

B U S I N E S S FREEDOM 365

Month Eleven, Week One:
Accounting

Topic
Money

Eric Edmeades

Serial Entrepreneur, International Business Speaker, Author,
Husband and Father.

Unless you are a numbers person and you love accounting, you should probably not be doing your own books. Our focus for Month 11 is Accounting, and this week, we're going to be taking a look at money.

HANDLING YOUR BOOKS

- You want a professional handling your books.
 - » Acknowledgment lets people know you value them.
 - » Mistakes in your accounting can be REALLY dangerous
 - » You lose track of what your money is doing
- Positive feedback is just as, if not *more*, important than negative feedback.
- Talk to people about what you like about their behaviour and they will do more of that.
 - » If they do more of that, they have less time to do the other stuff.
- Positive feedback in *public*, constructive feedback in *private*.

One of the most important reports you're going to receive is for accounting. You want to know:

- How much money you have
- How much people owe you
- How much you owe people
- How many assets you have
- That your accounts are being handled properly

There are some core documents that you should have prepared on a monthly basis.

A.) P&L: THE PROFIT AND LOSS STATEMENT

- All of the income for the month, all of the expenses for the month, and how profitable the month was.
- THAT BEING SAID...you can have a very profitable month and not have a lot of cash (*profit is NOT cash*).
- Make sure that your P&L statement is produced according to a procedure on a particular day (*e.g., the 7th day of the month*).

MONTHLY PROFIT & LOSS (P&L) STATEMENT													
Company Name: _____	Date: _____												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	Full Year
Revenue stream 1													
Revenue stream 2													
Returns, Refunds, Discounts													
Total Net Rev.													
Cost of Goods Sold													
Gross Profit													
Expenses													
Advertising & Promotion													
Depreciation & Amortization													
Insurance													
Maintenance													
Office Supplies													
Rent													
Salaries, Benefits & Wages													
Travel													
Utilities													
Other Expense 1													
Other Expense 2													
Total Expenses													
Earnings Before Interest & Taxes													
Interest Expense													
Earnings Before Taxes													
Income Taxes													
Net Earnings													

B.) BALANCE SHEET

- All of your assets and all of your liabilities, and overall what your company is worth.
- It's not as diagnostic as your P&L, but still important.
- As your company grows you might make expenditures that don't come out of your costs, so you don't reduce your profits. So your profits go up, but your cash goes into assets.
- You should have this prepared at the same time as your P&L, stapled together, and that's your monthly report.

BALANCE SHEET		Date: _____	
Company Name: _____			
Assets	YEAR:	Liabilities & Owner's Equity	YEAR:
Current Assets	\$	Current Liabilities	\$
Cash		Accounts payable	
Accounts receivable		Short-term loans	
Inventory		Income taxes payable	
Prepaid expenses		Accrued salaries and wages	
Short-term investments		Unearned revenue	
TOTAL CURRENT ASSETS		Current portion of long-term debt	
		TOTAL CURRENT LIABILITIES	
Fixed (Long-Term) Assets	\$	Long-Term Liabilities	
Long-term investments		Long-term debt	
Property, plant, and equipment		Deferred Income Tax	
(Less accumulated depreciation)		Other	
Intangible assets		TOTAL LONG TERM LIABILITIES	
TOTAL FIXED ASSETS		Owner's Equity	
		Owner's investment	
Other Assets	\$	Retained earnings	
Deferred income tax		Other	
Other		TOTAL OWNER'S EQUITY	
TOTAL OTHER ASSETS			
		Total Liabilities & Owner's Equity	\$
Total Assets	\$		

C.) CASH FLOW

- **Budget and Actual:** you want to know what you are planning to spend and what you're really bringing in.
- At minimum you want a monthly forecast vs. actual cash flow forecast, giving you an indication of the trends of the business.
- You should probably even be looking at the cash flow of the business on a weekly basis.
- Cash flow means you look at how much money you have, how much money people owe you, and the time frame in which they owe it to you. Then you take a look at how much money you owe, when you owe it, and your sales forecast. This can help you identify icebergs in your business and help you understand when you should look for investments.

BUDGET STATEMENT

Company Name: _____ Date: _____

	BUDGET	ACTUAL	UNDER/OVER
Current Budget			
INCOME			
Services Rendered			
Sales			
Category 2			
Category 3			
Category 4			
Category 5			
Category 6			
Category 7			
TOTAL INCOME	\$	\$	\$
EXPENSES			
OPERATING EXPENSE			
Accounting & Legal			
Advertising			
Depreciation			
Dues & Subscriptions			
Insurance			
Interest Expense			
Maintenance/Improvements			
Taxes & Licenses			
Telephone			
Travel			
Utilities			
Web Hosting & Domains			
PAYROLL			
Payroll Expenses			
Salaries & Wages			
Contractor Wages			
OFFICE			
Office Supplies			
TOTAL EXPENSES	\$	\$	\$
NET PROFIT/LOSS	\$	\$	\$

- **REMEMBER:** People don't invest money when you NEED money, they WILL invest it with you if you WANT money but don't need it right away.

BUDGET VS. ACTUAL STATEMENT

Company Name: _____

Date: _____

Starting Cash Balance:	\$														
	JAN			FEB			MAR			APR			MAY		
	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Total Income															
Total Expenses															
NET (Income - Expenses)															
Projected End Balance															
Actual End Balance															
INCOME	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Wages & Tips															
Interest Income															
Dividends															
Gifts Received															
Rental Income															
Other Income															
TOTAL INCOME															
BUSINESS EXPENSE	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Deductible Expenses															
Non-Deductible Expenses															
Other Business															
TOTAL BUSINESS EXPENSE															
% of Income															
MISCELLANEOUS	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Bank Fees															
Postage															
Other Miscellaneous															
TOTAL MISCELLANEOUS															
% of Income															

BUDGET VS. ACTUAL STATEMENT

Company Name: _____

Date: _____

Starting Cash Balance:	\$														
	JUN			JUL			AUG			SEPT			OCT		
	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Total Income															
Total Expenses															
NET (Income - Expenses)															
Projected End Balance															
Actual End Balance															
INCOME	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Wages & Tips															
Interest Income															
Dividends															
Gifts Received															
Rental Income															
Other Income															
TOTAL INCOME															
BUSINESS EXPENSE	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Deductible Expenses															
Non-Deductible Expenses															
Other Business															
TOTAL BUSINESS EXPENSE															
% of Income															
MISCELLANEOUS	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff	Budget	Actual	Diff
Bank Fees															
Postage															
Other Miscellaneous															
TOTAL MISCELLANEOUS															
% of Income															

Homework

Create these templates for your business based on the templates we've provided:

- P&L (Profit & Loss)
- Balance Sheet Statement
- Budget Statement
- Budget vs. Actuals Report

If you use Quickbooks or another accounting program, these templates are a button click away if you input everything properly. Populate the templates and look at the reports.

BONUS HOMEWORK

If you are already doing all this stuff, you have only one piece of homework...

Do exactly what you did with your lawyer, and go have lunch with an accountant. Ask them a whole bunch of questions about how they think you can *improve* your business.

