



Guide to Small Business Financial Statements

Accounting 101

It is a requirement by the IRS that every business keep records

The law does not require a special type of Bookkeeping system

Your records must show Gross Income as well as all Deductions

You must have documents/receipts to support these records

Your records must be available for inspection by the IRS

How long do I have to keep these records? 4 years from the date of the tax return

Examples of records;

Invoices/Income & Expense receipts

4 years

Employee & Payroll records

4 records

Company Loans

Until paid in full

Land & Assets

As long as you own them

Who will use these records?

You the business owner

Accountant/Tax Preparer

Bank Loan Officer

What can records tell me?

Show progress of your business

Show problem areas

Compare Income to Expenses for a specific time period

Help make management decisions such as

Can we afford to hire another person?

Can we afford to expand our business?

Can we pay for a loan?

What are our costs?

You will use these records to;

Pay Monthly Sales Tax
Payroll Taxes
Self Employment Taxes

Apply for Business Loans

Credit Lines
Credit Cards
Credit with Vendors

Potential buyers of your business

Common Accounting Terms

Cash vs Accrual

Cash Basis Accounting

Income is reported when actually received.

Expenses are reported when they are actually paid

Accrual Basis Accounting

Income is reported when billed out to client

Expenses are reported when incurred

Profit & Loss Statement

Report that shows the company's

Income - Operating Expenses =

Net Profit or Loss

For a specific period of time

XYZ Company
PROFIT & LOSS
JULY 2022

INCOME

SALES **\$4,245.13**

TOTAL SALES **\$4,245.13**

EXPENSES

Auto Expense **\$113.87**

Bank Service Charges **\$10.00**

Equipment Purchase **\$63.97**

Insurance **\$225.00**

Materials & Supplies **\$418.21**

Office Supplies **\$88.84**

Payroll **\$1,637.96**

Postage & Delivery **\$56.91**

Rent **\$1,200.00**

Taxes **\$385.90**

Telephone **\$90.47**

Utilities **\$56.87**

TOTAL EXPENSES **\$4,348.00**

NET INCOME/LOSS **-\$102.87**

"One Stop" Auto Repair
PROFIT & LOSS
JULY 2022

INCOME

SALES

Service Work	\$4,336.98
LOF Sales	\$856.23
Brake Sales	\$1,235.69
Tire Sales	\$1,759.65

TOTAL SALES \$8,188.55

COST of GOODS SOLD

Service Work	\$1,589.63
LOF Sales	\$255.69
Brake Sales	\$135.45
Tire Sales	<u>\$798.65</u>

TOTAL COGS \$2,779.42

GROSS PROFIT \$5,409.13

EXPENSES

Bank Service Charges	\$10.00
Shop Supplies	\$123.56
Freight	\$155.35
Office Supplies	\$35.69

Payroll

Wages	\$1,637.96
Payroll Taxes	<u>\$385.90</u>

Total Payroll Expense \$2,023.86

Rent \$1,200.00

Utilities

Electric	\$56.87
Telephone	<u>\$90.47</u>

Total Utilities \$147.34

TOTAL EXPENSES \$3,695.80

NET INCOME/LOSS \$1,713.33

**"One Stop" Feed Store
PROFIT & LOSS
JULY 2022**

INCOME

SALES

Hay Sales	\$3,795.13
Feed Sales	\$856.23
Dog/Cat Sales	\$239.35
Veterinary Supplies	\$123.47

TOTAL SALES \$5,014.18

COST of GOODS SOLD

Hay Sales	\$833.64
Feed Sales	\$159.65
Dog/Cat Sales	\$93.57
Veterinary Supplies	<u>\$45.89</u>

TOTAL COGS \$1,132.75

GROSS PROFIT \$3,881.43

EXPENSES

Bank Service Charges	\$10.00
Equipment Expense	\$63.97
Freight	\$233.47
Office Supplies	\$59.65

Payroll

Wages	\$1,637.96
Payroll Taxes	<u>\$385.90</u>

Total Payroll Expense \$2,023.86

Rent \$1,200.00

Utilities

Electric	\$56.87
Telephone	<u>\$90.47</u>

Total Utilities \$147.34

TOTAL EXPENSES \$3,738.29

NET INCOME/LOSS \$143.14

Balance Sheet -

Assets - What your company owns

Liabilities - What your company owes

Owners Equity in business

Balance Sheet = Assets - Liabilities = Owners Equity

Your companies Financial position as of a certain date

Balance Sheets are cumulative

XYZ Company

Balance Sheet

As of July 31, 2022

ASSETS		LIABILITIES & EQUITY	
Current Assets		Long Term Liabilities	
Checking/Savings		Truck Loan	\$8,000.00
Business Checking	\$10,000.00	Equipment	
Total Checking/Savings	\$10,000.00	Total Long Term Liabilities	\$8,000.00
Total Current Assets	\$10,000.00	TOTAL LIABILITIES	<u>\$8,000.00</u>
Fixed Assets		EQUITY	
Company Vehicles	\$30,000.00	Owners Equity	\$32,000.00
Equipment		Total Equity	\$32,000.00
Total Fixed Assets	\$30,000.00		
TOTAL ASSETS	\$40,000.00	TOTAL LIABILITIES + EQUITY	\$40,000.00