheet
2-030	Payroll Payable	Liability	Balance Sheet
2-040	Notes Payable	Liability	Balance Sheet
3-001	Common Stock	Equity	Balance Sheet
3-010	Retained Earnings	Equity	Balance Sheet
3-020	Additional Paid in Capital	Equity	Balance Sheet
4-001	Revenue	Revenue	Income Statement
4-010	Sales returns and allowances	Revenue	Income Statement
5-001	Cost of Goods Sold	Expense	Income Statement
5-010	Advertising Expense	Expense	Income Statement
5-020	Bank Fees	Expense	Income Statement
5-030	Depreciation Expense	Expense	Income Statement
5-040	Payroll Tax Expense	Expense	Income Statement
5-050	Rent Expense	Expense	Income Statement
5-060	Supplies Expense	Expense	Income Statement
5-070	Utilities Expense	Expense	Income Statement
5-080	Wages Expense	Expense	Income Statement
6-001	Other Expenses	Other	Income Statement

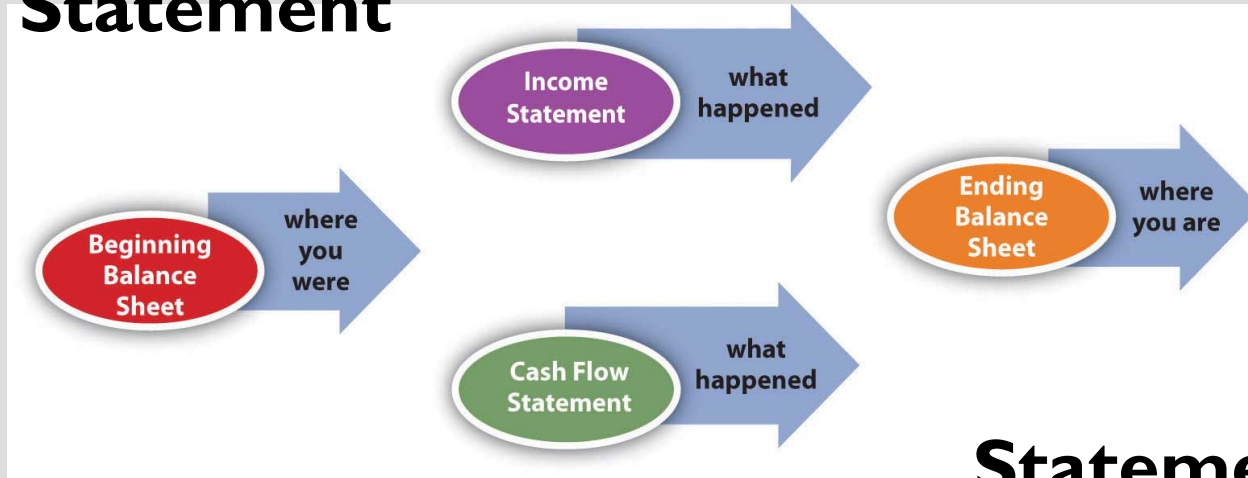


# FINANCIAL STATEMENTS



## Income Statement

## Balance Sheet



## Statement of Owner's Equity

## Statement of Cash Flow

# FINANCIAL STATEMENTS



BARRY'S SUPERSTORE Comparative Year-End Income Statements			BARRY'S SUPERSTORE Comparative Year-End Balance Sheets		
	Prior Year	Current Year		Prior Year	Current Year
Net Sales	\$100,000	\$120,000	<b>Assets:</b>		
Cost of Goods Sold	50,000	60,000	Cash	\$90,000	\$110,000
Gross Profit	50,000	60,000	Accounts Receivable	20,000	30,000
Rent Expense	5,000	5,500	Inventory	35,000	40,000
Depreciation Expense	2,500	3,600	Short-Term Investments	15,000	20,000
Salaries Expense	3,000	5,400	Total Current Asstes	160,000	200,000
Utility Expense	1,500	2,500	Equipment	40,000	50,000
Operating Income	38,000	43,000	<b>Total Assets</b>	<u>\$200,000</u>	<u>\$250,000</u>
Interest Expense	3,000	2,000	<b>Liabilities:</b>		
Income Tax Expense	5,000	6,000	Accounts Payable	\$ 60,000	\$ 75,000
Net Income	<u>\$ 30,000</u>	<u>\$ 35,000</u>	Unearned Revenue	10,000	25,000
			Total Current Liabilities	70,000	100,000
			Notes Payable	40,000	50,000
			Total Liabilities	<u>110,000</u>	<u>150,000</u>
			<b>Stockholder Equity</b>		
			Common Stock	75,000	80,000
			Ending Retained Earnings	15,000	20,000
			Total Stockholder Equity	90,000	100,000
			<b>Total Liabilities and Stockholder Equity</b>	<u>\$200,000</u>	<u>\$250,000</u>



# THE INCOME STATEMENT



The “scoreboard” of what happened during a period of time.





## **Income/Revenue:**

**What the business received during the period.**

## **Expenses:**

**What the business spent during the period.**

## **Net Profit/(Loss):**

**Amount the business has made during that period.**

# THE BALANCE SHEET

Shows everything  
that is **Owned** and  
**Owed** by a business.



## **Asset:**

Something that is owned. (Equipment, Vehicles, Inventory)

## **Liability:**

Something that is owed. (Line of credit, or Loan)

## **Owners Equity/Retained Earnings:**

Amount the owner has invested in the business.

# OTHER FINANCIAL STATEMENTS



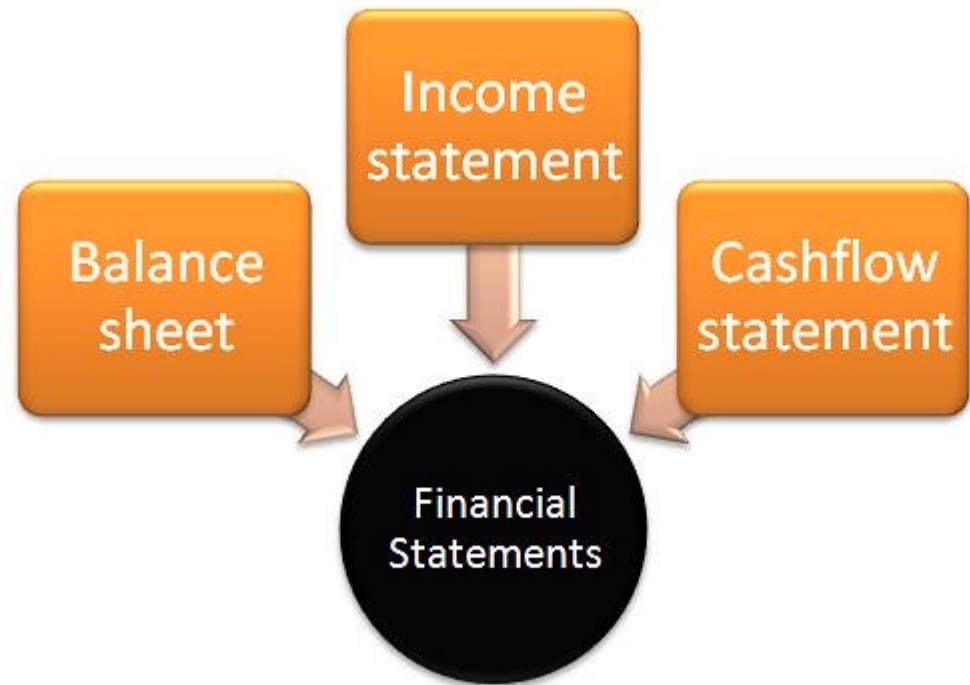
## Statement of Owner's Equity

**Shows the owner's capital at the start of the period, the changes that affected the capital, and the resulting capital at the end of the period.**

## Statement of Cash Flow

**Shows the inflows and outflows of cash in a business from its ongoing operations and investment sources.**





# Complete the Financial Statements Activity

## Financial Tips:

- **Keep business and personal finances separate.**
- **Check your bank account regularly.**
- **Make sure your Chart of Accounts is setup correctly and clean.**
- **Be active in reviewing your financial statements on a regular basis.**

# QUESTIONS?



## Contact Us:

Coconino Small Business Development Center

Gina Couillard, Director

Amanda Hyde, Business Analyst

Cindy Scott, Business Analyst

Email: [sbdc@Coconino.edu](mailto:sbdc@Coconino.edu)

Phone: 928-526-7644

Register for counseling:

Website: [www.Coconino.edu/sbdc](http://www.Coconino.edu/sbdc)

