

Paul Hoyt's "Office Hours" Series



THE **Awakened** CEO System

Office Hours

mindset

methods

momentum





Welcome to Office Hours

- A relaxed, informal mentoring program
- Held every Monday at Noon Pacific Time
- All recordings, slides, and exercises are archived in our member's area
- All recordings are available on my YouTube channel:

www.YouTube.com/user/PaulHoyt

mindset

methods

momentum





The Reasons

- Being a successful small business owner can be a great experience!
- It's tough - you need Education, Training, Tools, and Team to be successful
- We want you to get to know us

mindset

methods

momentum





The Reasons

- First and most importantly, we want you to know that we care about you.
- We want you to succeed in every area of your life, whatever that means to you.
- We want you to find the **greatness**, the **happiness**, the **divinity** within yourself, and then remember it, embrace it, and live it every day.

mindset

methods

momentum





Our Passion

To increase the survival rate...

Accelerate the growth rate...

And reduce the struggle rate
of businesses in America

mindset

methods

momentum





Our Vision...

To help millions of CEOs and Entrepreneurs
Get Clear and Stay Focused!

so they can **Grow Faster** and enjoy greater
harmony and balance in their lives

Please Pass the Word!

mindset

methods

momentum





Office Hours Agenda

- In depth discussion of a business success principle
- Closing remarks, special offers, and invitation for next weeks session
- Open Q&A and coaching
- Best question or comment wins!

mindset

methods

momentum





Join Us!

- The Awakened CEO Communities on both LinkedIn and Facebook
- Business Success Principle of the Day postings on both Facebook and LinkedIn
- Energy of the Day posting on Facebook

mindset

methods

momentum





Today's Topic:

The Numbers Don't Lie!

Reading Your Financial
Statements

mindset

methods

momentum





The Key Performance Areas



mindset

methods

momentum





The Key Performance Areas



mindset

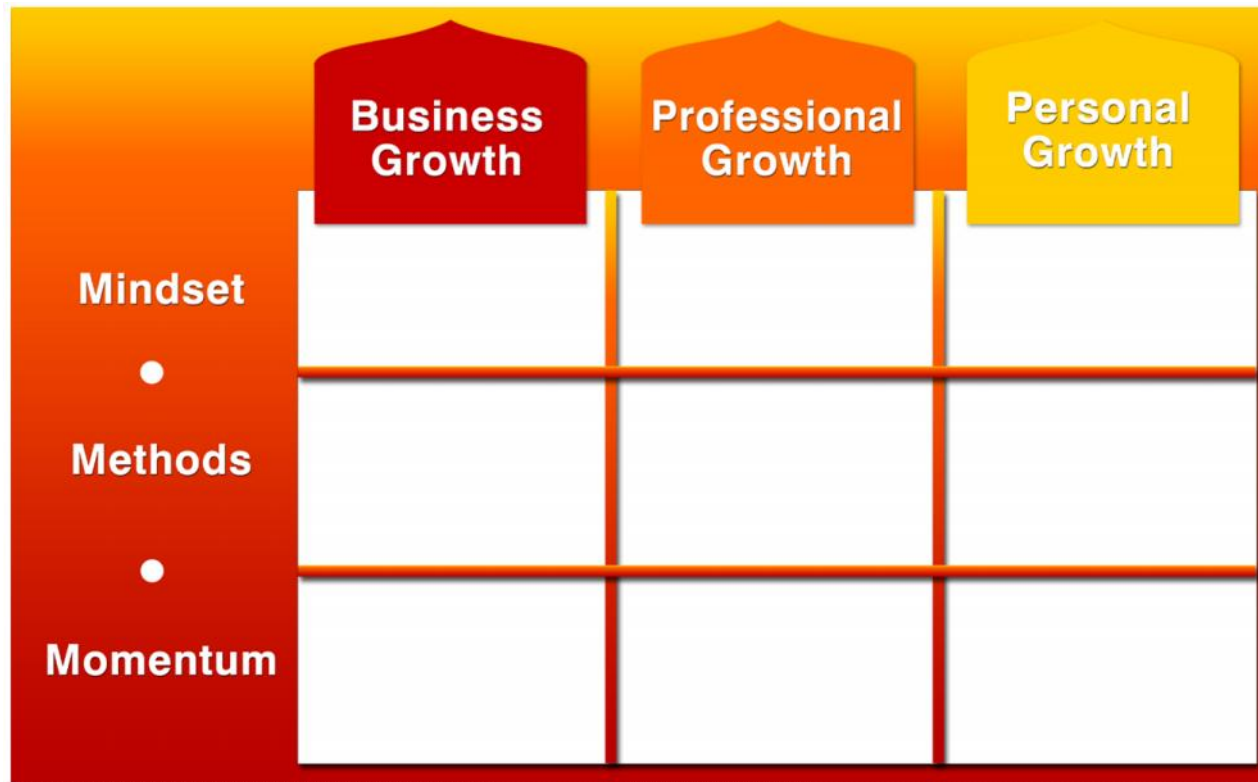
methods

momentum





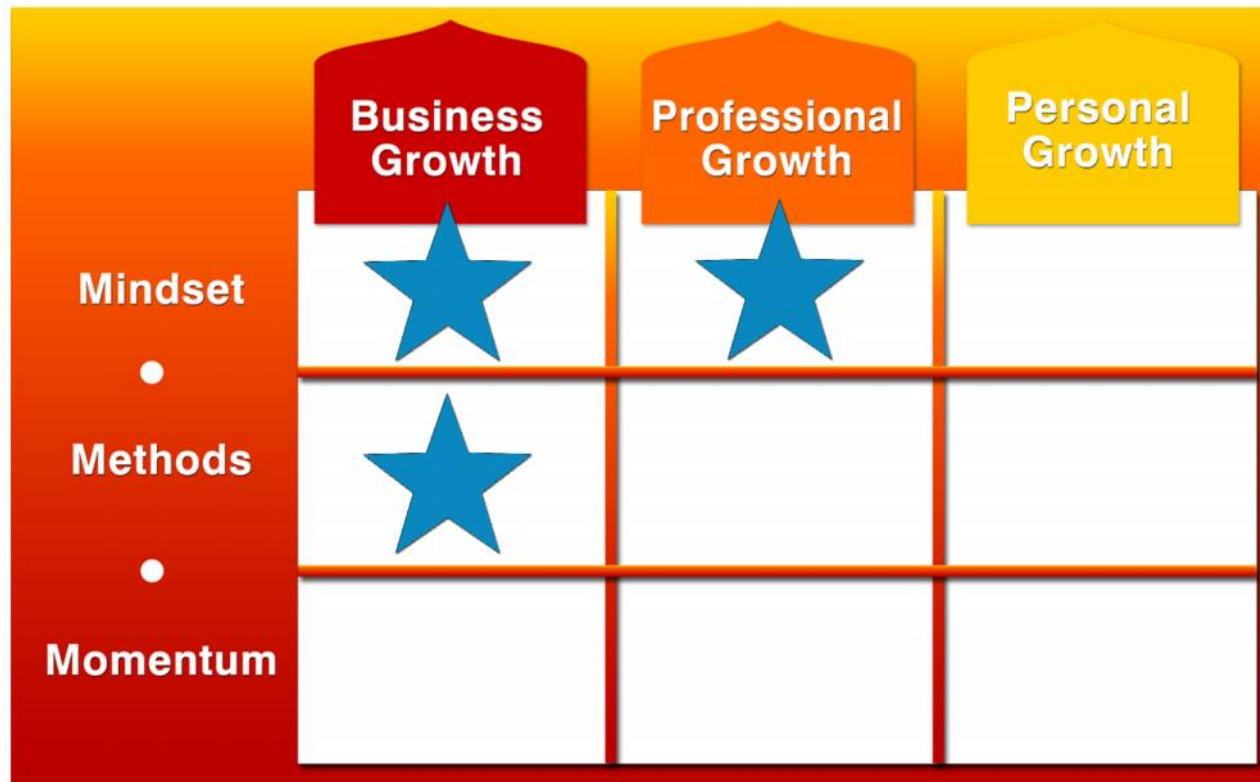
The Awakened CEO System



mindset • methods • momentum



The Awakened CEO System



mindset • methods • momentum



Agenda

- Purpose of Financial Statements
- Income Statement
- Balance Sheet
- Cash Flow Statement
- The Bottom Line

mindset

methods

momentum





Purpose of Financial Statements

- Standard way of communicating financial status and financial projections
- Created using Generally Accepted Accounting Principles (GAAP)

mindset

methods

momentum





Purpose of Financial Statements

- Facilitates running your business “by the numbers”
- Provide information required to file taxes
- Provide information helpful to running the business
- Tax Accounting vs. Managerial Accounting

mindset

methods

momentum





Income Statement

- Also called the Profit and Loss Statement
- Shows where your money is coming from (revenue streams)
- Shows where your money is going to (expense categories)
- Helps you determine your “Break Even”
- Helps you run your business according to a budget

mindset

methods

momentum





Income Statement Sections

- Revenues
- Direct Costs
(aka Cost of Goods Sold or Variable Costs)
- Operating Expenses
(aka General and Administrative Expenses or Fixed Costs)
- Other Expenses

mindset

methods

momentum





Revenues

- Products
 - Product A
 - Product B
 - Product C
- Services
 - Service A
 - Service B
- Less returns

mindset

methods

momentum





Revenues

- Locations / Channels
 - Retail
 - Wholesale
 - Internet
- Less returns

mindset

methods

momentum





Direct Costs

- Commissions
 - Internal (at all levels)
 - External (agents, brokers, affiliates, referral sources)
- Royalties
- Credit card fees
- Product Costs (Cost of Goods Sold)
- Subcontractor (direct delivery) costs

mindset

methods

momentum





Operating Expenses

- Automobiles
- Bank Fees
- Board of Directors
- Communications
- Contributions
- Dues and Subscriptions
- Education
- Employee Relations
- Insurance
- Legal
- Marketing
- Office Equipment
- Office Rent
- Office Supplies
- Payroll Taxes
- Printing

mindset

methods

momentum





Operating Expenses

- Product Development
- Professional Fees
- Software
- Sanitation
- Taxes and Licenses
- Travel and Entertainment
- Uniforms
- Utilities

mindset

methods

momentum





Gross Profit

- Gross Profit = Revenues minus Direct Costs
- Shows you how much money you really get from a sale to pay for Operating Expenses and Taxes, and left over for Net Profit
- Target Gross Profit = 50%
- Gross Profit helps you calculate your Break Even point

mindset

methods

momentum





Break Even (BE)

- When your Gross Profit = Operating Expenses
- **Units to BE** = Operating Expenses / Gross Profit each unit
- **Revenues to BE** = Operating Expenses / Gross Margin
- Example: \$5 Gross profit each sale, \$5,000 Operating Expenses = 1,000 units to BE
- Example: 50% Gross Margin, \$5,000 Operating Expenses = \$10,000 to BE



mindset

methods

momentum



Income Statements

- Shows you your Operating Income (EBITDA)
 - **E**arnings **B**efore **I**nterest **T**axes
Depreciation and **A**mortization
 - Often used to calculate the value of your company
- Shows you your Taxable Income
- Shows you your Net Income

mindset

methods

momentum





Income Statement Example

Revenues	\$ 10,000
Direct Costs	\$ 5,000
Gross Profit	\$ 5,000
Operating Expenses	\$ 3,000
Operating Income	\$ 2,000
Other Expenses	\$ 500
Taxable Income	\$ 1,500
Reserve for Taxes	\$ 450
Net Income	\$ 1,050

mindset

methods

momentum





Income Statement Example

	Actual	Budget	Variance
Revenues	\$ 10,000	\$ 12,000	- \$ 2,000
Direct Costs	\$ 5,000	\$ 6,000	- \$ 1,000
Gross Profit	\$ 5,000	\$ 6,000	- \$ 1,000
Operating Expenses	\$ 3,000	\$ 3,500	- \$ 500
Operating Income	\$ 2,000	\$ 2,500	- \$ 500
Other Expenses	\$ 500	\$ 500	
Taxable Income	\$ 1,500	\$ 2,000	- \$ 500
Reserve for Taxes	\$ 450	\$ 600	- \$ 150
Net Income	\$ 1,050	\$ 1,400	- \$ 350

mindset

methods

momentum





Balance Sheet

- Purpose is to show
 - **Assets** (what the company owns)
 - **Liabilities** (what the company owes)
 - **Equity** (what is left and who it belongs to)
- Helps you focus on building the asset value of your company

mindset

methods

momentum





Assets

- Cash
- Accounts Receivable
- Inventory
- Trucks and Automobiles
- Buildings and Land
- Furniture and Fixtures

mindset

methods

momentum





Liabilities

- Accounts Payable
- Taxes Payable
- Salaries Payable
- Notes Payable (Loans)

mindset

methods

momentum





Equity

- Capital accounts for each owner / investor
- Distributions and impact of Net Income (aka Retained Earnings) are often listed separately

mindset

methods

momentum





Balance Sheet Example

Cash	\$ 10,000
Accounts Receivable	\$ 5,000
Inventory	\$ 10,000
Total Assets	\$ 25,000
Accounts Payable	\$ 12,000
Total Liabilities	\$ 12,000
Owners Equity	\$ 13,000
Total Liabilities and Equity	\$ 25,000



mindset

methods

momentum



Cash Flow Statement

- Purpose: to show where cash is coming from and where it is going to
- Two formats:
 - Shows sources of funds (cash)
 - Shows uses of funds (cash)
 - or –
 - Net impact of operating activities
 - Net impact of investing activities
 - Net impact of financing activities

mindset

methods

momentum





Cash Flow Statement Example

Net Income	\$ 1,500
Plus Depreciation and Amortization	\$ 500
Changes in Accounts Payable	(\$ 500)
Changes in Inventory	(\$ 1,000)
Net Cash From Operating Activities	\$ 500



mindset

methods

momentum



Cash Flow Statement Example

Net Income	\$ 1,500
Plus Depreciation and Amortization	\$ 500
Changes in Accounts Payable	(\$ 500)
Changes in Inventory	(\$ 1,000)
Net Cash From Operating Activities	\$ 500
Changes in Fixed Assets	\$ 25,000
Net Cash from Investing Activities	(\$ 25,000)



mindset

methods

momentum



Cash Flow Statement Example

Net Income	\$ 1,500
Plus Depreciation and Amortization	\$ 500
Changes in Accounts Payable	(\$ 500)
Changes in Inventory	(\$ 1,000)
Net Cash From Operating Activities	\$ 500
Changes in Fixed Assets	\$ 25,000
Net Cash from Investing Activities	(\$ 25,000)
Changes in Notes Payable	\$ 22,500
Net Cash from Financing Activities	\$ 22,500



mindset

methods

momentum



Cash Flow Statement Example

Net Income	\$ 1,500
Plus Depreciation and Amortization	\$ 500
Changes in Accounts Payable	(\$ 500)
Changes in Inventory	(\$ 1,000)
Net Cash From Operating Activities	\$ 500
Changes in Fixed Assets	\$ 25,000
Net Cash from Investing Activities	(\$ 25,000)
Changes in Notes Payable	\$ 22,500
Net Cash from Financing Activities	\$ 22,500
Net Change in Cash from all Activities	(\$ 2,000)
Beginning Cash	\$ 10,000
Ending Cash	\$ 8,000



mindset

methods

momentum



Cash Flow Statement Example

Net Income	\$ 1,500
Plus Depreciation and Amortization	\$ 500
Changes in Accounts Payable	(\$ 500)
Changes in Inventory	(\$ 1,000)
Net Cash From Operating Activities	\$ 500
Changes in Fixed Assets	\$ 25,000
Net Cash from Investing Activities	(\$ 25,000)
Changes in Notes Payable	\$ 22,500
Net Cash from Financing Activities	\$ 22,500
Net Change in Cash from all Activities	(\$ 2,000)
Beginning Cash	\$ 10,000
Ending Cash	\$ 8,000



mindset

methods

momentum



Cash Flow Statement Example

Sources of Funds	
Net Income	\$ 1,500
Depreciation and Amortization	\$ 500
Increase in Notes Payable (Car loan)	\$ 22,500
Total Sources of Funds	\$ 24,500
Uses of Funds	
Pay down Accounts Payable	\$ 500
Increase Inventory	\$ 1,000
Increase in Fixed Assets (Car)	\$ 25,000
Total Uses of Funds	\$ 26,500
Sources of Funds less Uses of Funds	(\$ 2,000)
Beginning Cash	\$ 10,000
Ending Cash	\$ 8,000

mindset

methods

momentum





The Bottom Line

- Reading financial statements is not optional
- The good news: it's not that hard if you have someone on your team to walk you through them
- To optimize a system, you have to know your metrics
- There are always surprises!

mindset

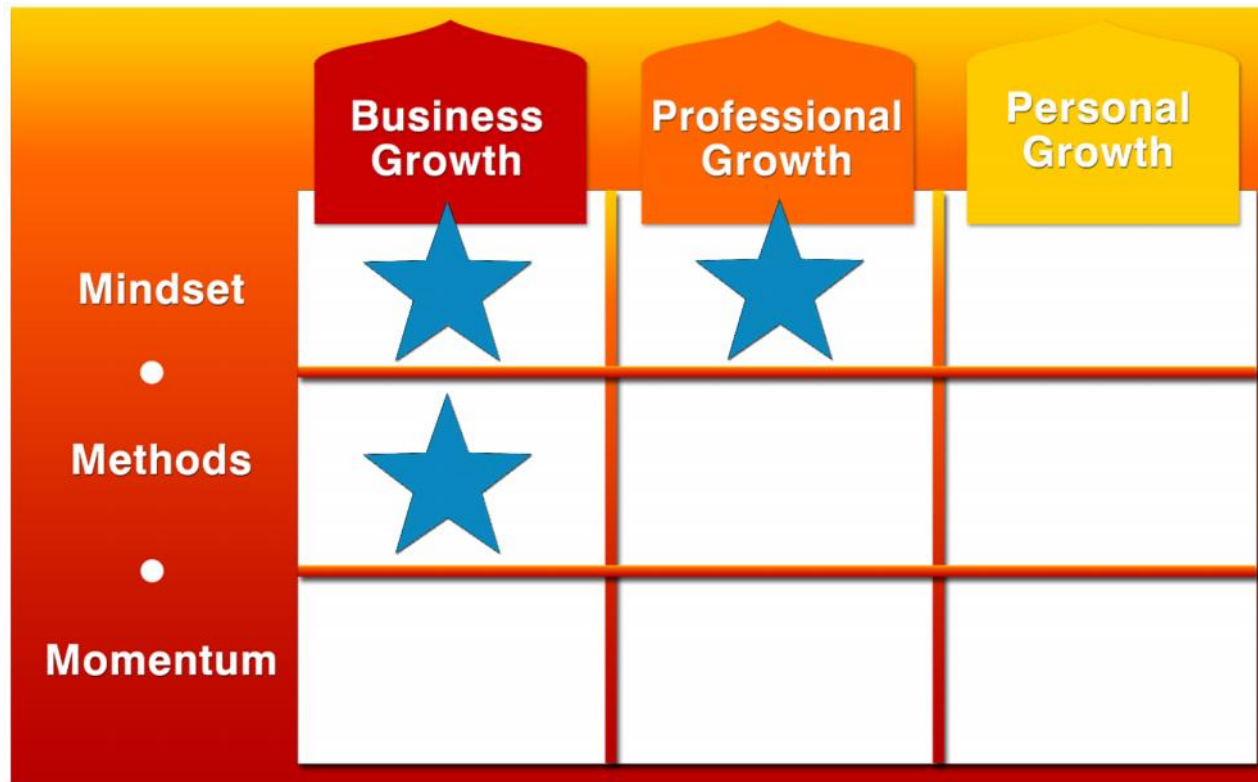
methods

momentum





The Awakened CEO System



mindset • methods • momentum



Mindset

- Know that there is extremely valuable information in your financial statements
- Believe that you can learn how to read and understand what the numbers are telling you
- Know that it costs you a lot of money to run a business by the seat of your pants

	Business Growth	Professional Growth	Personal Growth
Mindset	★	★	
Methods	★		
Momentum			

mindset

methods

momentum





Methods

- Study accounting terminology
- Work with experienced professionals when appropriate
- Organize your accounts and reports to help better manage the business
- Close the books, generate the statements, and review them every month

	Business Growth	Professional Growth	Personal Growth
Mindset	★	★	
Methods	★		
Momentum			

mindset

methods

momentum





Agenda

- Purpose of Financial Statements
- Income Statement
- Balance Sheet
- Cash Flow Statement
- The Bottom Line

mindset

methods

momentum





Homework / Exercise

- Implement QuickBooks or some other system that provides Financial Statements easily
- Print them out and study them each month
- Create a budget and manage your business by it
- Get help if you need it!

mindset

methods

momentum





Related Office Hours

- 19 – Credit Cards – Getting the Money
- 32 – Credit and Collections
- 107 – How to be Great at Financial Management
- 121 – Financial Modeling
- 138 – Cash Flow Secrets

mindset

methods

momentum





Open Q & A and Coaching – in a minute

- Comments and questions on the topic of the day, then any other issues
- Tell me what your biggest “take-aways” are and what insights you gained from this presentation
- Tell me what you are going to focus on

mindset

methods

momentum





The Awakened CEO System

- Get Clear, Stay Focused, and Grow Faster you can make more money
- Become a More Powerful Leader and Make Better Decisions, so you can keep more of the money you make
- Gain Wisdom and Grow Stronger, so you can enjoy greater peace and harmony in your life

mindset

methods

momentum





Our Support Services

Service	Teach You	Do It With You	Do it For You
Education	X		
Training	X		
Coaching	X	X	
Advising / Mentoring	X	X	
Consulting		X	X
Growth Management		X	X

mindset

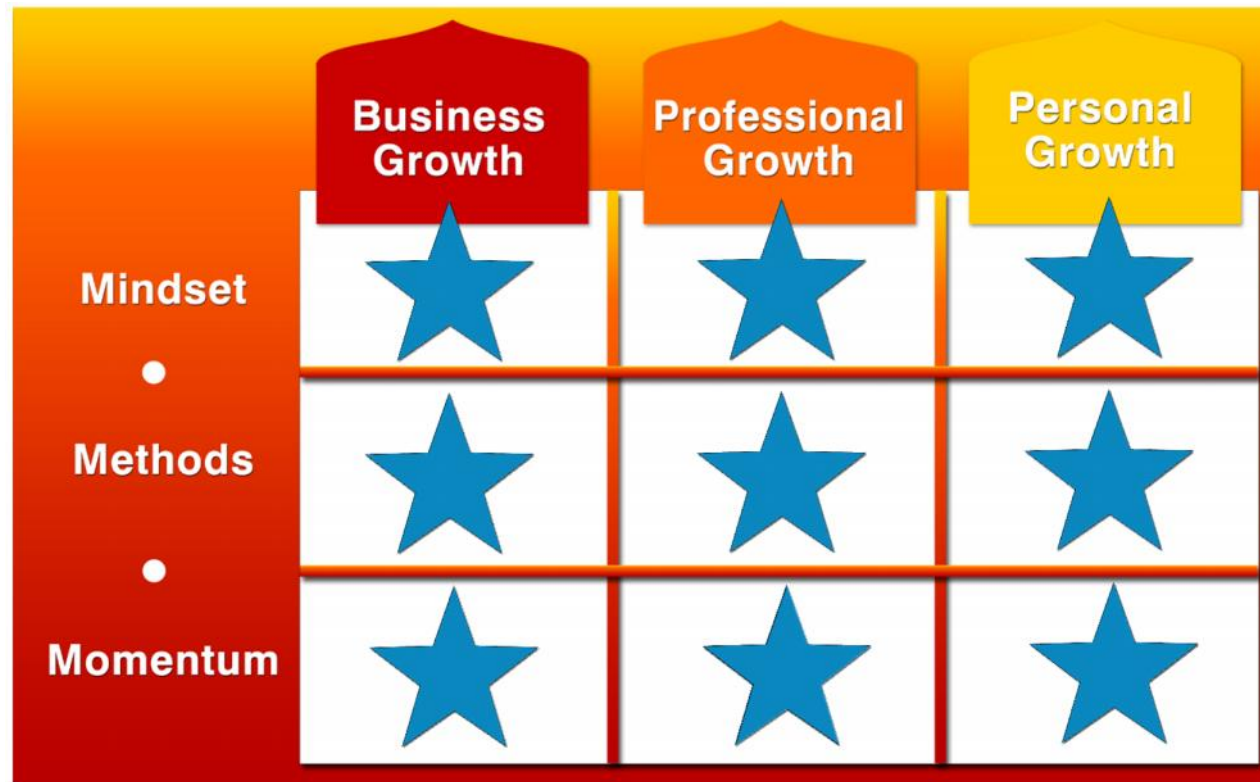
methods

momentum





The Awakened CEO System



mindset • methods • momentum



Next Office Hours: Nov. 21st

- Topic is: TBD
- Let me know what topics you would like for me to address: www.PaulsSurvey.com
- Do your homework!

mindset

methods

momentum





Open Q & A and Coaching

- Comments & questions on the topic of the day, then any other issues
- **Best question or comment wins!**
- Contact Me at paul@paulhoyt.com
call or text: 415.997.8001
- www.SchedulePaul.com

mindset

methods

momentum



Paul Hoyt's "Office Hours" Series



THE **Awakened** CEO System

Office Hours

mindset

methods

momentum

