

# 2021 BUSINESS BUILDER

VIRTUAL TRAINING SERIES

2.17.21/10-11AM

FINANCIAL HEALTH

ANDY TURNER



**PARKLOCAL**

DEVELOPMENT CORPORATION



**MONTANA**  
STATE UNIVERSITY

EXTENSION

The background of the slide is a dense field of 3D-rendered numbers in various shades of blue and white. The numbers are scattered across the frame, creating a sense of depth and movement. Some numbers are larger and more prominent, while others are smaller and recede into the background. The lighting is soft, highlighting the three-dimensional quality of the digits.

# Financial planning for your business

Andy Turner

# Financial Awareness



Budgeting  
A plan for the future



Cash Flow Statement  
Managing the current

# Budget

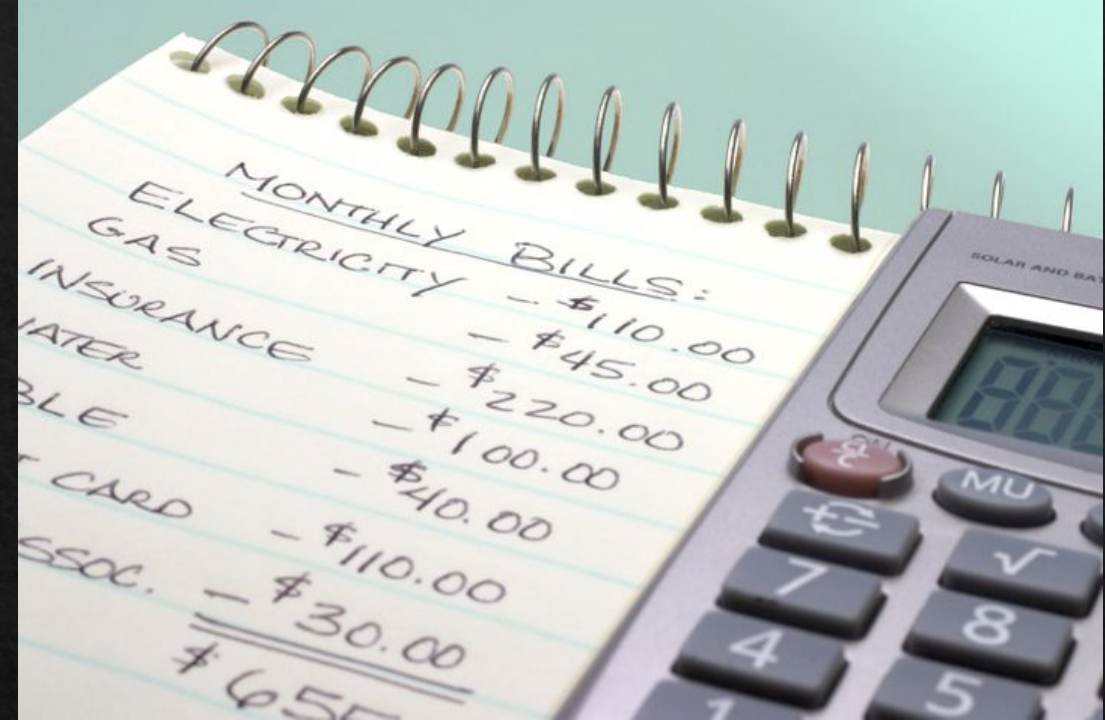
A defined financial plan for a given period of time

(Generally a 12 month period)

# Budget

## *Why is it important?*

Think of it as a tool allowing you, the business owner, the ability to plan for the future!



# Budget

## *Steps to establishing a budget*

- ◇ Set a time frame – especially important if a seasonal industry
- ◇ Calculate projected sales and revenue
- ◇ Operating Expenses
- ◇ Profit Margin
- ◇ Update and repeat

# Budget

*Calculate projected sales and revenue*

Cash vs. Accrual

When is the transaction realized?

# Budget

## Operating Expenses

An expense incurred through normal operations

Rent and utilities  
Wages and salaries  
SG&A – Selling, general, and administrative  
Professional expenses

Advertising  
Marketing  
Interest on debt  
Taxes



# Budget

## Creating a budget template in Excel

<b>APPENDIX 3</b>		<b>TWELVE MONTH BUDGET</b>											
A budget is the expected future financial performance for a business. Budgets are used plan future operations and compare actual performance with planned performance.													
		<u>1ST MONTH</u>		<u>2ND MONTH</u>		<u>3RD MONTH</u>		<u>4TH MONTH</u>		<u>5TH MONTH</u>		<u>6TH MONTH</u>	
		BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
6	SALES	\$10,000	\$9,000	\$11,000	\$12,500	\$11,000		\$12,000		\$16,000		\$18,000	
7	LESS COST OF SALES	\$4,000	\$4,000	\$4,400	\$5,000	\$5,500		\$4,800		\$6,000		\$7,200	
8													
9	EQUALS GROSS PROFIT (6-7)	\$6,000	\$5,000	\$6,600	\$7,500	\$5,500		\$7,200		\$10,000		\$10,800	
10													
11	OPERATING EXPENSES												
12	ACCOUNTING	\$150	\$50	\$150	\$150	\$150		\$150		\$150		\$150	
13	ADVERTISING	\$5,000	\$4,500	\$4,000	\$4,000	\$4,000		\$900		\$500		\$300	
14	SALARIES & WAGES	\$3,700	\$4,000	\$4,100	\$4,100	\$4,200		\$4,300		\$4,200		\$3,800	
15	VEHICLE EXPENSE	\$100	\$200	\$100	\$200	\$100		\$150		\$150		\$150	
16	BANK CHARGES	\$220	\$200	\$220	\$200	\$220		\$150		\$150		\$200	
17	PRINTING	\$100	\$200	\$100	\$200	\$100		\$150		\$150		\$150	
18	INSURANCE	\$850	\$800	\$850	\$850	\$850		\$850		\$850		\$850	
19	INTEREST EXPENSE	\$250	\$250	\$250	\$250	\$250		\$242		\$240		\$239	
20	TAXES	\$455	\$455	\$455	\$500	\$455		\$460		\$460		\$460	
21	RENT	\$900	\$900	\$900	\$900	\$900		\$900		\$900		\$900	
22	TELEPHONE	\$400	\$350	\$400	\$450	\$400		\$400		\$400		\$400	

# Budget

- ◇ A budget is a projected Income Statement.
- ◇ Income Statements are used to report real time data, a snapshot of the current situation. It is used to give a summary of business transactions and results.
- ◇ Why is an Income Statement important?
  - ◇ The statement provides insight to the profitability of the business during a set time period
  - ◇ Also referred to as a Profit and Loss Statement

# Budget

## Rock Castle Construction Profit & Loss

January 1 through December 15, 2015

◇ Jan 1 - Dec 15, 15 ◇

### Ordinary Income/Expense

#### Income

40100 • Construction Income	447,537.34
40500 • Reimbursement Income ▶	<u>2,119.80</u> ◀
<b>Total Income</b>	<b>449,657.14</b>

#### Cost of Goods Sold

50100 • Cost of Goods Sold	14,766.19
54000 • Job Expenses	<u>165,299.14</u>
<b>Total COGS</b>	<b><u>180,065.33</u></b>

**Gross Profit** 269,591.81

#### Expense

60100 • Automobile	6,844.94
60600 • Bank Service Charges	125.00
62100 • Insurance	20,125.09
62400 • Interest Expense	1,995.65
62700 • Payroll Expenses	120,347.21
63100 • Postage	104.20
63600 • Professional Fees	250.00
64200 • Repairs	1,525.00
64800 • Tools and Machinery	2,820.68
65100 • Utilities	<u>2,269.31</u>
<b>Total Expense</b>	<b><u>156,407.08</u></b>

**Net Ordinary Income** 113,184.73

# Budget

- ◇ The next important financial statement is the Balance Sheet.
- ◇ The Balance Sheet provides a statement of the financial position of a business by looking at the assets, liabilities, and owner's equity
  - ◇ Asset – something owned by the business
  - ◇ Liability – something owed by the business
  - ◇ Owner's Equity – Asset's minus liabilities

# Cash Flow Statement

- ◇ An overview of the of amount of cash and equivalents entering or leaving a business.
- ◇ Allows you to measure the overall health of the business. (Does the company have enough cash to pay expenses?)
- ◇ Cash is generated from three sources; operating, investing, financing
- ◇ It is a complimentary report to the Balance Sheet and Income Statement

# Cash Flow Statement

Cash Flows from Operating Activities	
Cash receipts from customers	xxx
(-) Cash paid to suppliers and employees	xxx
= Cash generated from operations	xxx
(-) Income tax paid	xxx
= Cash flow before extraordinary items	xxx
+/- Extraordinary items	xxx
= Net cash from operating activities	xxx

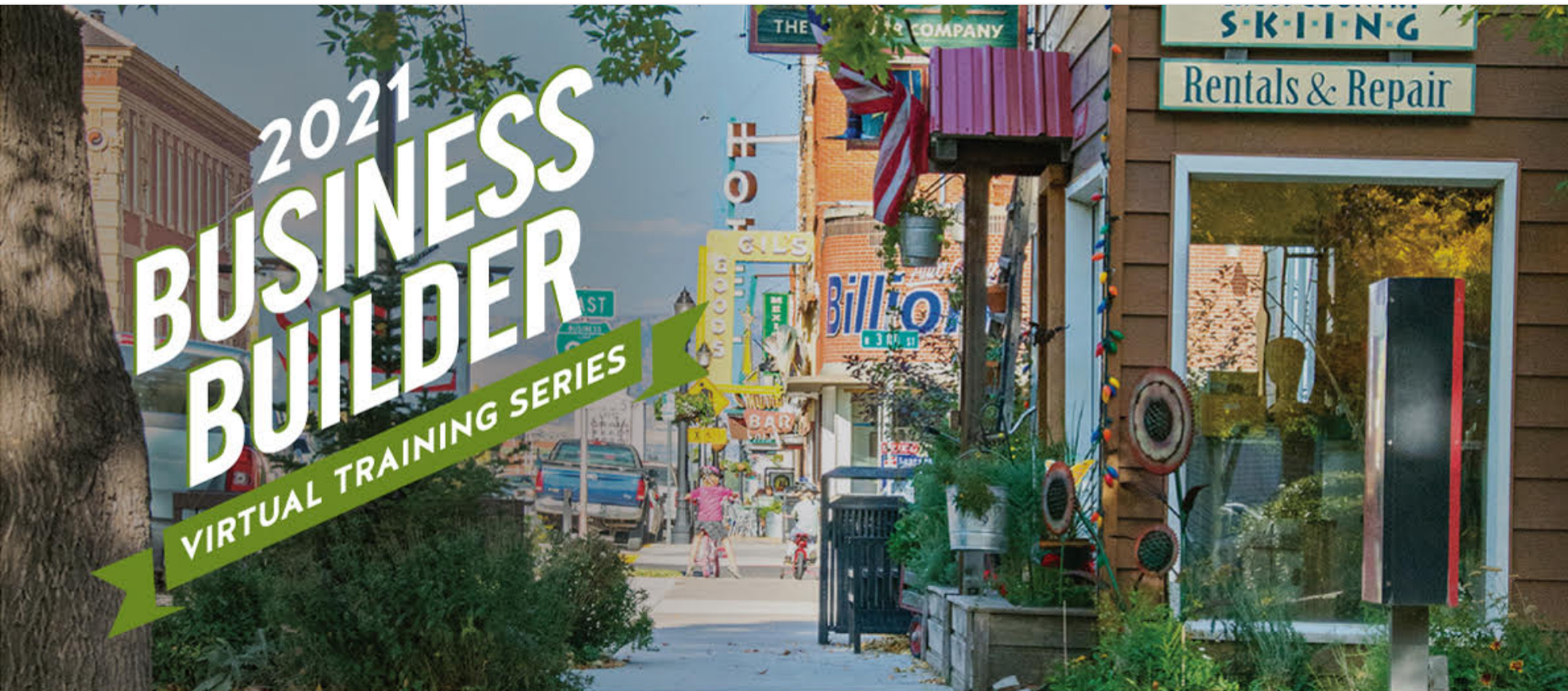
# Summary

- ◇ Budget a forecast for a business
- ◇ Income Statement current financial picture of a business
- ◇ Balance Sheet is a summary of the financial position of the position
- ◇ Cash Flow Statement summarizes the cash entering and leaving

# Join us next week for Part 2: Business Planning

Tom Walker, from *On The Rise Consulting*, will talk about the importance of a business plan and why it's a powerful tool no matter where you are in business.

Register via email at [park@montana.edu](mailto:park@montana.edu)



2.24.21/10-11AM

BUSINESS PLANNING

TOM WALKER



**PARKLOCAL**

DEVELOPMENT CORPORATION



**MONTANA  
STATE UNIVERSITY**

EXTENSION