

FINANCIAL PLANNING BUDGETING & CASH FLOW

AGRITOURISM WORKSHOP – JANUARY 12, 2016



Rick Leonhardt
Feather River College
rleonhardt@frc.edu

WHAT ARE THE BENEFITS OF FINANCIAL PLANNING AND GOAL SETTING?

- ▶ Match business concept with personal income goals
- ▶ Gain a better understanding of potential financial risks and rewards
- ▶ Identify start-up costs and needed funds to acquire them
- ▶ Have a plan to help guide business decisions and monitor results

Financial Basic Training

- ▶ Financial Projections
 - ▶ Financial statements or reports of expected future results
 - ▶ Used to help owners and managers to budget or plan

TERMINOLOGY

▶ Benchmarking

- ▶ Comparing financial information to relevant information of a similar company or historical information of the same company
- ▶ If you don't know what the standard is you cannot compare yourself against it

TERMINOLOGY

▶ Ratio Analysis

- ▶ Process of analyzing financial information in a comparable format
- ▶ By using ratios, companies of a dissimilar size can be compared

TERMINOLOGY

- ▶ Balance Sheet
- ▶ Income Statement
- ▶ Cash Flow Report

FINANCIAL STATEMENTS



BALANCE SHEET

BALANCE SHEET

Backyard Solutions	
Year-End Balance Sheet (Projected)	
2005	
Assets	
Current Assets	
Cash & Equivalents	\$ 110,320
Net Accounts Receivable	15,291
Inventory	5,352
Total Current Assets	\$ 130,963
Fixed Assets	
Property, Plant & Equipment	72,000
Less: Accumulated Depreciation	(14,095)
Other Non-Current Assets	-
Total Non-Current Assets	\$ 57,905
Total Assets	\$ 188,868
Liabilities	
Current Liabilities	
Accounts Payable	\$ -
Other Current Liabilities	3,428
Total Current Liabilities	\$ 3,428
Long-term Liabilities	
Loans	37,734
Other Non-Current Liabilities	-
Total Non-Current Liabilities	\$ 37,734
Total Liabilities	\$ 46,162
Equity	
Equity Investments	35,000
Retained Earnings	57,706
Less: Owner's & Investor's Draws	-
Total Equity	\$ 142,706
Total Liabilities and Equity	\$ 188,868

ASSETS
Things of value in
your business

LIABILITIES
Creditors' rights to the value
in your business

EQUITY
Owners' rights to the value
in your business

INCOME STATEMENT

Backyard Solutions		
Year-End Income Statement (Projected)		
2005		
Net Sales (less returns & allowances)	\$ 775,175	100.0%
Cost of Goods Sold	542,623	70.0%
Gross Income	\$ 232,552	30.0%
Operating Expenses		
Advertising	-	0.0%
Bad Debt Expense	-	0.0%
Bank Charges	-	0.0%
Depreciation & Amortization	14,095	1.8%
Dues & Subscriptions	220	0.0%
Insurance	2,700	0.3%
Licenses & Fees	215	0.0%
Marketing & Promotion	11,300	1.5%
Meals & Entertainment	1,000	0.1%
Miscellaneous	1,200	0.2%
Office Expense	1,800	0.2%
Office Supplies	-	0.0%
Outside Services	1,640	0.2%
Payroll Expenses		
Salaries & Wages	44,000	5.7%
Payroll Taxes	3,600	0.5%
Benefits	12,000	1.5%
Professional Fees	4,000	0.5%
Property Taxes	-	0.0%
Rent	50,400	6.5%
Repairs & Maintenance	720	0.1%
Shipping & Delivery	-	0.0%
Telephone	3,840	0.5%
Training & Development	-	0.0%
Travel	5,000	0.6%
Utilities	7,400	1.0%
Vehicle (includes mileage)	1,440	0.2%
Leased Equipment	4,800	0.6%
Total Operating Expenses	\$ 171,370	22.1%
Operating Income	\$ 61,182	7.9%
Interest Expense	3,477	0.4%
Other Income (interest, royalties, etc.)	-	0.0%
Income Before Taxes	\$ 57,705	7.4%
Income Taxes (if C Corp)	-	0.0%
Net Income	\$ 57,705	7.4%

- Reports profitability
- Financial grade card

Shipping & Delivery	-	0.0%
Telephone	3,840	0.5%
Training & Development	-	0.0%
Travel	5,000	0.6%
Utilities	7,400	1.0%
Vehicle (includes mileage)	1,440	0.2%
Leased Equipment	4,800	0.6%
Total Operating Expenses	\$ 171,370	22.1%
Operating Income	\$ 61,182	7.9%
Interest Expense	3,477	0.4%
Other Income (interest, royalties, etc.)	-	0.0%
Income Before Taxes	\$ 57,705	7.4%
Income Taxes (if C Corp)	-	0.0%
Net Income	\$ 57,705	7.4%

OPERATING INCOME

Profit generated from business operations

NET INCOME

The overall profitability of the business – the bottom line

INCOME STATEMENT

CASH FLOW REPORT

Backyard Solutions Cash Flow Report (Projected)			
2005	JAN	FEB	MAR
Cash In			
Cash Sales		-	-
Collections from Accounts Receivables	\$ 15,504	\$ 13,798	\$ 14,598
Equity Received	-	-	-
Loans Received	20,000	-	-
Other Cash In (interest, royalties etc.)	-	-	-
Total Cash In	\$ 35,504	\$ 13,798	\$ 14,598
Total Cash Available	\$ 35,504	\$ 27,000	\$ 19,760
Cash Out			
Inventory Expenditures			
Inventory/Raw Material (Cash)	8,363	8,363	15,945
Inventory/Raw Material (Paid on Accour	-	-	-
Production Expenses	2,256	2,256	2,880
Operating Expenses			
Advertising	-	-	-
Bank Charges	-	-	-
Dues & Subscriptions	-	-	-
Insurance	225	225	225
Licenses & Fees	215	-	-
Marketing & Promotion	3,500	200	200
Meals & Entertainment	1,000	-	-
Miscellaneous	100	100	100
Office Expense	150	150	150
Office Supplies	-	-	-
Outside Services	70	70	170
Payroll Expenses			
Salaries & Wages	2,000	2,000	2,000
Payroll Taxes	300	300	300
Benefits	1,000	1,000	1,000
Professional Fees	1,200	200	200
Property Taxes	-	-	-
Rent	4,200	4,200	4,200
Repairs & Maintenance	-	-	-
Shipping & Delivery	-	-	-
Telephone	300	350	320
Training & Development	-	-	-
Travel	5,000	-	-
Utilities	500	500	500
Vehicle	120	120	120
Leased Equipment	400	400	400
Paid on Account	-	-	-
Non-operating Costs			
Capital Purchases	-	-	-
Estimated Income Tax Payments	-	-	-
Interest Payments	309	306	302
Loan Principal Payments	594	598	601
Owner's Draw	500	500	1,000
Other Cash Out	-	-	-
Total Cash Out	32,302	21,838	30,613
Monthly Cash Flow (cash in - cash out)	3,202	(8,040)	(16,015)
Beginning Cash Balance	10,000	13,202	5,162
Ending Cash Balance	\$ 13,202	\$ 5,162	\$ (10,853)

- Reports the inflows and outflows of cash
- Assists with day-to-day cash budgeting
- Identifies cash shortages

Backyard Solutions
Cash Flow Report (Projected)

2005	JAN	FEB	MAR
Cash In			
Cash Sales		-	-
Collections from Accounts Receivables	\$ 15,504	\$ 13,798	\$ 14,598
Equity Received		-	-
Loans Received	20,000	-	-
Other Cash In (interest, royalties etc.)		-	-
Total Cash In	\$ 35,504	\$ 13,798	\$ 14,598
Total Cash Available	\$ 35,504	\$ 27,000	\$ 19,760

CASH IN

Receipts from customers
Equity contributions
Borrowings

CASH FLOW REPORT

CASH FLOW REPORT

Cash Out			
Inventory Expenditures			
Inventory/Raw Material (Cash)	8,363	8,363	15,945
Inventory/Raw Material (Paid on Accour)	-	-	-
Production Expenses	2,256	2,256	2,880
Operating Expenses			
Advertising	-	-	-
Bank Charges	-	-	-
Dues & Subscriptions	-	-	-
Insurance	225	225	225
Licenses & Fees	215	-	-
Marketing & Promotion	3,500	200	200
Meals & Entertainment	1,000	-	-
Miscellaneous	100	100	100
Office Expense	150	150	150
Office Supplies	-	-	-
Outside Services	70	70	170
Payroll Expenses			
Salaries & Wages	2,000	2,000	2,000
Payroll Taxes	300	300	300
Benefits	1,000	1,000	1,000
Professional Fees	1,200	200	200
Property Taxes	-	-	-
Rent	4,200	4,200	4,200
Repairs & Maintenance	-	-	-
Shipping & Delivery	-	-	-
Telephone	300	350	320
Training & Development	-	-	-
Travel	5,000	-	-
Utilities	500	500	500
Vehicle	120	120	120
Leased Equipment	400	400	400
Paid on Account	-	-	-
Non-operating Costs			
Capital Purchases	-	-	-
Estimated Income Tax Payments	-	-	-
Interest Payments	309	306	302
Loan Principal Payments	594	598	601
Owner's Draw	500	500	1,000
Other Cash Out	-	-	-
Total Cash Out	32,302	21,838	30,613
Monthly Cash Flow (cash in - cash out)	3,202	(8,040)	(16,015)
Beginning Cash Balance	10,000	13,202	5,162
Ending Cash Balance	\$ 13,202	\$ 5,162	\$ (10,853)

CASH OUT

Purchase of inventory

Operating expenses

Other non-operating costs

Purchases of fixed assets

Payments of estimated income taxes

Loan payments (interest & principal)

Owner draws

ENDING CASH BALANCE

- ▶ QuickBooks – Prepare financial statements and reconcile bank accounts
- ▶ LivePlan (www.liveplan.com) – Business planning software
- ▶ Microsoft Excel – Make your own financial statements

FINANCIAL PLANNING SOFTWARE

Thank You!

rleonhardt@frc.edu