

# Friday Fundamentals Webinar #2

## *Financial Information for Decision Making*

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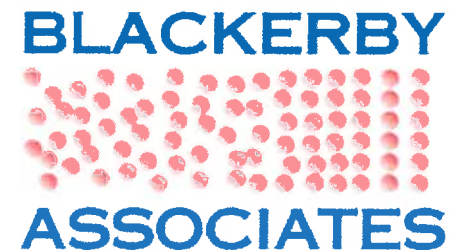


Business Engagement and Compliance Office

### **Welcome!**

We recommend you use the “Telephone” option.  
Dial +1 (312) 878-3081. Access code: 911-776-794#.  
Password is friday2. Enter your Audio PIN as shown.

If you select the “Mic & Speakers” option, you will  
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*Transforming Organizations*

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# Your Host



Phillip Blackerby

**BLACKERBY ASSOCIATES, Inc.**

Consultant with ADOT  
Business Engagement and  
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DBEs: Financial management,  
strategic planning, marketing

Trained 800 entrepreneurs

Master's Degree: **Univ. of Texas**

Bachelor's Degree: **Brown Univ.**



# Would you want to know...?



- How much sales you need every month before you break even?
- How to manage your customers who want to pay you later?
- How to manage your suppliers who want money right away?
- How to project and manage your cash flow so you don't run out of money?

But first...

A quick review of last month's webinar!

# Rules to Live By



- CIK – *Cash Is King*
- DROOM – *Don't Run Out Of Money!*

*“Incur no overhead before its time”*

***DROOM:***

***One of three jobs a CEO cannot delegate!***

# Basic Financial Statements



- Balance Sheet
- Profit & Loss (“P&L” or Income Statement)

*But wait, there’s more!*

- Cash Flow Statement  
(only for Accrual-Based Accounting)

# Balance Sheet

As of:   /  /  



## Assets – What I OWN

- + Cash & equivalents
- + Accounts receivable
- + Other short term
- + Inventory
- + Plant & equipment
- Accum. depreciation
- + Other long term

**= Total Assets**

## Liabilities – What I OWE

- + Accounts payable
- + Short term debts
- + Long term debts
- = **Total Liabilities**

## Equity

- + Investors' capital
- + Retained earnings
- = **Total Equity**

**= Liabilities + Equity**



$$A = L + E$$

# Intangible Assets



- ① Intellectual property (know-how)
- ② Brand value; good will (know-who, reputation)
  
- Do not show as Balance Sheet asset
- Or balance with equity:  $A = L + E$
- Protect these assets as you would protect other assets

# P&L, Income Stmt.

From:   /  /    
 To:   /  /  



- + Gross S
- COGS/
- = Gross I
- Selling
- General
- Adminis
- = Operati
- ± Int, Taxes, DEPREC, AMORT
- = Net Profit

**Wait a minute!**

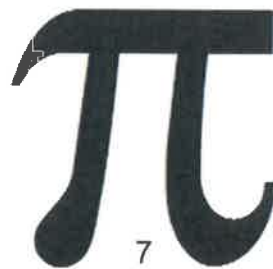
My QuickBooks doesn't categorize expenses into Selling, General and Administrative!

$$\frac{\text{Costs } G\pi}{GS} \times 100$$

"S"

$$\frac{O\pi}{GS} \times 100$$

$$\text{Net Margin\%} = \frac{N\pi}{GS} \times 100$$





# Cash Flow Statement

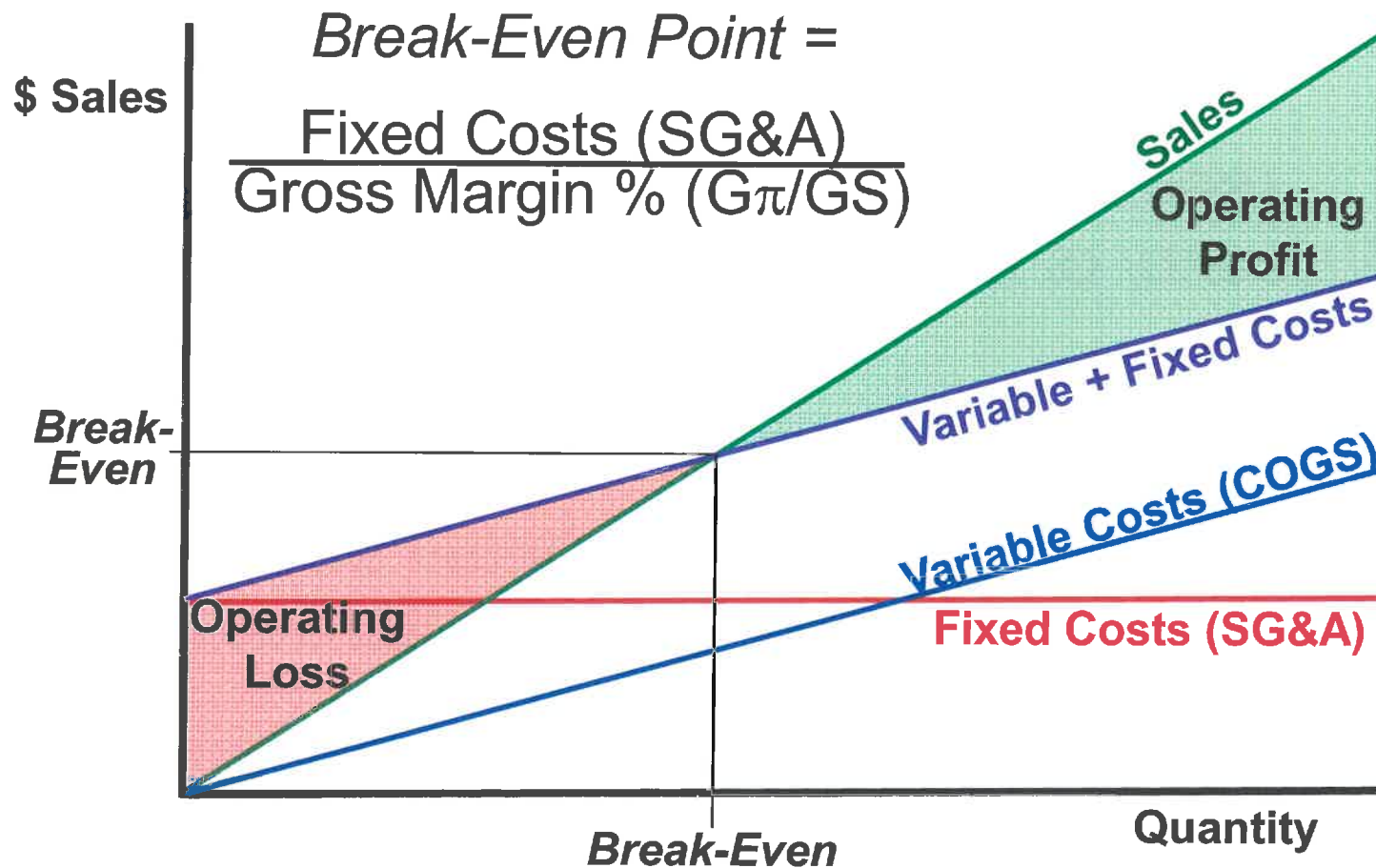
From:   /  /    
To:   /  /  



- ± Sources and uses of cash due to *operations*  
(operating profit)
- ± Sources and uses of cash due to *financing*  
(borrowing and lending)
- ± Sources and uses of cash due to *investing*  
(R&D, equipment, outside enterprises)
- + Beginning cash
- = Ending cash



# Profits Increase With Sales



# Break-Even Point

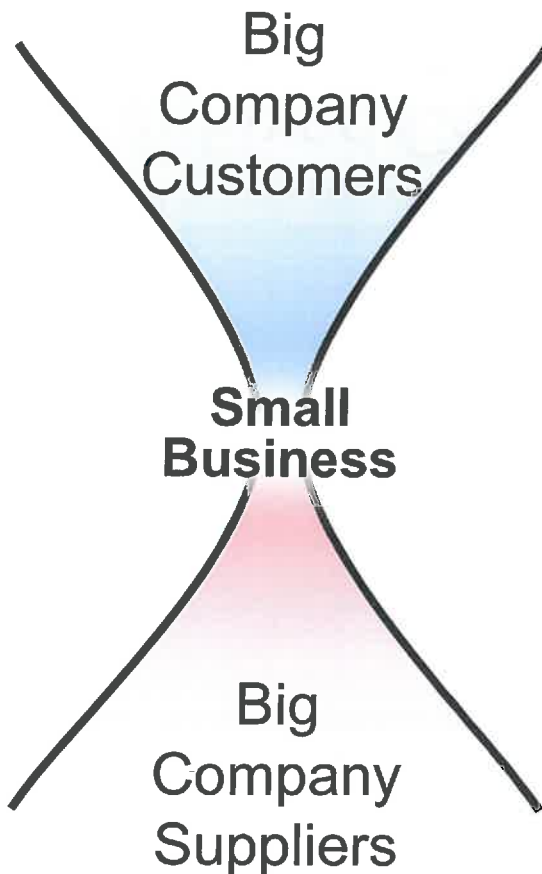


$$\text{Break-Even Point} = \frac{\text{Fixed Costs (SG\&A)}}{\text{Gross Margin \% (G}\pi\text{/GS)}}$$

## Example:

@Fixed Costs:	\$10,000	<u>\$10,000</u>
@Gross Sales:	\$500,000	.40
@COGS/COSS:	\$300,000	= \$25,000
@Gross Profit:	\$200,000	= Breakeven
@Gross Margin:	40%	

# Cash Flow: Small Biz Squeeze



- Pay in 45, 60, 90 days
- Send invoice again

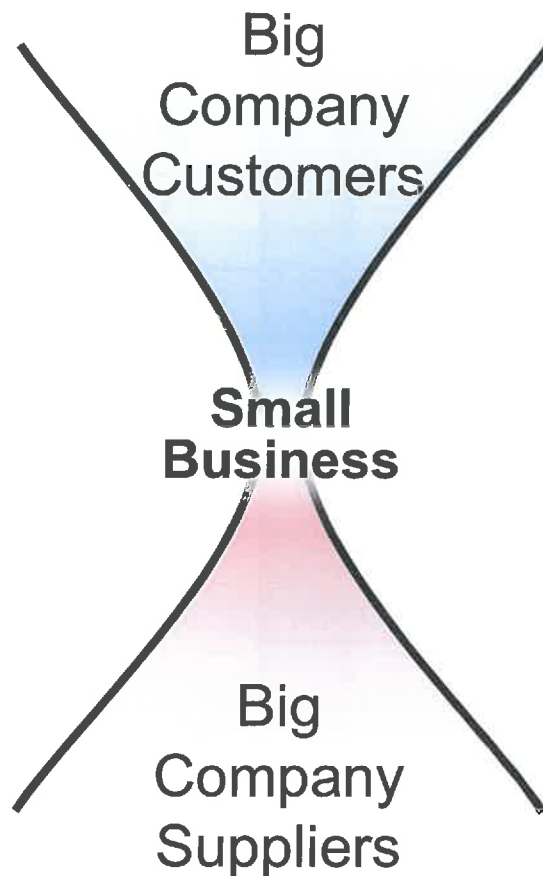


**Market Power**



- Pay on order or delivery
- Penalties for late payment

# What You Can Do to Un-Squeeze



- Ask for deposit on order
- Bill in advance
- Discount for timely payment
- Charge card on delivery
- Refer to competitor
- Stop services
- Factor
- Ask for terms
- Discount for cash
- Ask to hold check
- Charge to credit card
- Bank line of credit
- Joint check

# Cash Flow Planning



\$000	Actual				This Week	Forecast			
	Week -4	Week -3	Week -2	Last Week		Next Week	Week +2	Week +3	Week +4
Beginning cash	0.0	+ 5.6	0.0	0.0	1.4	0.0	0.0	+ 2.9	+ 0.0
Revenue	14.3	11.0	28.6	24.3	19.8	21.5	22.1	6.4	22.7
COGS	2.8	1.0	4.4	1.3	7.5	1.0	3.3	2.9	2.0
SG&A	5.4	8.2	3.5	2.5	13.5	12.0	2.9	2.3	2.9
Payroll	0.5	19.0	7.5	19.0	0.5	19.0	0.5	19.0	19.6
Interest		1.7				0.6	1.1		0.6
Net cash flow	+ 5.6	- 18.9	+ 13.2	+ 1.5	- 1.7	- 11.1	- 14.3	- 17.8	+ 16.8
Ending cash	+ 5.6	0.0	0.0	+ 1.4	0.0	0.0	+ 2.9	0.0	+ 1.3
Line of credit bal.	0.0	- 13.3	- 0.1	0.0	- 0.3	- 11.4	0.0	- 14.9	0.0

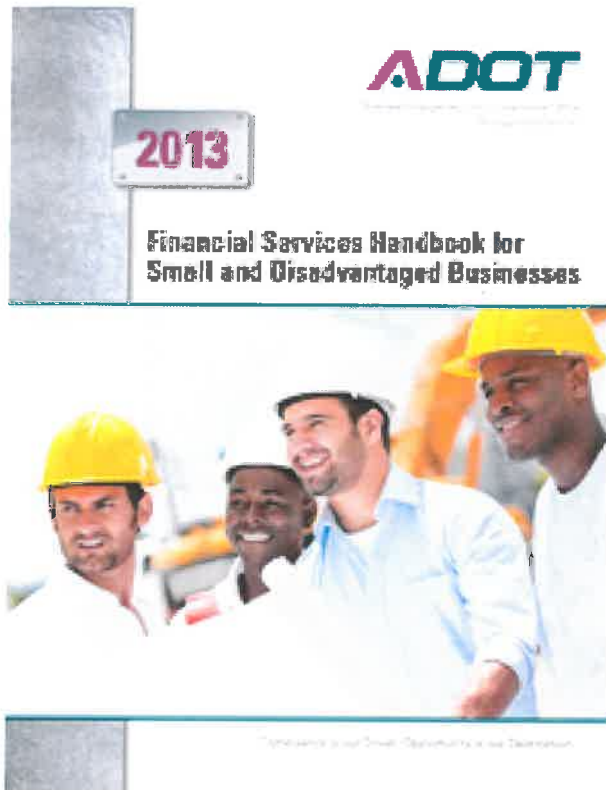
# What Is a Budget?



• A Budget is a Plan in numbers •  
• A Plan is a Budget in words •



# Financial Services Handbook



- *Financing:* Lenders and Borrowing
- *Insurance:* Liability, Errors & Omissions, Workers Compensation, Health
- *Bonding:* License Bonds, Performance Bonds, Bid Bonds
- English & Spanish: FREE!

<http://www.adotdbe.com/adot-dbess-provides-financial-handbook-free-to-dbes-sbcs/>

<http://bit.ly/FinSvcS>



# What's Next?



- *Evaluation survey*: Look for an email directing you to the survey.
- *Video* of today's session will be posted on ADOT's website soon!
- *Next webinar*: May 2, 9:00 a.m.  
"Marketing Fundamentals." Register today:  
<http://friday-fundamentals.eventbrite.com>
- *One-on-one consulting* will be available, up to three hours free to DBEs! Email request to: Kent Lane, [klane@azdot.gov](mailto:klane@azdot.gov).