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

Twelve-month cash flow	Enter Company Name Here								Fiscal Year Begins:		Jan-05				
	Pre-Startup EST	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total Item EST	
Bank Loan														s -	
Cash on Hand (beginning of month)														s -	
CASH RECEIPTS															
Projected Sales															
TOTAL CASH RECEIPTS	ş -	s -	s -	s -	s -	s -	s -	s -	s -	s -	s -	s -	s -	\$ -	
Total Cash Available (before cash out)	s -	s -	\$ -	s -	s -	s -	ş ·	s -	s -	s -	s -	ş ·	s -	\$ -	
CASH PAID OUT															
Deposit (Lease)	s -													s -	
Building														s -	
Form LLC														s -	
Marketing (flyer/b cards)														s -	
Payroll expenses (taxes, etc.)														s -	
Outside services														s -	
Supplies														ş -	
Repairs & maintenance														s -	
Radio Ads														s -	
Advertising														s -	
Car, delivery & travel														s -	
Accounting & legal														s -	
Rent														s -	
Felephone														s -	
Electricity														s -	
Gas														s -	
Water														s -	
nsurance														s -	
Faxes (real estate, etc.)														s -	
Business Licensing														s -	
Whatever you want														s -	
Other (specify)														s -	
Other (specify)														s -	
Miscellaneous														s -	
SUBTOTAL	s -														
.oan principal payment														s -	
Capital purchase (specify)														s -	
Other startup costs														s -	
Reserve and/or Escrow														s -	
Owners' Withdrawal														s -	
TOTAL CASH PAID OUT	s -	\$ -	\$ -	s -	s -	s -	s -	s -	s -	s -	s -	s -	s -	\$ -	
Cash Position (end of month)	s -	ş -	\$ -	s -	s -	s -	\$.	s -	s -	s -	s -	\$.	s -	\$ -	

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	<u>\$56.87</u>
TOTAL EXPENSES	\$4,348.00
NET INCOME/LOSS	-\$102.87



"One Stop" Auto Repair PROFIT & LOSS JULY 2022

INCOME

NET INCOME/LOSS

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	\$798.65
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	\$385.90
Total Payroll Expense	\$2,023.86
Rent	\$1,200.00
Utilities	
Electric	\$56.87
Telephone	\$90.47
Total Utilities	\$147.34
TOTAL EXPENSES	\$3,695.80

\$1,713.33



"One Stop" Feed Store PROFIT & LOSS JULY 2022

INCOME

NET INCOME/LOSS

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	\$45.89
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	\$385.90
Total Payroll Expense	\$2,023.86
Rent	\$1,200.00
Utilities	
Electric	\$56.87
Telephone	\$90.47
Total Utilities	\$147.34
TOTAL EXPENSES	\$3,738.29

\$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 Com	ipany		
Balance S	Sheet		
As of July 3	1, 2022		
ASSETS		LIABILITIES & EQUITY	
Current Assets			
Checking/Savings		Long Term Liabilities	
Business Checking	\$10,000.00	Truck Loan	\$8,000.00
Total Checking/Savings	\$10,000.00	Equipment	
		Total Long Term Liabilities	\$8,000.00
Total Current Assets	\$10,000.00	TOTAL LIABILITIES	\$8,000.00
Fixed Assets			
Company Vehicles	\$30,000.00	EQUITY	
Equipment		Owners Equity	\$32,000.00
Total Fixed Assets	\$30,000.00	Total Equity	\$32,000.00
Total Fixed Assets	330,000.00	Total Equity	\$32,000.00
TOTAL ASSETS	\$40,000,00	TOTAL HARMITIES . FOUNTY	\$40,000,00
IUIAL ASSETS	\$40,000.00	TOTAL LIABILITIES + EQUITY	\$40,000.00