

# This Is No BS Financial Measurement Tools

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The 2016 International Radon Symposium™

# Tool Types

## Installation

Tony McDonald

10 Tools Every Mitigator Needs

Today Add Financial Tools

11 Tools Every Mitigator Needs

# Financial Tools Aren't Here



Is this how your financial tape  
measure looks?



Hopefully It Will Look More Like This  
When We Finish



# Financial Tape Measures

Balance Sheet

Income Statement

Measurement Ratios

Cash Flow

Valuation

# Why Are Financial Tools Important?

Helps you manage and grow the business.

Hopefully keeps business from managing you.

Creates ability to deal with bank and others.

# Balance Sheet

Statement of Net Worth

Details Assets, Liabilities and Equity

Assets = Liabilities + Stockholders Equity

Assets – Liabilities = Stockholders Equity



# Assets

- Cash
- Investments
- Accounts Receivable
- Inventory
- Property and Equipment
- Prepaid Expenses

# Liabilities

- Notes Payable
- Accounts Payable
- Accrued Expenses
- Long-term debt

# Stockholders' equity

- Preferred stock
- Common stock
- Additional paid-in capital
- Retained Earnings

## Radon Fixer Balance Sheet August 31, 2016

Cash	10000	
Accounts Receivable	28000	
Inventory	55000	
Prepaid Expenses	2000	
Equipment	25000	
Computers	15000	
Accum. Depr. Equipment		8000
Accum. Depr. Computers		6000
Goodwill	10000	
Accounts Payable		25000
Expenses Payable		5000
Payroll Taxes Withheld		2500
Loans Payable – Short Term		10000
Loans Payable – Long Term		30000
Capital Stock		10000
Paid In Capital		5000
Retained Earnings		22000
Net Profit		21500
	145000	145000



# Profit & Loss (Income) Statement

- Net Sales
- Cost of Goods Sold
- Operating Expenses
- Other Income
- Other Expenses

# Profit & Loss Statement

Revenue

- Expenses

= Net Earnings / Loss

# Revenue

- Sales
- Investment Income
- Other Income

# Cost Of Goods Sold

## Mitigation Company

- Pipe
- Fans
- Items such as caulk that are purchased in quantity.



# Operating Expenses

- Wages
- Vehicle Expense
- Equipment Depreciation
- Interest Expense
- Office Supplies

# Radon Fixer

## Income Statement

### Jan 1 – Aug 31, 2016

#### Sales

Radon Mitigation	200,000
Cost of Sales	71,000
Gross Profit	129,000

#### Expenses

Equipment Depreciation	4,000
Computer Depreciation	3,000
Goodwill	1,000
Office Expense	4,000
Interest Expense	1,500
Insurance Expense	4,000
Payroll	70,000
Payroll Taxes	15,000
Vehicle Expense	5,000
Total Expenses	<u>107,500</u>

Net Income

21,500



# Measurement Ratios

- Current Ratio
- Quick Ratio

# Current Ratio

Total Current Assets

Divided By

Total Current Liabilities

Indication of ability to meet current obligations

# Quick Ratio

Cash & Equivalents + Trade Receivables

Divided By

Net Total Current Liabilities

More conservative measure of liquidity

Excludes inventory as asset

# Cash Flow

- Net Income + Non-cash expenses

# Radon Fixer Cash Flow

Net Income	21,500
Equipment Depreciation	4,000
Computer Depreciation	3,000
Goodwill	1,000
Cash Flow	29,500

# Valuation

- Cash Flow/Discount Rate
- Radon Fixer Annualized Cash Flow 44,250
- Discount Rate 8%
- Value 553,125



# Why Is This Important?

- Internal Management Decisions
  - Is organization making money?
  - Where is there opportunity for improvement?
  - Source of internal control
- Outside Management Decisions
  - Bank Loans
  - Acquisitions/Divestiture

# Discussion Assumptions

- Participants have a computer
- Participants use some type of accounting software.
- If not using accounting software, free basic software is available on line. Googled free accounting software.

**Accounting Software - Capterra.com**  
[capterra.com/accounting](http://capterra.com/accounting) ▾  
Top Accounting Software Free Reviews and Filtering!  
Efficiencies · Save Hours of Research · Boost Your Productivity  
[Open Source Accounting Software](#)

**Small Business Accounting Software | Wave**  
[www.waveapps.com/accounting/](http://www.waveapps.com/accounting/) ▾ Wave Accounting ▾  
The online accounting made for small businesses. Not just a free trial, but honest-  
ness free. Certified secure, and accountant approved. More than ...  
[Accounting Features](#) · [Wave University](#)

**Review: Best Free Accounting Software for Businesses**  
[businessnewsdaily.com/7545-best-free-accounting-software.html](http://businessnewsdaily.com/7545-best-free-accounting-software.html) ▾  
2016 - Wave is a free, cloud-based accounting software that is viable for freelancers and  
businesses with fewer than 10 employees. Read our full ...

**Best free accounting software 2016 | TechRadar**  
[techradar.com/.../software/.../best-free-accounting-software-8-progra...](http://www.techradar.com/.../software/.../best-free-accounting-software-8-progra...) ▾ TechRadar ▾  
2016 - But that doesn't mean you need to invest huge sums or learn something hopelessly  
difficult. The best free accounting software is easy to ...

**Manager • Free Accounting Software for Small Business**  
[www.manager.io/](http://www.manager.io/) ▾  
Looking for accounting software? Manager is free accounting software for small business.  
Available on Mac and Linux.

# Free Accounting Software Hook

- They generally charge for payroll services.
- There is no free lunch

# With Financial Tools

Hopefully you will better manage and grow your business.

Hopefully your business will no longer manage you.

Have the ability to deal with bank and others.

# Calvin's Commercial

Establish Rainey Day Fund

Aflack type policy

I broke hip April 19. Doctor says I may be able to install in November

Questions?

# Contact Information

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