

# Financial Speaking

MY MAIN STREET

MA RUE PRINCIPALE



Economic  
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# Financial statements tell you how your business is doing.

They're a report card that measures what you are doing right and where you need some improvement.

**Income statement**

**Balance sheet**



# Income Statement

**01**

It measures the performance of the business.

**02**

Your accounting system can produce a report for a month, quarter or year.

**03**

It's a record of all income and expenditure incurred.

**04**

It tells you how much of a profit or loss your business has made.





**Sales is Vanity  
Profit is Sanity**

# Income Statement

Example

[Link](#)

# Monitor



## Know

Know your Gross Margin for your overall business and by department, check it monthly.

## Monitor

Monitor your expense ratios =  $(\text{Expense} \div \text{Sales}) * 100$

## Set

Set a Net Profit % goal.

## Compare

Compare your ratios with other businesses.

## Compare

Compare your ratios with last month, last year

# For Retailers Only

Monitor your

**01**

Sales by category.

**03**

Average sale per customer.

**05**

Train your employees to upsell more profitable products.

**02**

Sales and profit per square foot.

**04**

Use more prominent in-store spaces for your more profitable products.



# To increase your profit



- ✓ Charge more;
- ✓ Focus on fast moving profitable items;
- ✓ Don't discount;
- ✓ Reduce waste and shrinkage;
- ✓ Train productive employees;
- ✓ Pay bonuses based on profit;
- ✓ Sell added value by bundling;
- ✓ Focus your marketing on profitable customers.



# To increase sales



**01**

Keep your bestsellers in stock.

**02**

Increase your average sale – upsell.

**03**

Increase the number of items people buy.

**04**

Increase the number of customers.

# The Balance Sheet

- ✓ Assets and Liabilities of a business at a specific point of time.
- ✓ Everything the business owns and owes on a specific date.
- ✓ It shows the net worth of the business.

## Accounting equation

Assets = Liabilities + Net Worth



# Balance Sheet

Example

[Link](#)

# Areas of Concern

**01**

Current ratio = Current Assets ÷ Current liabilities

**02**

Inventory turns = Sales ÷ Inventory

**03**

Debt ratio = Total assets ÷ Total Liabilities



# Cash flow forecast

# Cash Flow is the life blood of your business

Template

- Main cause of small business failure
- It's your responsibility
- You can have a profitable business with a cash flow problem

# Summary



- ✓ Understand the important financial statements.
- ✓ Analyze your income statement, get advice from your accountant.
- ✓ Understand and manage your balance sheet.
- ✓ Know your break-even sales.
- ✓ Keep learning.