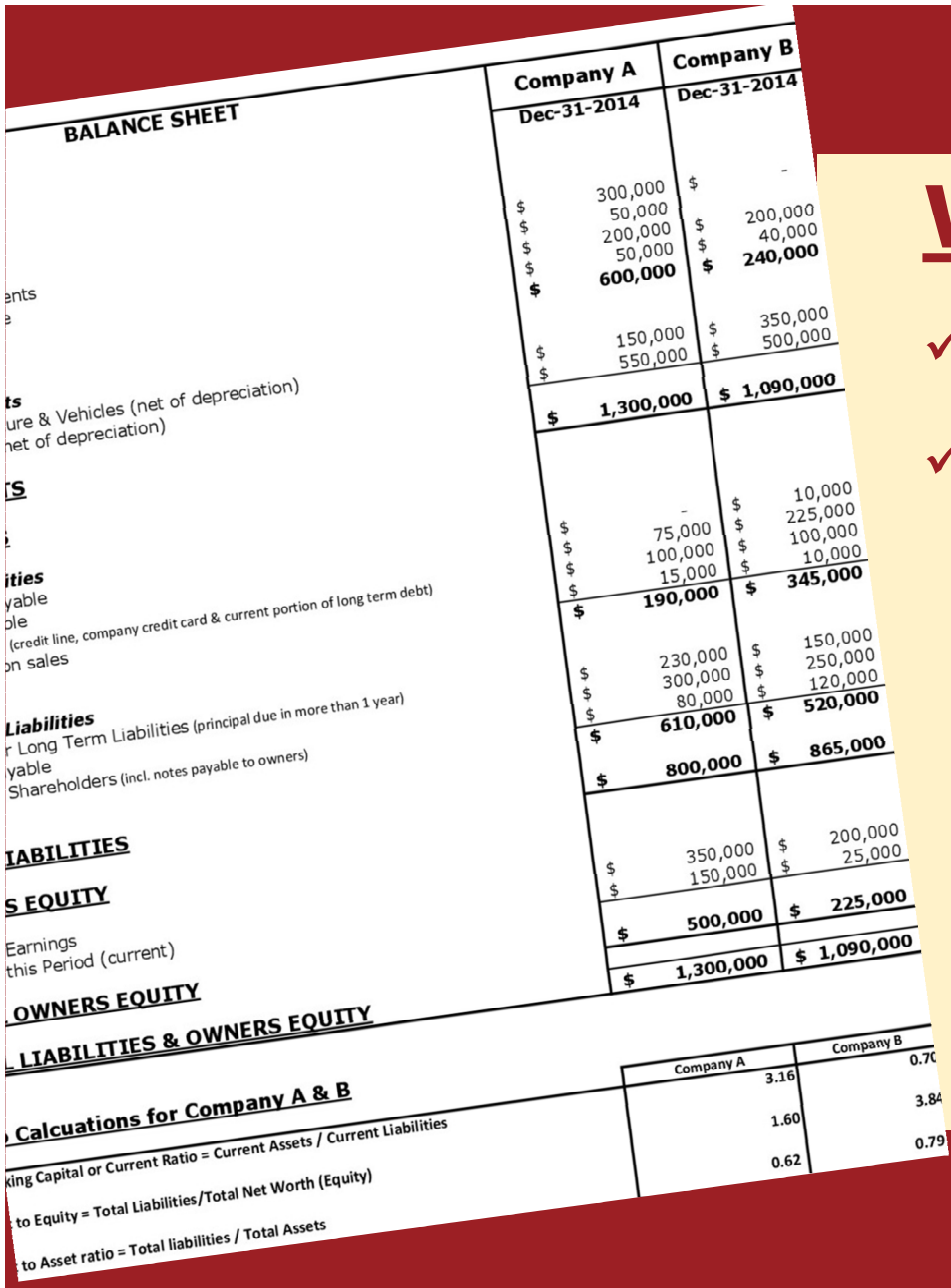

Investment
Value at Year end
373 967
804 029
1 296 731
1 859 317
2 499 808
3 227 076
4 050 935
R 28 331
Investment
424 963
446 211
468 522
491 948
516 545
542 372
569 491
Investment
Value at
Year end
467 459
1 005 037
1 620 915
2 324 149
3 124 764
4 033 850
5 063 675
R 35 414
Start at monthly
Can we do this?

Ratios

Working Capital

- ✓ Are you able to pay your bills on time?
- ✓ Measures operational efficiency
- ✓ How fast are you collecting you're A/R?
- ✓ Current Assets (less inventories)/Current Liabilities



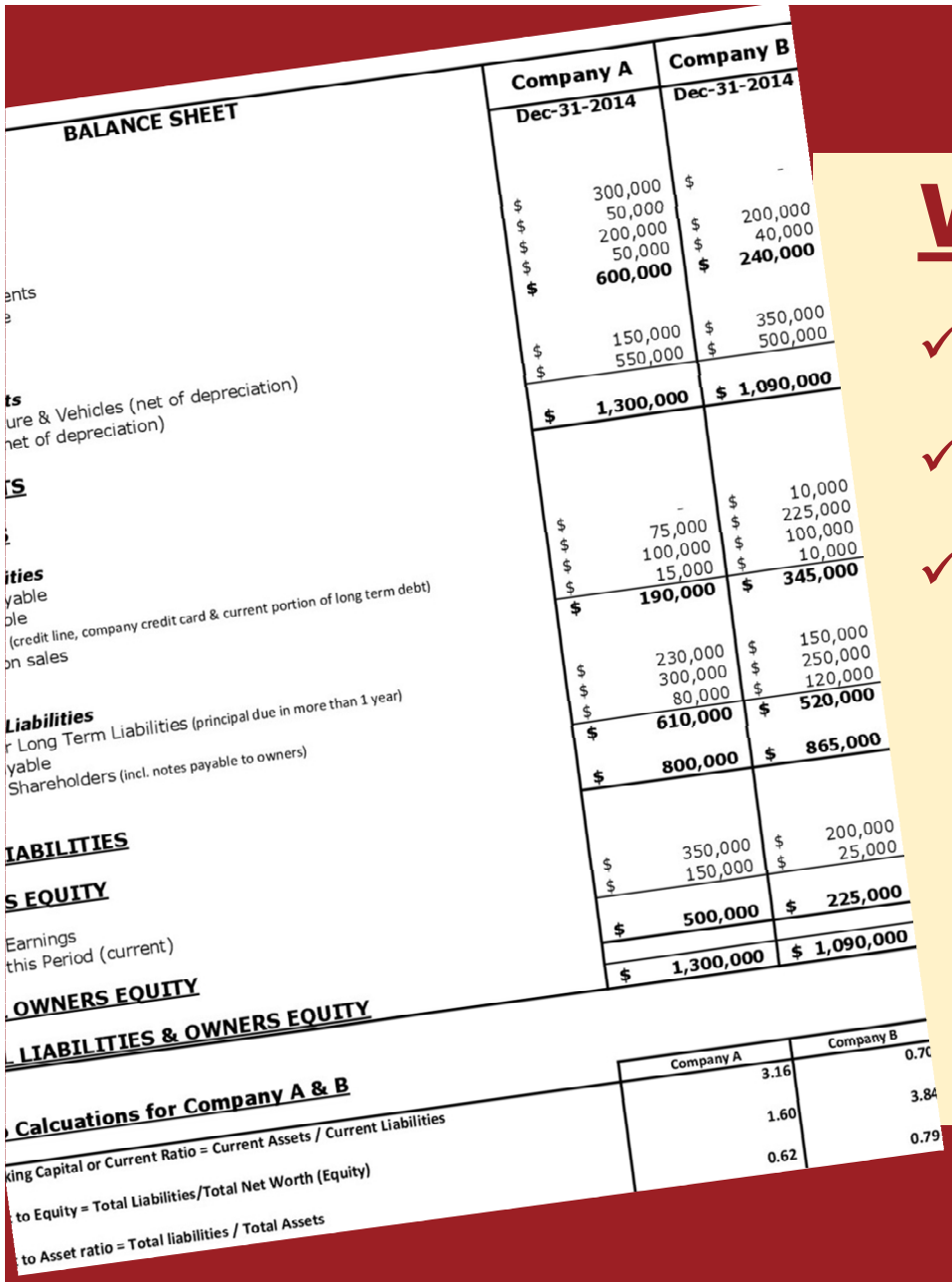
BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES		
	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)		
	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Working Capital

- ✓ Company A: 3.16
- ✓ Goal: 1.5-3.0
  - ✓ +3.0:
    - ✓ increases flexibility to grow
    - ✓ Or allows you to be complacent (☹)

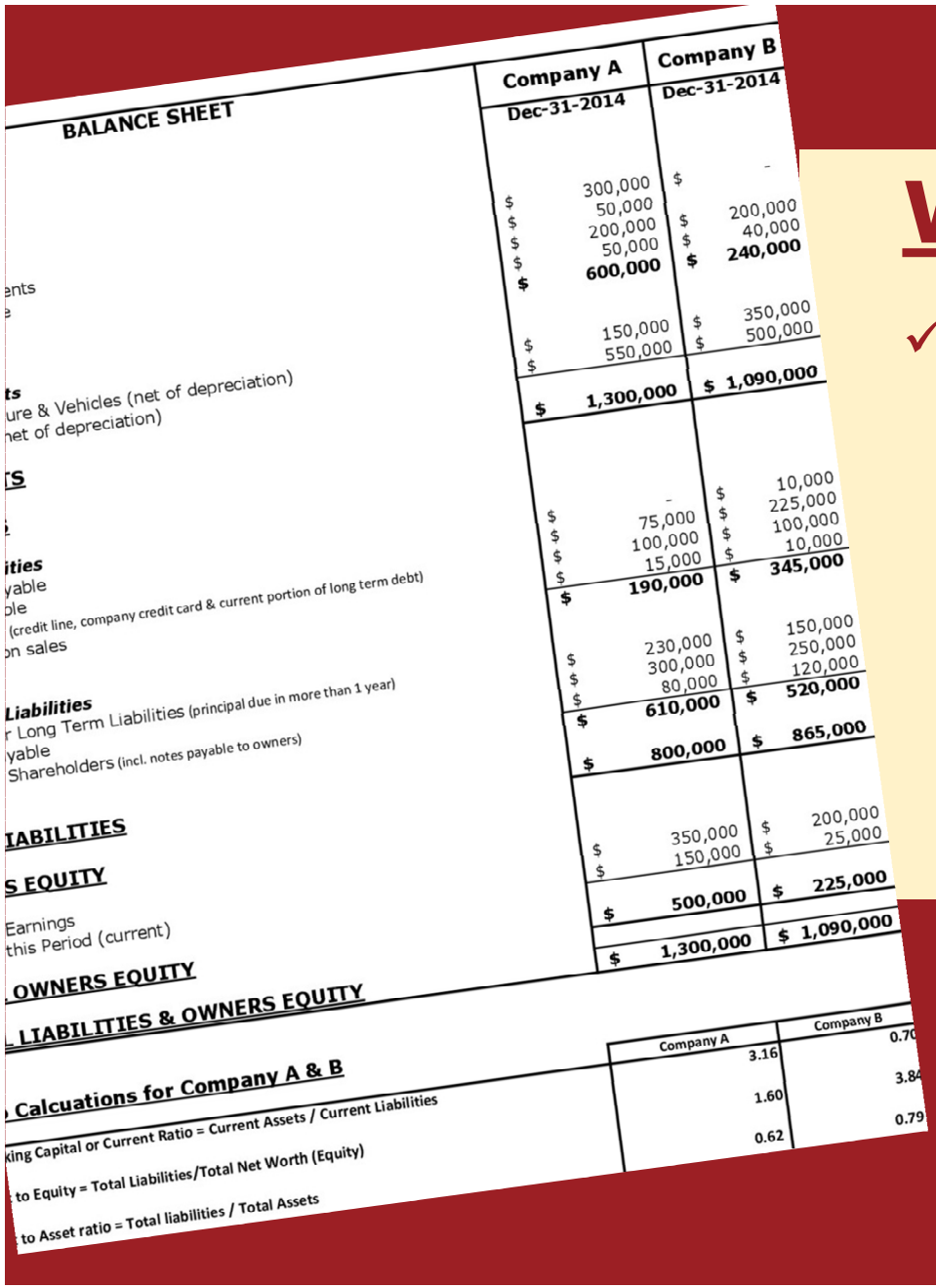


BALANCE SHEET	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES		
S EQUITY	$ 350,000	$ 200,000
	$ 150,000	$ 25,000
Earnings	$ 500,000	$ 225,000
this Period (current)		
OWNERS EQUITY	$ 1,300,000	$ 1,090,000
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Working Capital

- ✓ Company B: 0.70
- ✓ -1.0:
- ✓ Negative working capital
  - ✓ Trouble keeping payables on time
  - ✓ Leads to bankruptcy if not understood



BALANCE SHEET	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts	$ 150,000	$ 350,000
ure & Vehicles (net of depreciation)	$ 550,000	$ 500,000
net of depreciation)	$ 1,300,000	$ 1,090,000
TS		
S	$ -	$ 10,000
	$ 75,000	$ 225,000
ities	$ 100,000	$ 100,000
yable	$ 15,000	$ 10,000
ble	$ 190,000	$ 345,000
(credit line, company credit card & current portion of long term debt)		
on sales	$ 230,000	$ 150,000
	$ 300,000	$ 250,000
Liabilities	$ 80,000	$ 120,000
r Long Term Liabilities (principal due in more than 1 year)	$ 610,000	$ 520,000
yable	$ 800,000	$ 865,000
Shareholders (incl. notes payable to owners)		
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

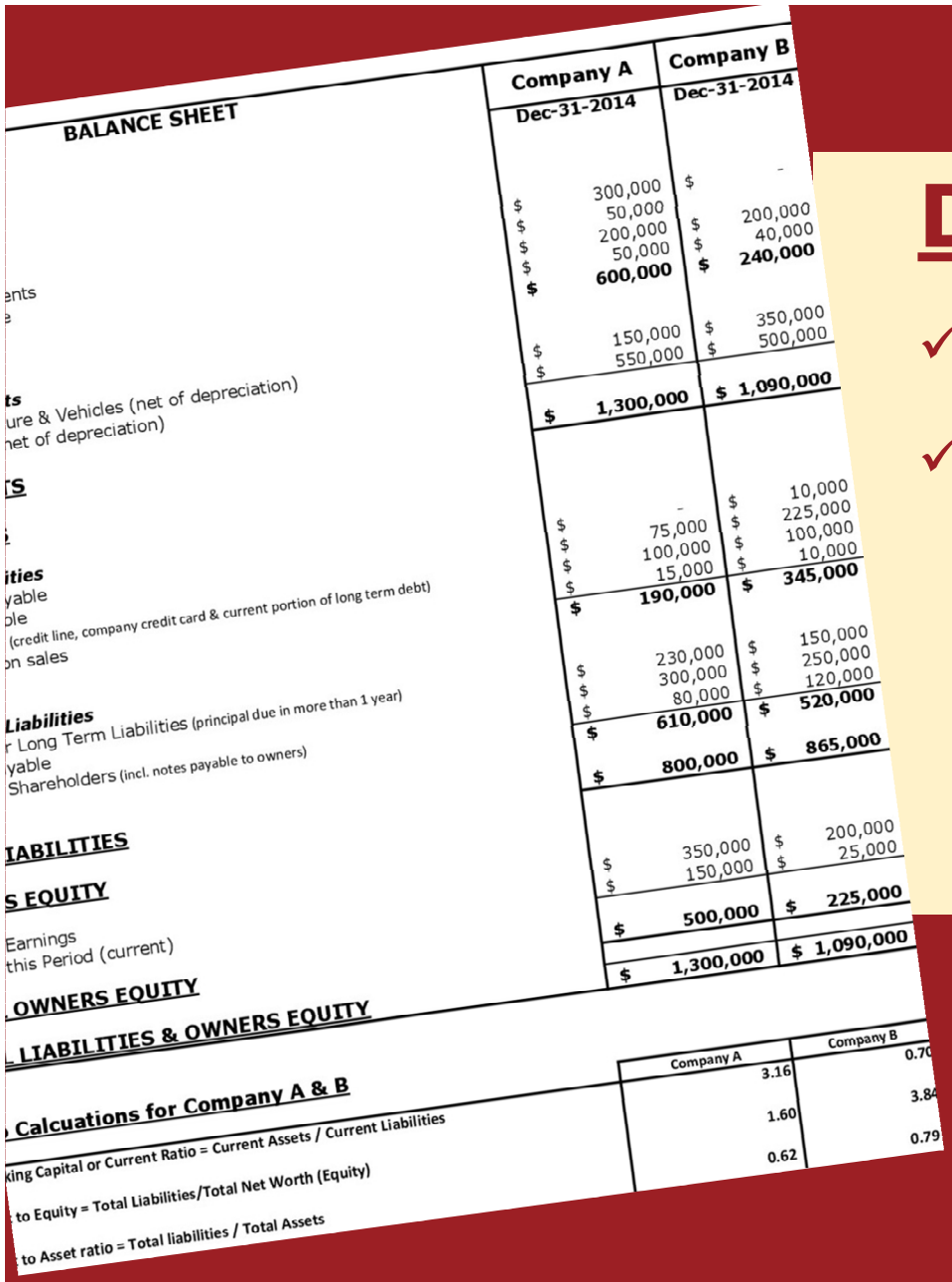
Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Working Capital

- ✓ How to improve:
  - ✓ Speed up A/R
  - ✓ Revise Deposit structure
  - ✓ Improve cash flow
  - ✓ Make profit

Debt to Equity

- ✓ **Does your lender give you a hard time when you request extra funds?**
- ✓ **Have you paid yourself extra dividends and less salary?**
- ✓ **Total liabilities/Total Net Worth**
  (Assets, - Liabilities, - intangible assets)



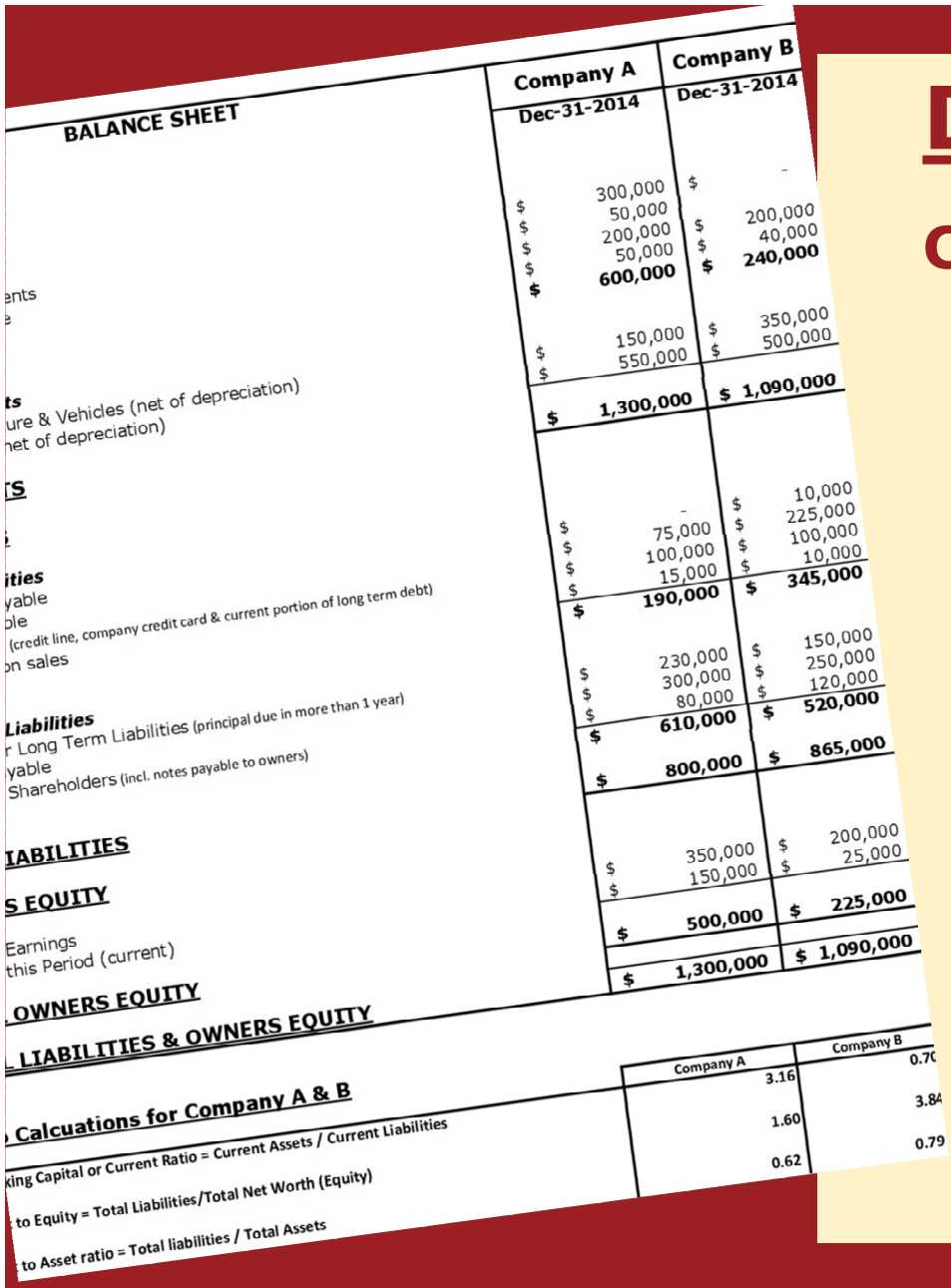
BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)		
OWNERS EQUITY	$ 1,300,000	$ 1,090,000
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Debt to Equity

- ✓ Company A: 1.60
- ✓ Goal: less than 1.4
  - ✓ Lenders watch this one
  - ✓ Measures risk



BALANCE SHEET	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts	$ 150,000	$ 350,000
ure & Vehicles (net of depreciation)	$ 550,000	$ 500,000
net of depreciation)	$ 1,300,000	$ 1,090,000
TS		
S	$ -	$ 10,000
	$ 75,000	$ 225,000
ities	$ 100,000	$ 100,000
yable	$ 15,000	$ 10,000
ble	$ 190,000	$ 345,000
(credit line, company credit card & current portion of long term debt)		
on sales	$ 230,000	$ 150,000
	$ 300,000	$ 250,000
Liabilities	$ 80,000	$ 120,000
r Long Term Liabilities (principal due in more than 1 year)	$ 610,000	$ 520,000
yable	$ 800,000	$ 865,000
Shareholders (incl. notes payable to owners)		
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Debt to Equity

Company B: 3.84

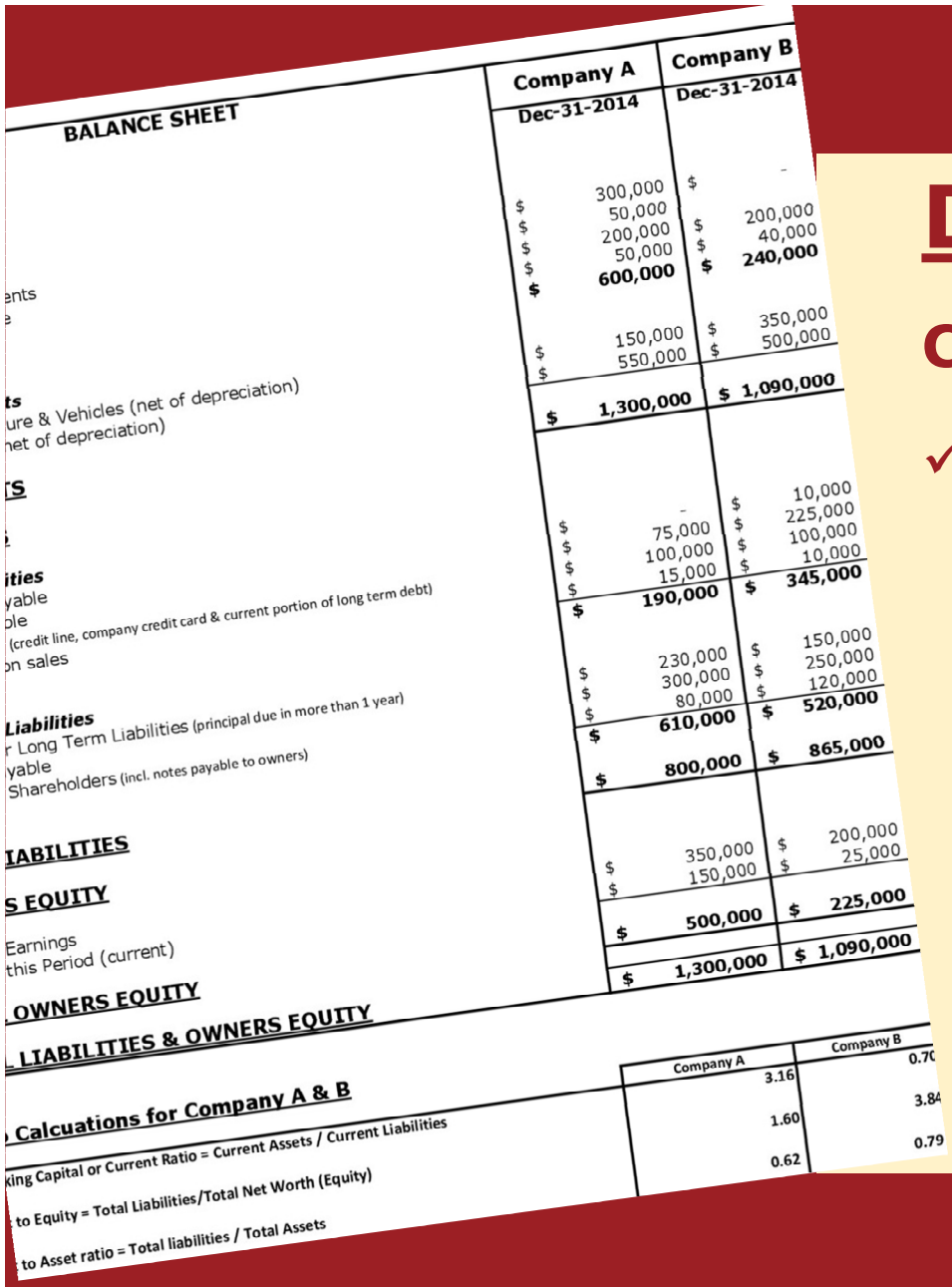
- ✓ **Growth over 10% without profit = high ratio**
- ✓ **If high, fast growth with small profits**

How to improve:

- ✓ **Need to leave enough cash in (equity) for security**

Debt to Asset

- ✓ What percentage of your assets are financed by debt
- ✓ What would happen if we experience "Alberta 2016"?
- ✓ Looking to expand shortly?
- ✓ Measures financial leverage
- ✓ Total liabilities/Total Assets



BALANCE SHEET

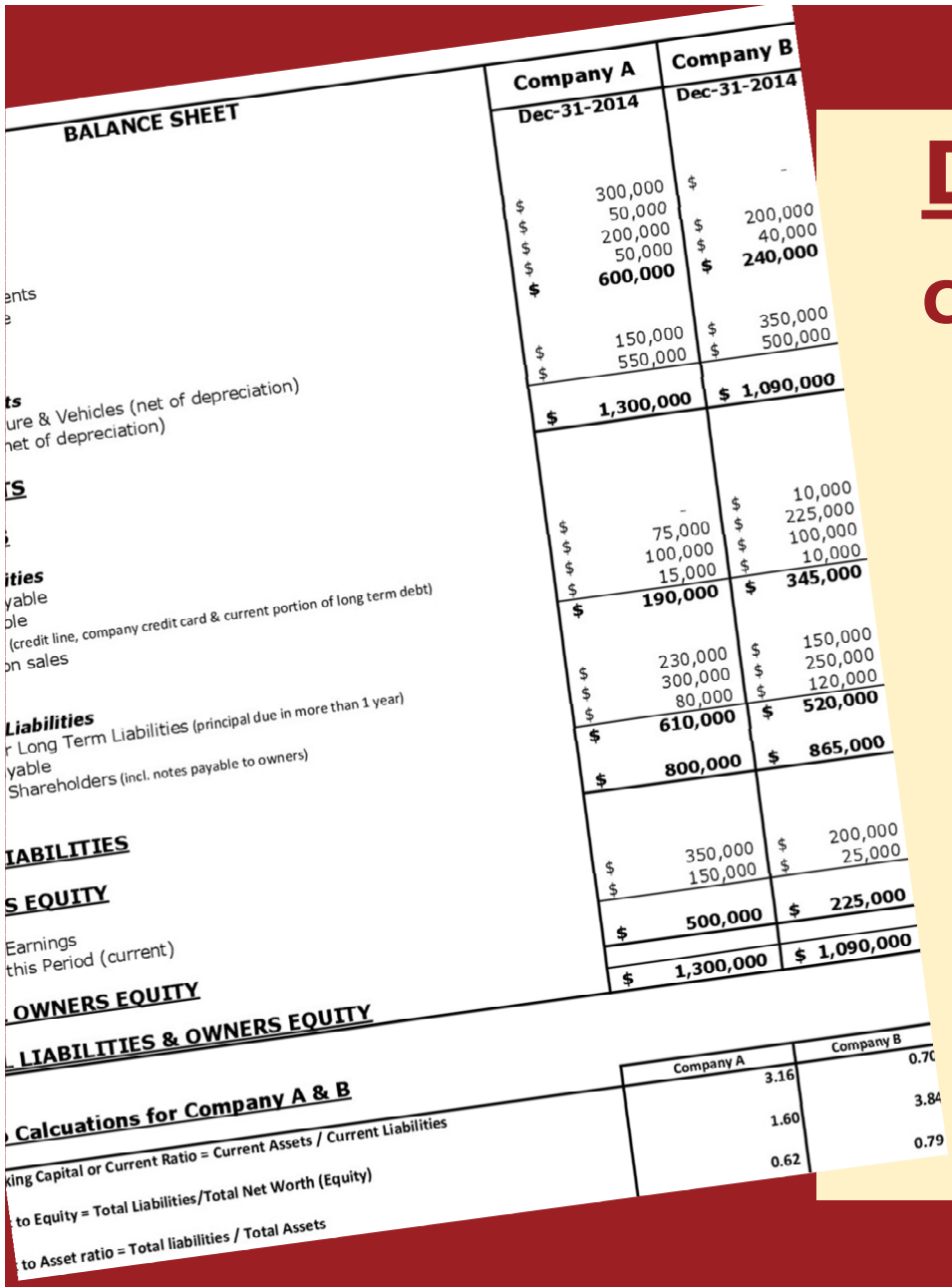
	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)		
OWNERS EQUITY	$ 1,300,000	$ 1,090,000
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Debt to Asset

Company A: 0.62

- ✓ **Goal: less than 0.30**
  - ✓ **Lower # = stable company**
  - ✓ **62% of assets are being financed**
    - ✓ **Risky**
    - ✓ **Little wiggle room**



BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ **600,000**	$ **240,000**
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ **1,300,000**	$ **1,090,000**
TS		
S		
ities		
yable	$ -	$ 10,000
ble	$ 75,000	$ 225,000
(credit line, company credit card & current portion of long term debt)	$ 100,000	$ 100,000
on sales	$ 15,000	$ 10,000
	$ **190,000**	$ **345,000**
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ **610,000**	$ **520,000**
	$ **800,000**	$ **865,000**
IABILITIES		
S EQUITY	$ 350,000	$ 200,000
	$ 150,000	$ 25,000
	$ **500,000**	$ **225,000**
Earnings		
this Period (current)		
OWNERS EQUITY	$ **1,300,000**	$ **1,090,000**
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Debt to Asset

Company B: 0.79

- ✓ How to improve:
  - ✓ Lower the debt
  - ✓ Lease before purchasing
  - ✓ Inject cash – pay off debts
  - ✓ Increase sales & profits →then pay down debt

Financial Leverage

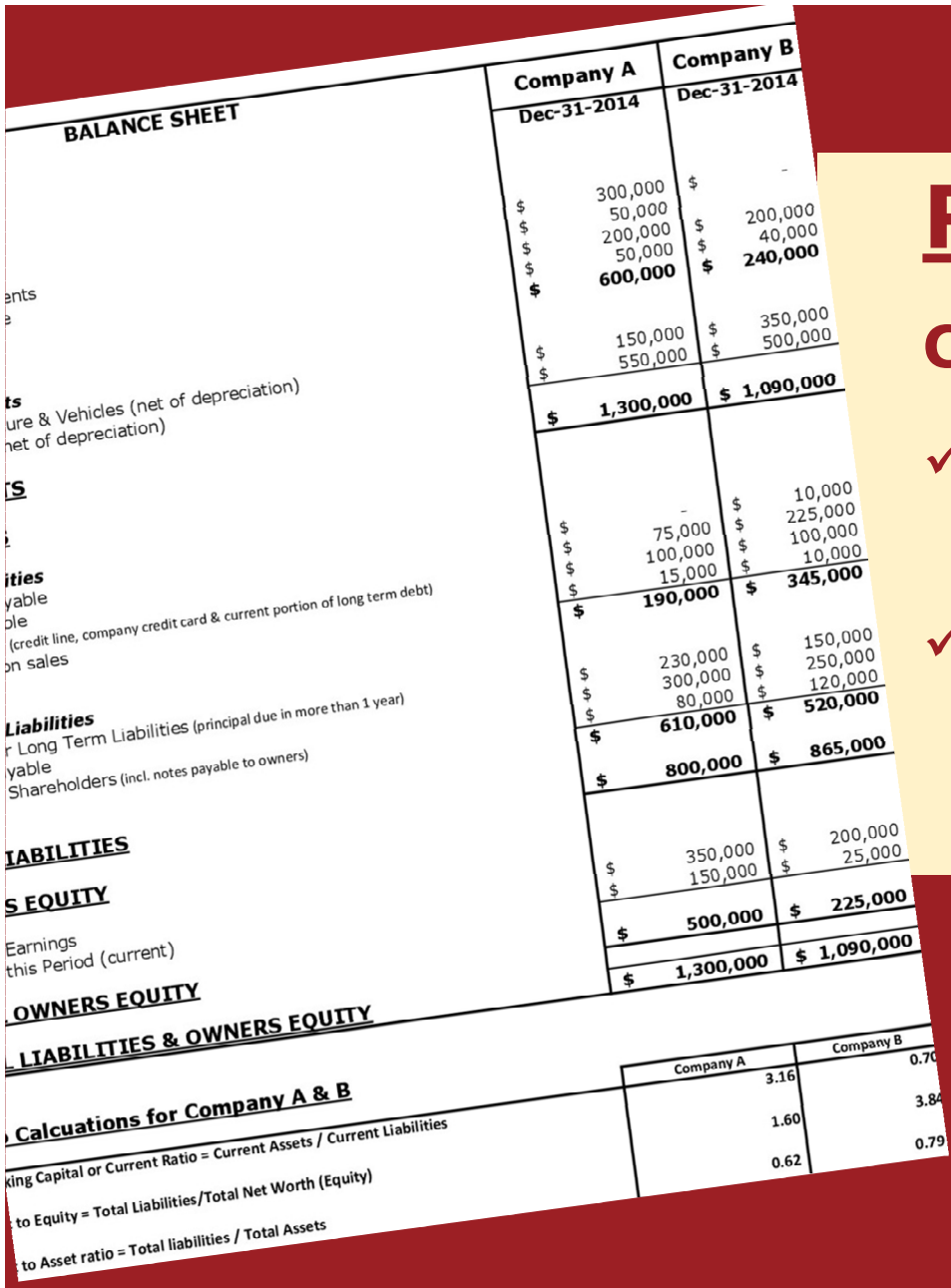
- ✓ Higher debt leverage means higher interest payments
- ✓ Higher debt leverage means fewer financial options
  - ✓ With debt it is very hard to negotiate with those collecting the debt
  - ✓ Leases, on the other hand, are easier to negotiate, same with accounts payable

Return on Assets

- ✓ Measures how effectively the company is of turning their assets into profit.
- ✓ How old is your equipment?
- ✓ How much inventory is sitting in your yard?
- ✓ Do you like to buy stuff?
- ✓ Net Income/Total Assets

Return on Assets

- ✓ Do you have a habit of keeping stuff around, because its "paid for"?
- ✓ Do you believe leasing is a waste of money?
- ✓ How many trucks/equipment are paid for and sit idle?



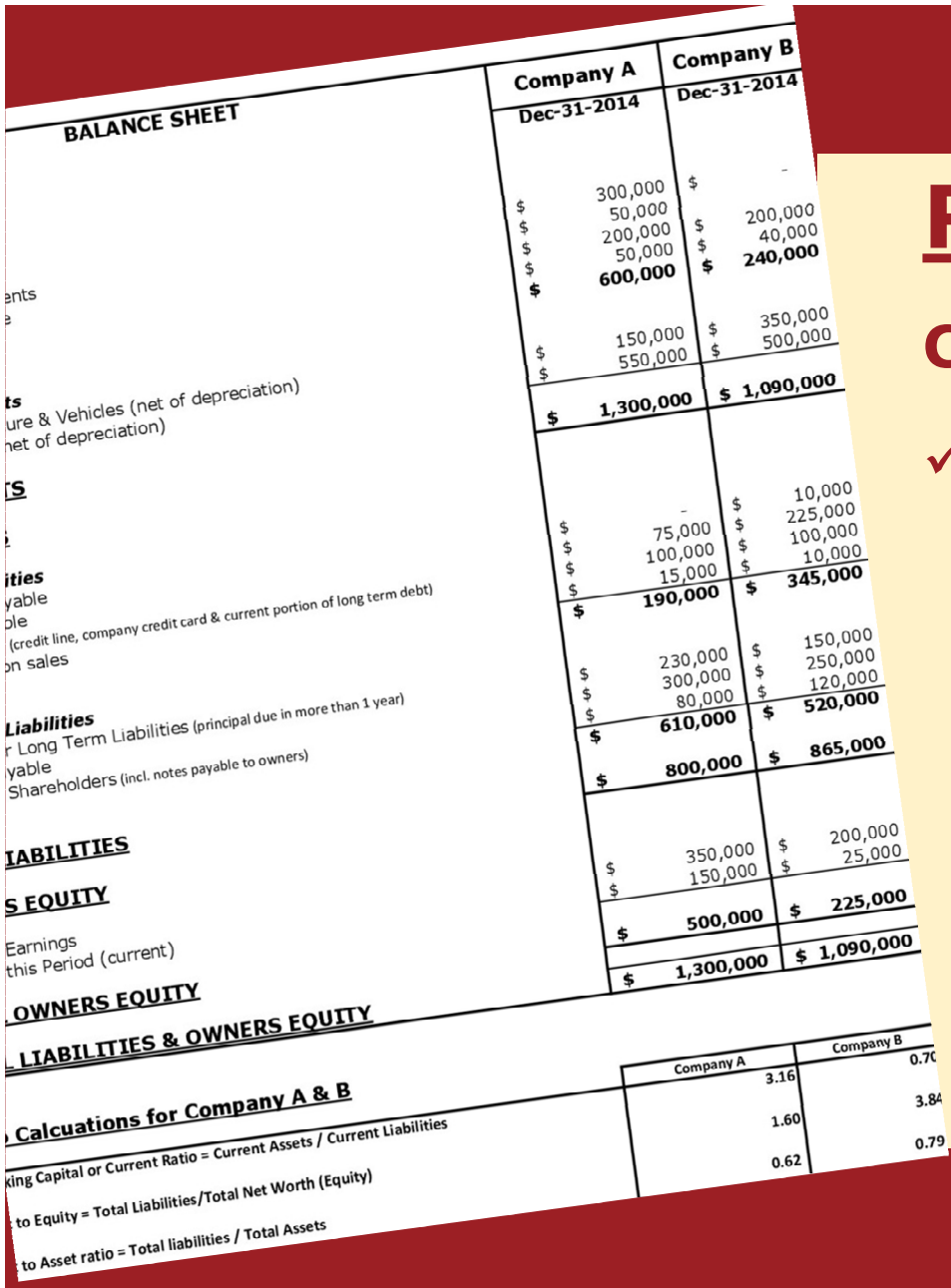
BALANCE SHEET	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
	$ -	$ 10,000
	$ 75,000	$ 225,000
ities	$ 100,000	$ 100,000
yable	$ 15,000	$ 10,000
ble	$ 190,000	$ 345,000
(credit line, company credit card & current portion of long term debt)		
on sales	$ 230,000	$ 150,000
	$ 300,000	$ 250,000
Liabilities	$ 80,000	$ 120,000
r Long Term Liabilities (principal due in more than 1 year)	$ 610,000	$ 520,000
yable	$ 800,000	$ 865,000
Shareholders (incl. notes payable to owners)		
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Return on Asset

Company A: 11.5%

- ✓ **Goal: greater than 25%**
- ✓ **Tool for managers**
  - ✓ **Be careful of inventory**



BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES		
	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)		
	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

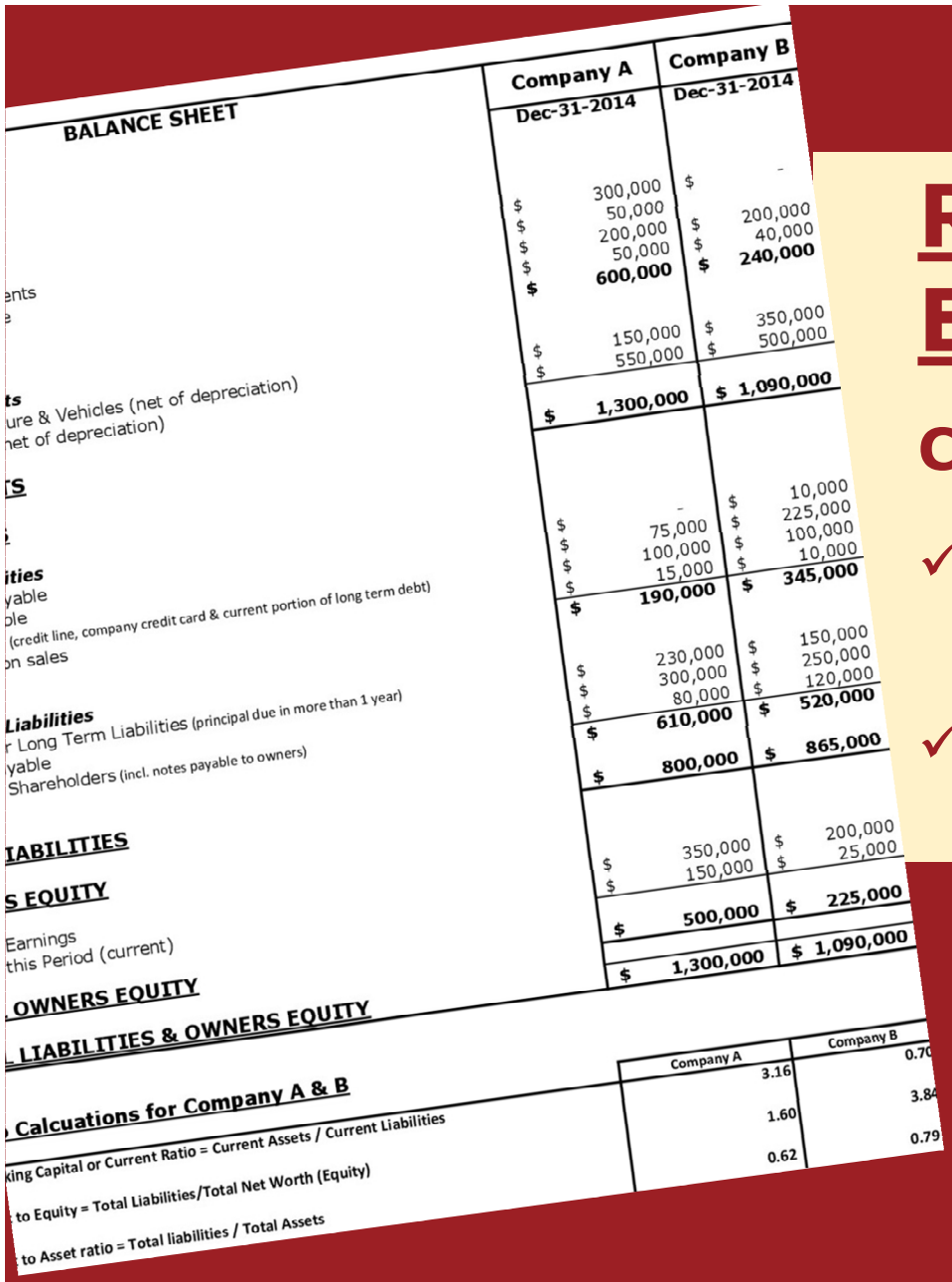
Return on Asset

Company B: 2.3%

- ✓ **How to improve:**
  - ✓ **Sell unused assets**
  - ✓ **Use inventory**
  - ✓ **Lease depreciating assets**
  - ✓ **Rent more often**
  - ✓ **Make more profit**

Return on Equity

- ✓ What is your return on your investment of time, energy & money?
- ✓ Measures shareholders value
- ✓ The average ROE year over year tells you about the profitability of the company
- ✓ Net Income/Total Shareholders Equity



BALANCE SHEET

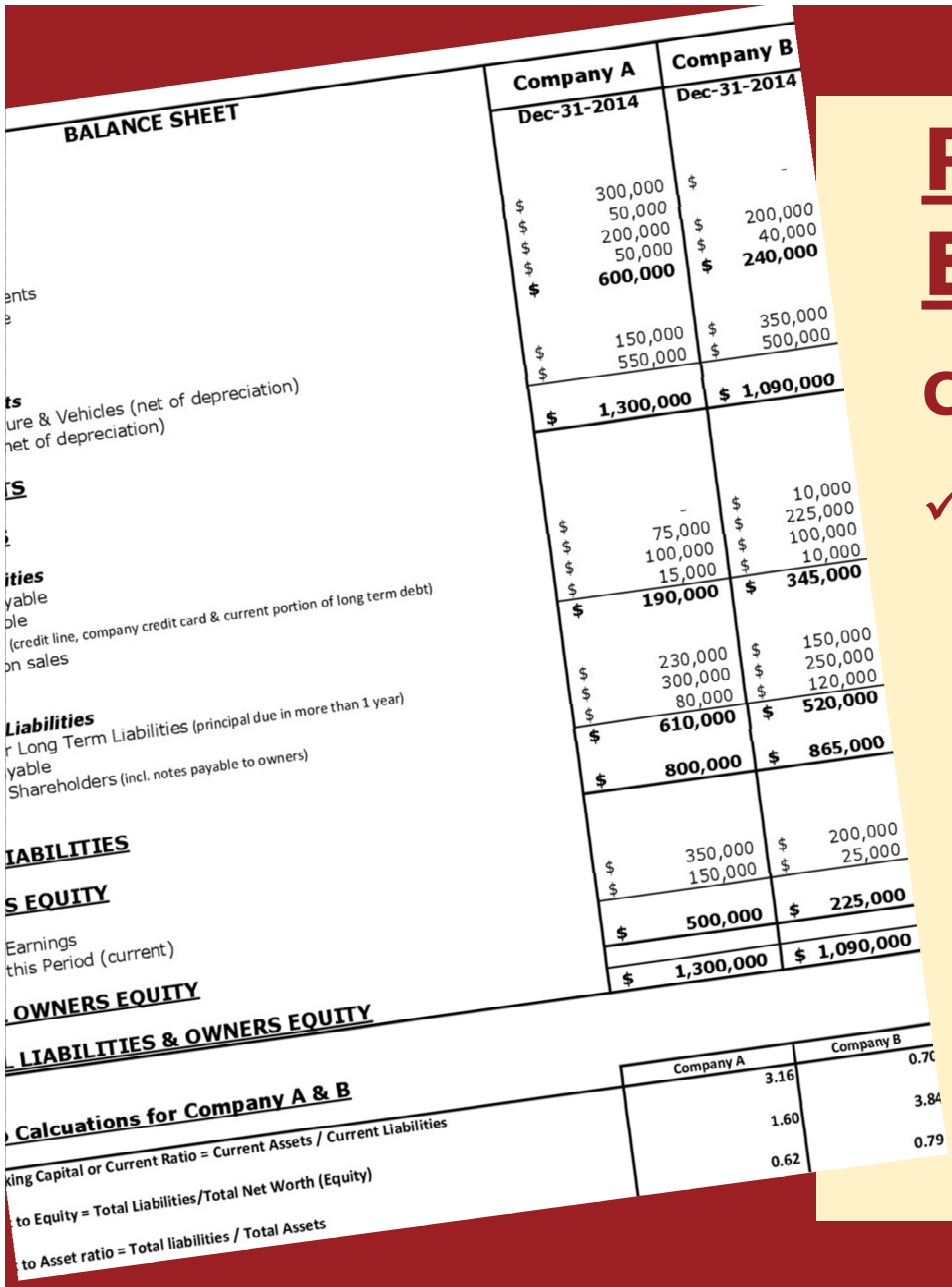
	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Return on Equity

Company A: 30%

- ✓ **Goal: greater than 25%**
- ✓ **Tool used by investors**



BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
	$ -	$ 10,000
	$ 75,000	$ 225,000
ities	$ 100,000	$ 100,000
yable	$ 15,000	$ 10,000
ble	$ 190,000	$ 345,000
(credit line, company credit card & current portion of long term debt)		
on sales	$ 230,000	$ 150,000
	$ 300,000	$ 250,000
Liabilities	$ 80,000	$ 120,000
r Long Term Liabilities (principal due in more than 1 year)	$ 610,000	$ 520,000
yable	$ 800,000	$ 865,000
Shareholders (incl. notes payable to owners)		
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Return on Equity

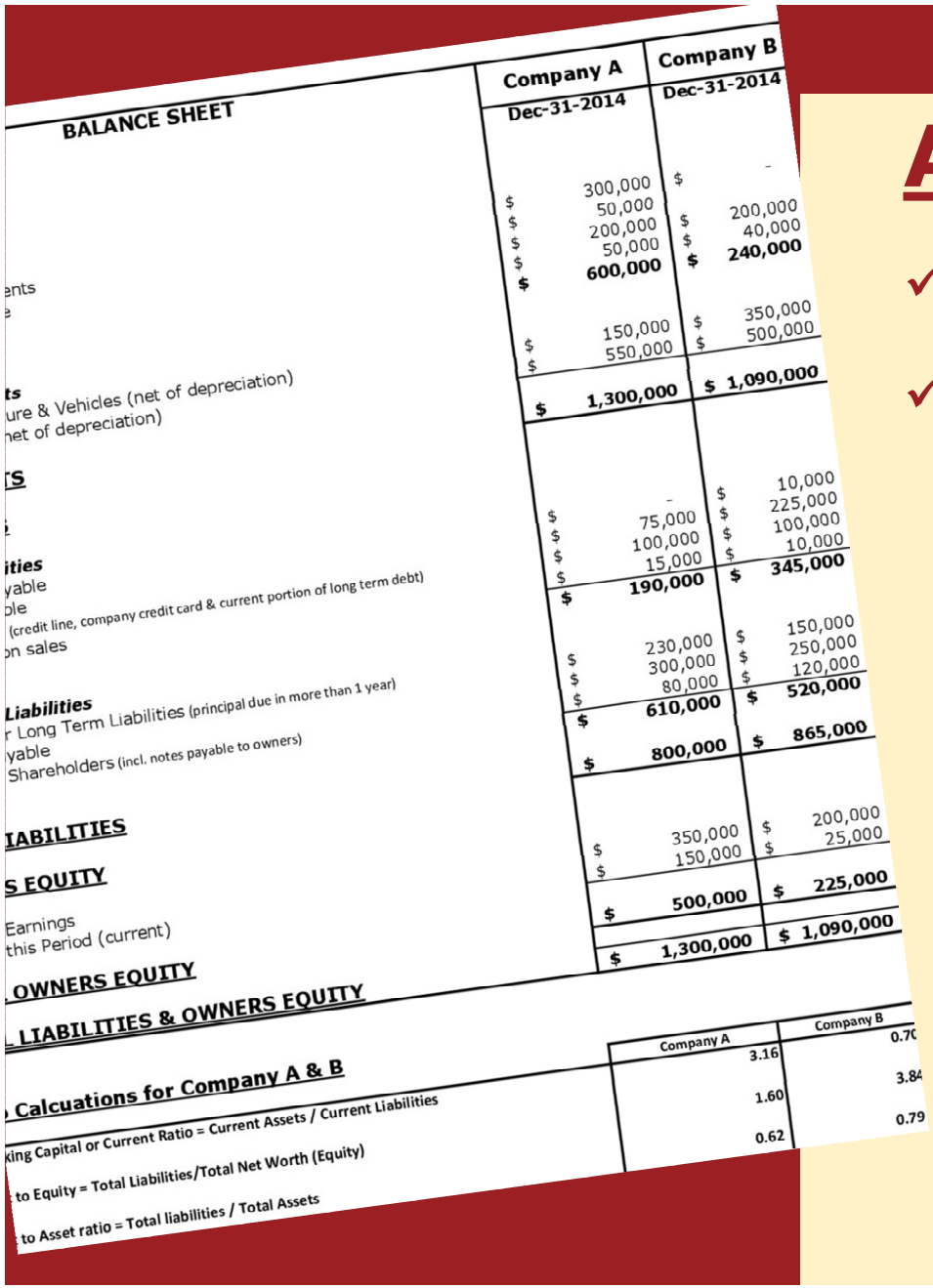
Company B: 11.1%

- ✓ **How to improve:**
  - ✓ **Increase sales with less assets**
  - ✓ **Improve margins**
  - ✓ **Take on more debt, carefully**
  - ✓ **Borrow cheaper money**

Bonus Ratios

Asset Turnover

- ✓ How well is the company making sales with its assets?
- ✓ Industry standards
- ✓ Higher is better
- ✓ Net Sales/Total Assets



BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities		
yable	$ -	$ 10,000
ble	$ 75,000	$ 225,000
(credit line, company credit card & current portion of long term debt)	$ 100,000	$ 100,000
on sales	$ 15,000	$ 10,000
	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES		
	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)		
OWNERS EQUITY	$ 1,300,000	$ 1,090,000
LIABILITIES & OWNERS EQUITY		

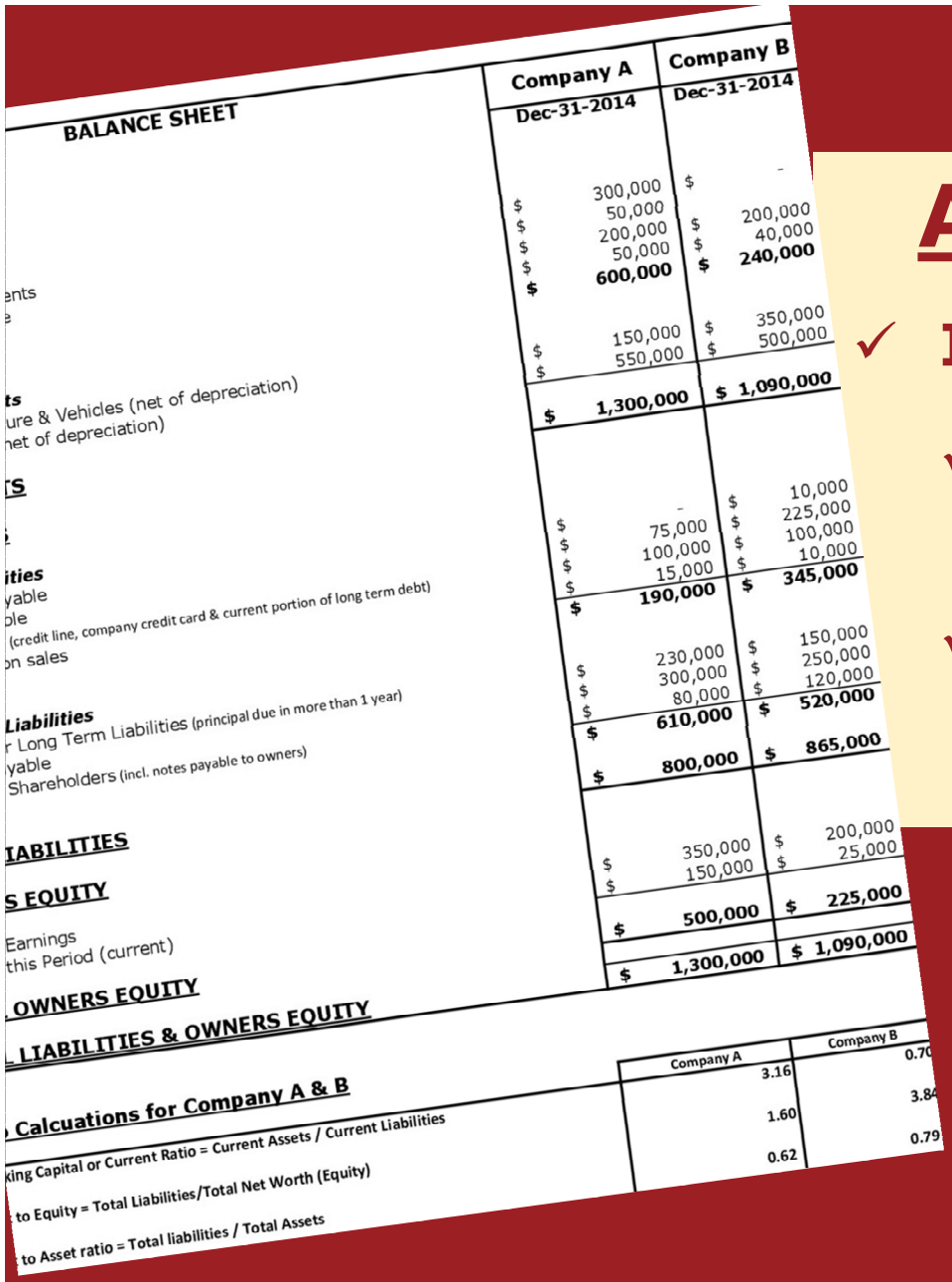
Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Asset Turnover

- ✓ Greater than 2.5
- ✓ How to improve:
  - ✓ Increase sales
  - ✓ Liquidate unused assets
  - ✓ Lease instead of buy
  - ✓ Improve margins
  - ✓ Accelerate A/R
  - ✓ Better inventory management

AR	AP
✓ Contains a profit margin	✓ Contains only cost

✓ **A/R should be 2x A/P**



BALANCE SHEET

	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
S		
ities	$ -	$ 10,000
yable	$ 75,000	$ 225,000
ble	$ 100,000	$ 100,000
(credit line, company credit card & current portion of long term debt)	$ 15,000	$ 10,000
on sales	$ 190,000	$ 345,000
Liabilities		
r Long Term Liabilities (principal due in more than 1 year)	$ 230,000	$ 150,000
yable	$ 300,000	$ 250,000
Shareholders (incl. notes payable to owners)	$ 80,000	$ 120,000
	$ 610,000	$ 520,000
	$ 800,000	$ 865,000
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)		
OWNERS EQUITY	$ 1,300,000	$ 1,090,000
LIABILITIES & OWNERS EQUITY		

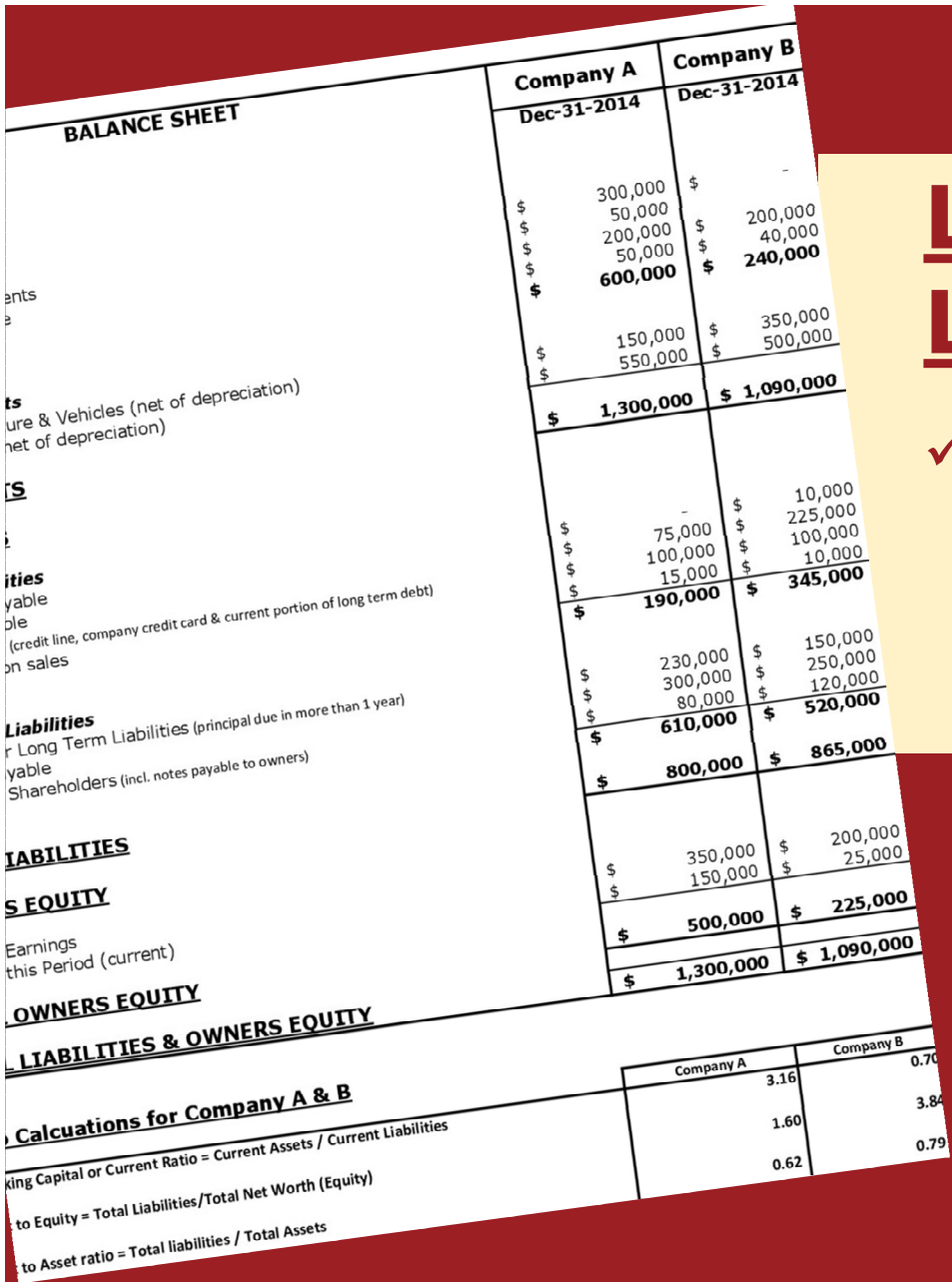
Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

A/R vs A/P

- ✓ **If out of balance:**
  - ✓ **Paying creditors too fast**
  - ✓ **Not collecting from customers fast enough**

Debt Structure

- ✓ Part of the total debt to be paid within 1 year
- ✓ Higher ratio – drain on cash flow
- ✓ May need to refinance
- ✓ Current Liabilities/Total liabilities



BALANCE SHEET	Company A Dec-31-2014	Company B Dec-31-2014
ents	$ 300,000	$ -
e	$ 50,000	
	$ 200,000	$ 200,000
	$ 50,000	$ 40,000
	$ 600,000	$ 240,000
ts		
ure & Vehicles (net of depreciation)	$ 150,000	$ 350,000
net of depreciation)	$ 550,000	$ 500,000
	$ 1,300,000	$ 1,090,000
TS		
	$ -	$ 10,000
	$ 75,000	$ 225,000
ities	$ 100,000	$ 100,000
yable	$ 15,000	$ 10,000
ble	$ 190,000	$ 345,000
(credit line, company credit card & current portion of long term debt)		
on sales	$ 230,000	$ 150,000
	$ 300,000	$ 250,000
Liabilities	$ 80,000	$ 120,000
r Long Term Liabilities (principal due in more than 1 year)	$ 610,000	$ 520,000
yable	$ 800,000	$ 865,000
Shareholders (incl. notes payable to owners)		
IABILITIES	$ 350,000	$ 200,000
S EQUITY	$ 150,000	$ 25,000
	$ 500,000	$ 225,000
Earnings		
this Period (current)	$ 1,300,000	$ 1,090,000
OWNERS EQUITY		
LIABILITIES & OWNERS EQUITY		

Calcuations for Company A & B	Company A	Company B
king Capital or Current Ratio = Current Assets / Current Liabilities	3.16	0.70
to Equity = Total Liabilities/Total Net Worth (Equity)	1.60	3.84
to Asset ratio = Total liabilities / Total Assets	0.62	0.79

Loans & Credit Lines

- ✓ If on the books for 2-3 years - Check interest rates!
- ✓ Refinance?

Finding Cash

- ✓ Sell unused assets, but be careful
- ✓ Collect A/R faster