

The Right Foot Workshop Series

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We exist to train, educate, and support entrepreneurs of both new (pre-venture) and established small businesses. Positioned within the nationwide network of SBDCs, we offer resources, key connections at the state and national level, workshops, and online and in-person support that equips us to help Ocean State entrepreneurs reach the next level of growth.



75% of Small Business encounter financial troubles with the first year

Due to either under estimating expenses or over estimating sales revenue.

What To Expect In This Workshop

- Understanding Cash-flow
- Accounting Software
- Balance Sheet and P&L
- Useful Financial info



Understanding Cash - Flow

Why is it important to understand
and manage

- Cash-flow is understanding and monitoring the daily or weekly inflow of revenue and the outflow of cash for expenses such as wages, rent and payment to vendors
- With certain types of businesses, the payment is made when the product or service is delivered. For example restaurants.
- Other types of business such as manufacturers payment is generally made in 30-60 days.
- While some types of expenses can be delayed, wages, salaries and taxes must be paid when due.

Cash- Flow continued

- Other points to considered related to cash-flow
 - Be sure to include or anticipate large quarterly or annual expenses such as taxes
 - If you plan to make large purchases such as equipment, they need to be included
 - Leasing of equipment is one way to help conserve cash.
 - If you need to buy inventory for a busy season, it will impact the cash -flow
- Cont.
 - Use electronic bill payment
 - Encourage customers to pay you thru on-line transfers
 - Even successful profitable companies can run out of cash as expenses grow
 - Know what sells and stock accordingly

Cash- Flow continued

1. Understand when your customers are paying you and when you start to incur expenses for the order. For example if you must order material etc., you might owe money for weeks or months before you get paid
2. Ways to improve cash-flow
 - a. Ask suppliers about terms or if they can provide extended terms
 - b. With customers be sure to understand their payment process. For example when do they pay bills, does the order need to be complete for payment, if you offered a discount if paid within 10 days would they take advantage of it,
 - c. Does the customer pay by check or use a form of electronic payment?
 - d. Are the invoices being sent to the correct address?
3. Consider getting a Line of Credit (LOC) to help with cash-flow
4. Beware that some customers order weekly but only pay in 45 days so you may have 5-6 unpaid invoices for this customer
5. Monitor your Accounts Receivable and contact customers if they are behind.

Why you want accounting software

- What are the options
- 1. Quickbooks
- 2. Freshbooks
- 3. Sage Business Accounting
- 4. Accounting by Wave

1. Benefits:

- Time savings
- Easily generate reports
- Reduce Costs at Tax time
- Cloud-based
- Uniformity in tracking revenues and expenses

2. Cons:

Cost
Training
Security

Types of reports you can produce with Software

- Accounts Payable
- Accounts Receivable
- A/R aging report
- Sales by Customer
- P&L Comparison by year or month
- P&L by Job
- Other types of report
 - Open Invoices
 - Sales by Item
 - A/R aging Report
 - A/P aging Report
 - Payroll reports
 - Inventory

Why are these reports important?

- The various reports that are available through any accounting software program will help a business owner make decisions about the business.
- To be useful information contained in the reports must be accurate and timely.
- Different types of businesses may use different reports.
- For example, a retailer would use different reports than a contractor
- What information is important to a business owner?

Why you should consider a PT Bookkeeper

What's your time worth?

1. As a business grows, you should strongly consider retaining PT bookkeeper.
2. Allows for better use of an owner's time to manage and grow the business
3. An experienced bookkeeper can help reduce costs and save time
4. Will produce more timely and accurate financial reports



Balance Sheet & Profit and Loss Statement

Why they are important and what you
can learn from each

- Balance sheet lists the assets and liabilities of a company and can help determine the value of a business.
 - A balance sheet is a financial picture of a company at a specific time, i.e. end of quarter or end of year
- Profit and Loss statement will indicate if a business is making money or losing money
 - Details revenue coming in and expenses going out
 - Looks at the business over a certain time frame, Monthly, quarterly, or annually,
 - P&L can show you which items are most profitable
 - Look for trends or changes compared to the prior year or quarterly.

Working On Your Business

Measuring Performance with Financial data.

Types of data that you should be tracking on a regular basis

Sales

Cash on hand

Payroll expenses (Including OT)

Large recurring expenses such as rent

Other data to consider tracking

Units sold (Daily or Weekly)

Returns

Cost of goods sold

Bad Debt as a % of sales

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Next Steps:

Even before you start your business, keep track of your expenses related to starting the business

Don't co-mingle funds between the Business and your personal accounts

Compare banks for the business accounts. Which one has the services you need vs. what are the charges and fees?

Decide on which accounting software you want to use!

If you plan on taking credit/debt cards, investigate how this would work with your bank and what's the commission that is charged.

Work to improve your personal credit score as it will impact the availability and interest rate of bank financing for your business

Thank You

For further help or questions on this webinar please contact us:

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