



Welcome to the Financial Series!



Financial Learning Pathway

Presented by:

Denise MacDonald and Steve Fisher
BBA Business Advisors

Columbia
Basin **trust**

BASIN
BUSINESS
ADVISORS

Course Outcome

This course will teach you how to organize, understand and analyze your Financial Statements (with a primary focus on your Profit and Loss Statement) to make better data-driven decisions that increase your profitability.



Course Outline

Session 1: Why Financial Comprehension Is Important to a Business Owner & Intro to Financial Statements

Session 2: How to Structure your Profit and Loss to access better data

Session 3: How to Use Revenue Centres and Gross Margins to Support Data-Based Decisions

Session 4: Optimizing your Gross Margin through Break-Even Analysis

Session 5: Putting It into Practice through Monthly Financial Reviews and Cashflow Analysis





Session 1: Why Financial Comprehension Is Important

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Session 1 Outcome

You will understand why good financial reporting is key to business success, which statements you should review, and how doing this process monthly will empower you to make better data-based decisions.



Session 1 Outline

- Setting the stage
- Key reports in a Financial Analysis
 - Intro to Balance Sheet
 - Intro to Profit and Loss
 - Intro to Trailing Twelve Month P&L
 - Intro to Financial Analysis and Review



Setting the Stage



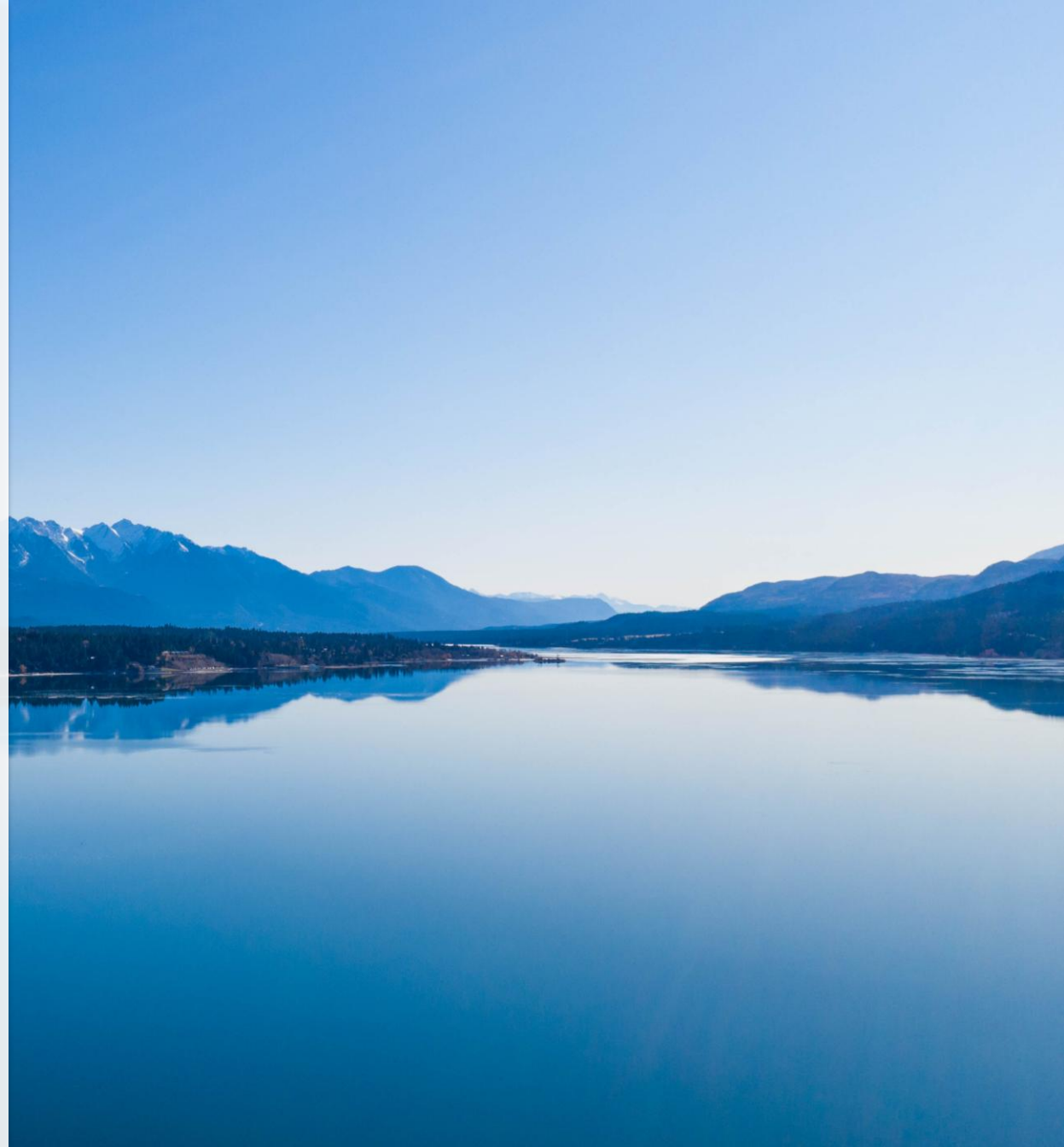


What This Course *Is* and *Isn't*

- ✓ **A system** for making smarter, data-driven business decisions
- ✓ **Focused on using** your financials, not doing your own books
- ✓ **Emphasizes proper tools** like QBO, Wave, or Sage—not just POS or invoicing apps
- ✓ **A mindset shift** from reacting at tax time to leading year-round
- ✗ Not about DIY bookkeeping
- ✗ Not meant to replace your bookkeeper or accountant

Symptoms we see...

- Lack of Confidence
- Gut based decisions
- Talk about "feelings"
- Check bank balance daily
- Not enough hours in the day
- Have to do it myself
- Take money when needed



What you will learn:

- Where you are most profitable
 - Price Setting
 - Margin analysis to know what to market
 - The importance of your gross margin
 - When you should buy a piece of equipment
 - Inventory vs COGS (or COS)
 - Break even analysis and how it helps you run the business
 - How to pay yourself more
 - How to maximize the value of your company.
- AND...
- Move from reactive management to proactive leadership



Remember!

Profit = Fuel

- Need fuel in the tank
- Can't grow without profit
 - Growth Eats Cash
- Can't look after team
- Increases Equity on your Balance Sheet
 - Profits become Retained Earnings



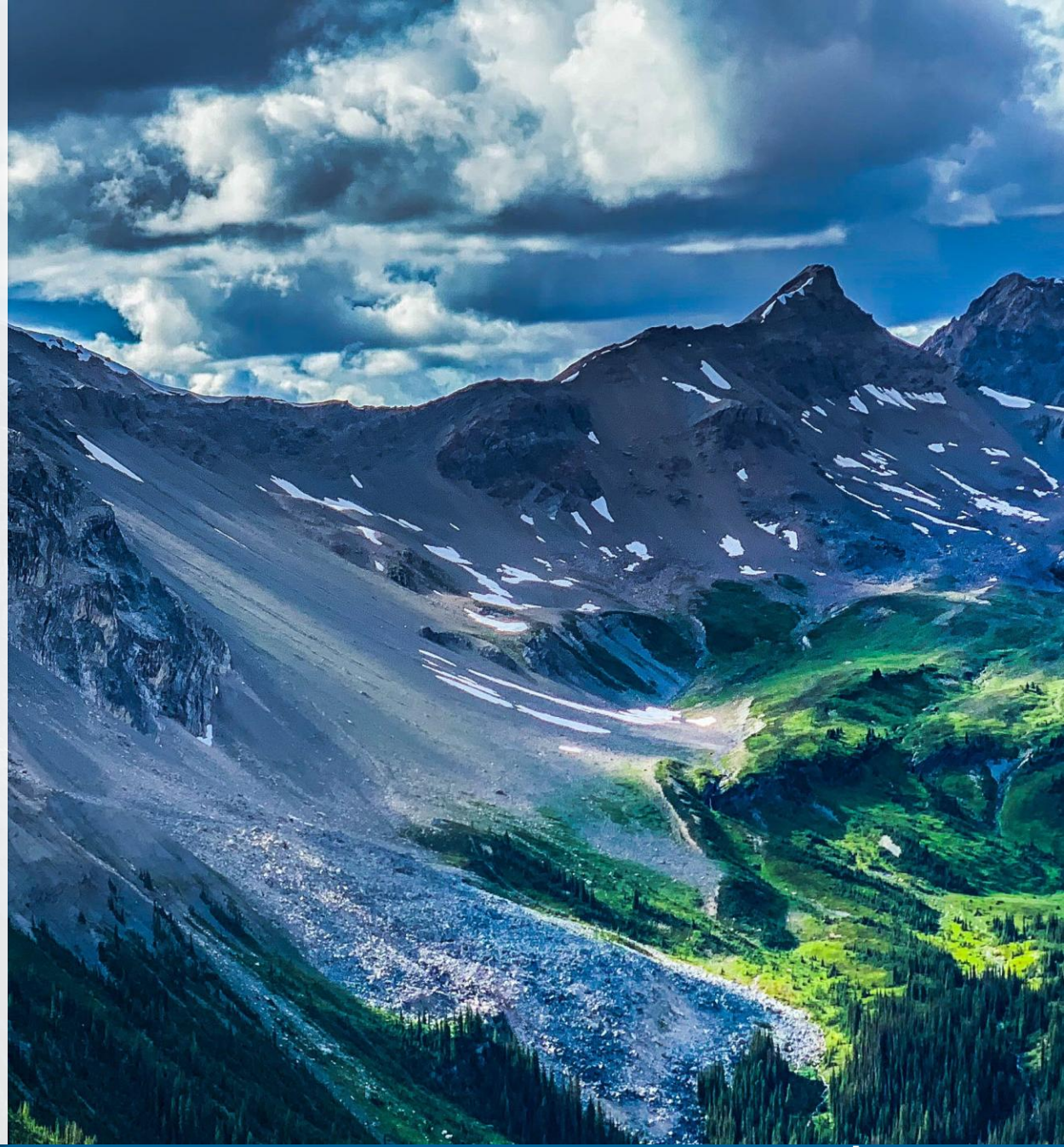
Get good with the tools!

- Accounting system (QBO) and Excel
- Download in Excel, not PDF
- Can input notes and comments
 - For partners (bookkeeper, etc)
 - For yourself for future reference
- Run your business in QBO; analyze it in Excel!





Questions?



Intro to the Balance Sheet



TDM	729.89	915.51	185.62	▲25.43%	FLR	660.27	745.28	85.01	▲12.88%
HUM	749.73	924.29	174.56	▲23.28%	UVD	155.59	181.57	25.98	▲16.70%
DMW	833.72	1004.01	170.29	▲20.43%	QUV	440.55	540.21	99.66	▲22.62%
YZJ	903.49	1127.46	223.97	▲24.79%	HZT	285.51	344.98	59.47	▲20.83%
GLY	982.07	1219.39	237.32	▲24.17%	PCW	811.44	1029.66	218.22	▲26.89%
VDA	113.74	143.41	29.67	▲26.09%	AIK	361.77	451.39	89.62	▲24.77%
UVV	468.08	535.41	67.33	▲14.38%	ZJJ	858.36	994.57	136.21	▲15.87%
HJS	545.49	659.05	113.56	▲20.82%	RHJ	894.79	1046.68	151.89	▲16.97%
EQE	585.36	684.69	99.33	▲17.24%	VIV	425.60	509.85	84.25	▲19.97%

The Balance Sheet

Assets = Liabilities + Equity

- **Assets:** What the company owns
- **Liabilities:** What the company owes to a creditor or debtor
- **Owners' Equity:** The difference between the assets and liabilities of a company (also known as net worth)
- **Current:** Can be converted to cash (assets) or will require cash to pay it (liabilities) within the next 12 months
- **Fixed/Long Term:** Has value beyond the next 12 months



Balance Sheet: Current Ratio

Current ratio (CR) =

Current Assets

Current Liabilities

- For every \$1 owed, shows how many \$\$ you have available to pay for that \$1 owed
- Ideal is between 2 & 5
- <1 = Insolvent
- >5 = Opportunity to invest or take profits



Balance Sheet: Debt to Equity

Who "owns" your company

- Debt to equity ratio (D to E) =
$$\frac{\text{Short Term Liabilities} + \text{Long Term Liabilities}}{\text{Total Shareholder Equity} + \text{Shareholder Loans}}$$
- Shows how much you own vs your creditors
- Shows banks if you can handle debt if you're looking for financing
- <1, Low Risk; Between 1-5 is normal
- >5 means high lending risk





Retained Earnings & Equity

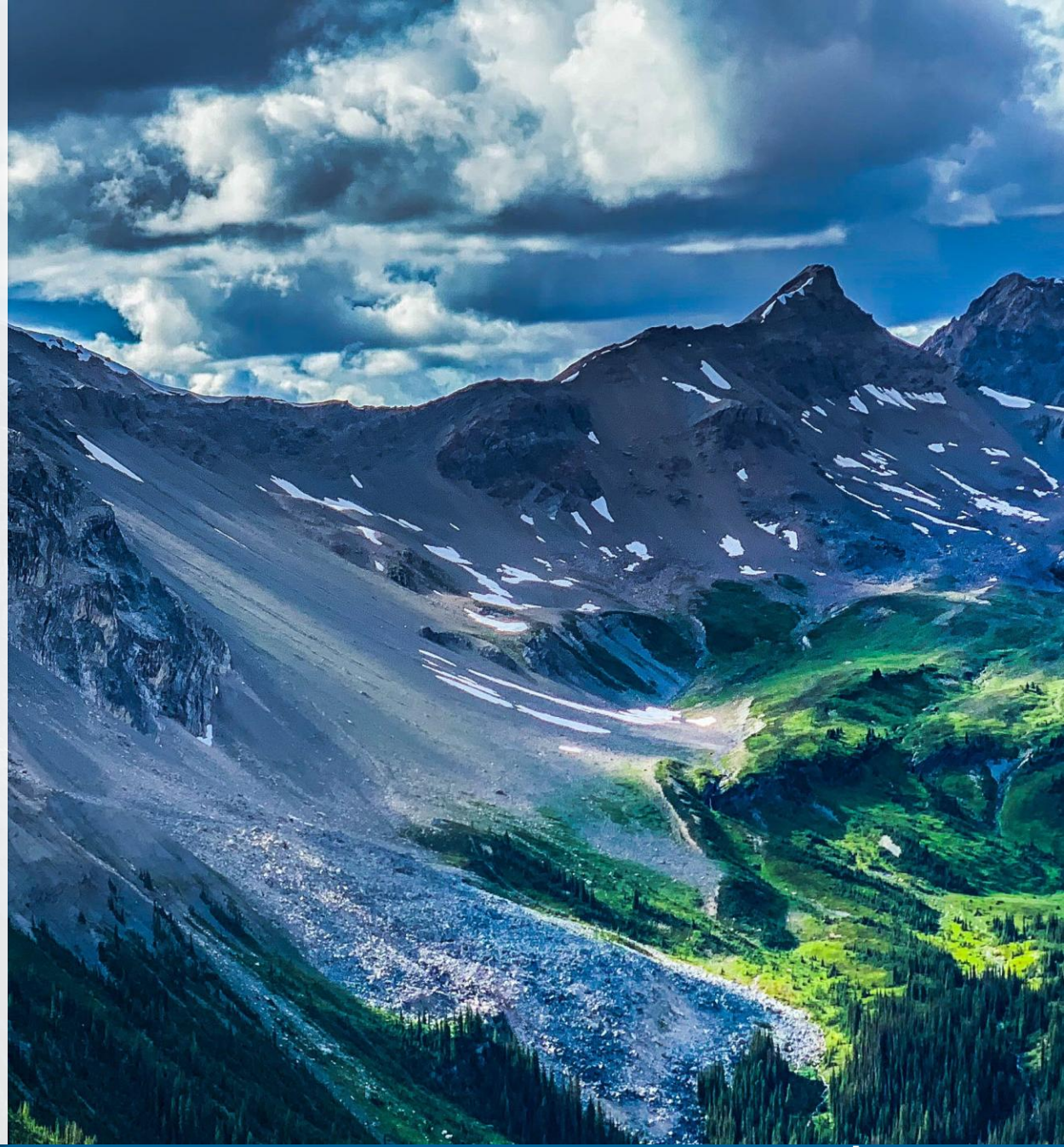
- Profit from Previous Year(s)
- How to improve your D to E ratio
 - Decrease Debt
 - Increase Equity (be very profitable)

Balance Sheet Example





Questions?



Intro to the Profit and Loss Statement



Intro to Profit & Loss

Health of day-to-day operations

- Revenues (Revenue Centres)
- Direct Expenses or COGS
- Gross Profit and Gross Margin
 - What it is and where it lives
 - This is where you can make the biggest impact
 - Biggest focus in this course
- Indirect Expenses
- Net Profit and Profit Margin

Annual P&L is not enough

- Annual results and taxable income
- Insufficient to optimize a business
- Exactly what you pay for
- Discuss with Accountant & Bookkeeper
- New processes for monthly reporting
- Might cost a bit more for more

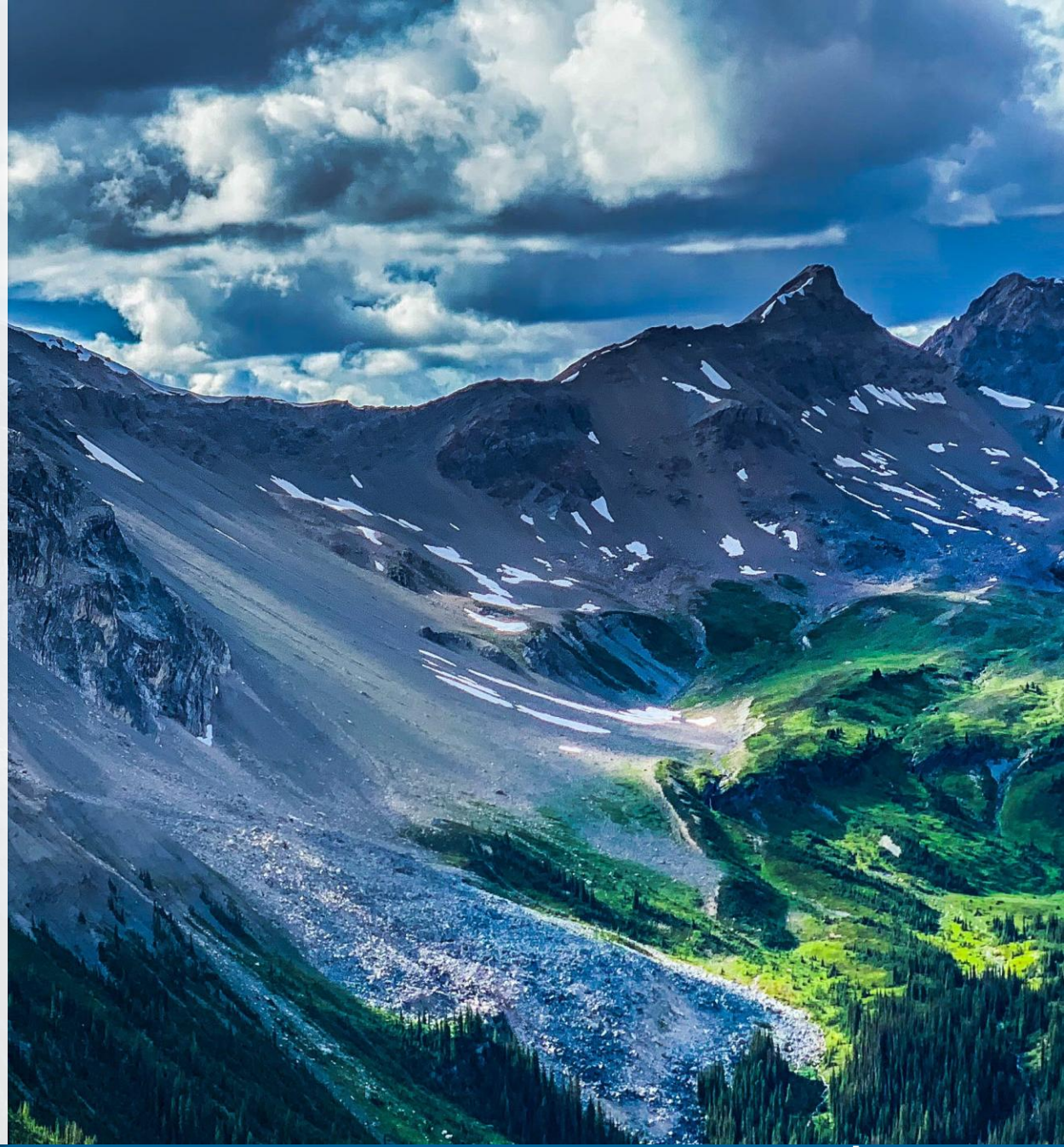


Annual Profit and Loss Example





Questions?



Intro to the Trailing 12 Month Profit and Loss Statement (TTM)



A Trailing Twelve-Month P&L

This is fundamental to financial analysis:

- Shows trends over time
- Smoother Performance View
- Better Comparisons
- More accurate Financial Health Assessment

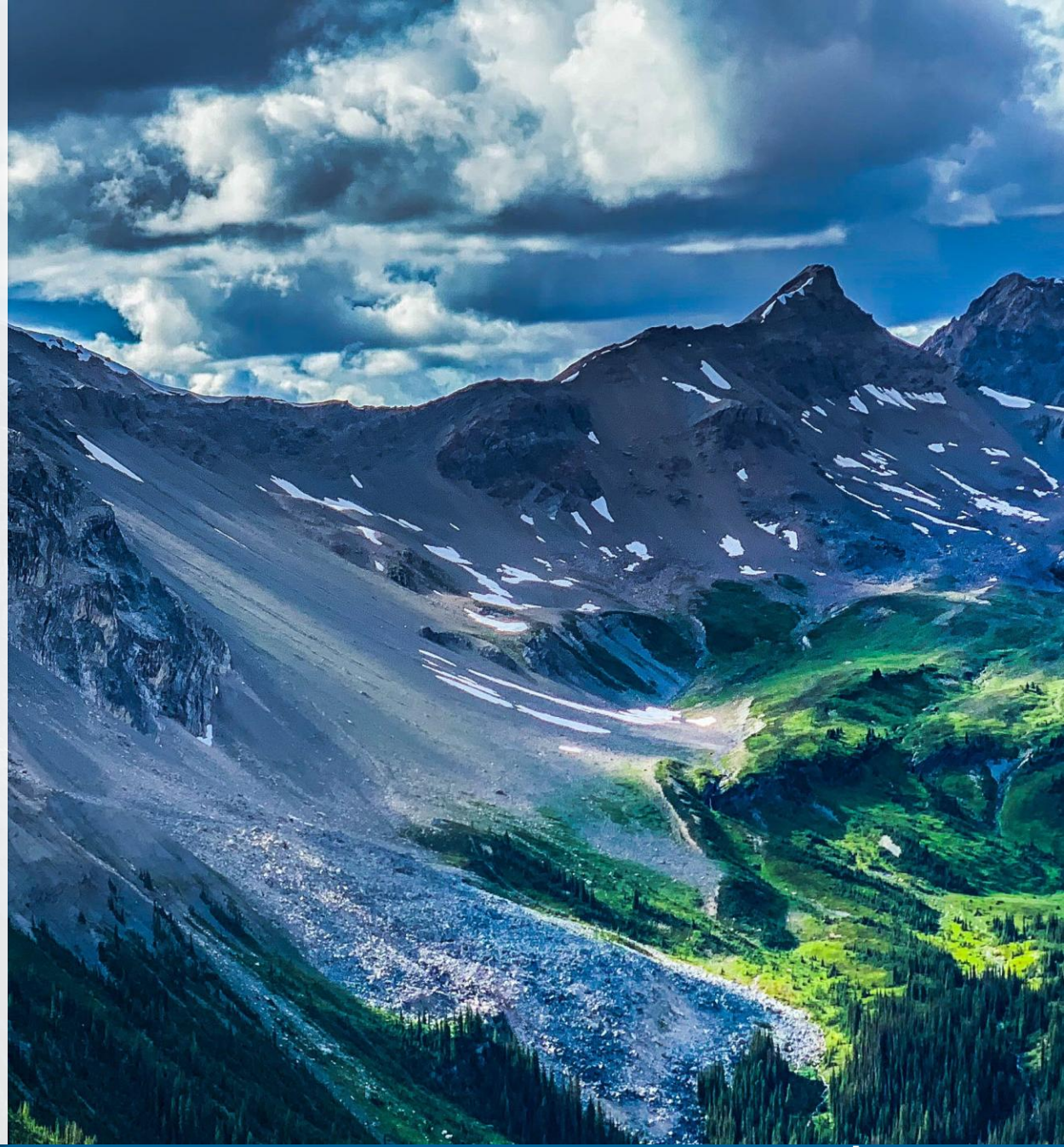


Trailing 12 Month (TTM) Example





Questions?



Monthly Financial Analysis and Review



Why Monthly Financial Reviews?

- Monthly vs Annual
 - Accurate and timely data
 - Internal processes (SOPs)
- Review process to improve your business
 - Balance Sheet for company health
 - TTM for trends and seasonality
 - Revenue Centres and GM Analysis
 - YTD P&L
 - Aged Accounts Receivable and Payable
 - Cashflow statement



Questions?



Homework for Working Group:

- Produce a Balance Sheet, an Annual P&L, and a TTM, **ALL in Excel**
- Calculate the Following:
 - Current Ratio (Current Assets/Current Liabilities)
 - Debt to Equity (Total Liabilities/Total Equity + Shareholder Loans)
 - Gross Profit (Revenues – COGS)
 - Gross Margin (Total Gross Profit/Total Revenue)
 - Net Profit Margin (Total Net Profit/Total Revenue)



Thank You



Q & A



Notes

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