

grow
accounting

Understanding Financial Statements

How to read & understand financial reports.

Presented by:

Tasha Hungerford

B.Com, CPA

www.growaccounting.com.au

Bevan Pierce

B.Com, PG Cert (Commerce)

Ph: (07) 54489600

@: bevan@growaccounting.com.au

www.growaccounting.com.au

Who are We



1. Sunshine Coast based accounting firm
2. Specialise in small business with a large property focus as well
3. No obligation follow up.

Presented by:

Tasha Hungerford

B.Com, CPA

www.growaccounting.com.au

Bevan Pierce

B.Com, PG Cert (Commerce)

www.growaccounting.com.au

Ph: 07 54 48 9600



Objectives of Today's Presentation

Help you understand the different types of financial statements

General information – Not advice



But Why Bother!?

What are some of the common views about accounting reports?

- They are so boring!
- I already understand my business?
- I don't understand it
- That's what my accountant/bookkeeper is for!!

Presented by:

Tasha Hungerford

B.Com, CPA

www.growaccounting.com.au

Bevan Pierce

B.Com, PG Cert (Commerce)

Ph: (07) 54489600

@: bevan@growaccounting.com.au

www.growaccounting.com.au



Financials Statements

1. Profit & Loss; shows the income & expenses of your business
2. Balance sheet; shows the assets and liabilities
3. Cashflow statement; the business owners best friend



Case Study - Jenny's Chocolates

1. Structure

- Company

2. Capital Input

- Put in \$200,000 in cash to fund start up
- Used \$165,000 to purchase new equipment
- Purchased a new car via a loan in May 2019

3. Trading history

- Started trading in April 2018
- Will pay herself a wage due to business structure



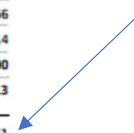
Profit and Loss

Jenny's Chocolate Pty Ltd
For the 11 months ended 31 May 2019

JUL 2018-MAY 2019

Trading Income	
Sales	154,038.32
Total Trading Income	154,038.32
Cost of Sales	
Opening Stock	28,320.00
Purchases	41,672.73
Closing Stock	(45,532.00)
Total Cost of Sales	24,460.73
Gross Profit	129,577.59
Other Income	
Interest Income	97.05
Total Other Income	97.05
Operating Expenses	
Advertising	4,102.91
Bank Fees	331.50
Cleaning	465.00
Consulting & Accounting	98.00
Depreciation	29,957.95
Donations	500.00
Entertainment	277.20
General Expenses	1,085.05
Interest Expense	2,345.00
Legal expenses	4,090.91
Light, Power, Heating	1,044.73
Motor Vehicle Expenses	878.95
Office Expenses	1,425.92
Printing & Stationery	180.45
Rent	5,573.86
Subscriptions	120.00
Superannuation	3,819.00
Telephone & Internet	239.56
Travel - National	682.14
Wages and Salaries	40,200.00
Total Operating Expenses	97,418.13
Net Profit	32,256.51

\$32,256.61



Profit & Loss Statement (Or where is my money!)

1. GST exclusive
2. Cash vs Accruals



Aged Receivables Summary

Jenny's Chocolate Pty Ltd

As at 27 May 2019

Contact	Current	< 1 Month	1 Month	2 Months	3 Months	Older	Total
Basket Case	914.55	-	-	-	-	-	914.55
Bayside Club	20,234.00	-	-	-	-	-	20,234.00
City Limousines	-	-	599.50	250.00	-	-	849.50
Cube Land	495.00	-	-	-	-	-	495.00
DIISR - Small Business Services	3,850.00	-	-	-	-	-	3,850.00
Marine Systems	396.00	-	-	-	-	-	396.00
Pinnacle Management	3,080.00	-	-	-	-	-	3,080.00
Ridgeway University	-	6,187.50	-	-	-	-	6,187.50
Total	28,969.55	6,187.50	599.50	250.00	-	-	36,006.55

Accruals Basis:

Profit \$32,256 x 27.5% = **\$8,870 Tax**

Cash Basis:

Net Profit **\$32,256.51**

Less Debtors (after GST) **\$32,733.23**
(\$476.72)

Plus Creditors (after GST) **\$6,180.91**

Adjusted Net Profit **\$5,704.19**

Profit \$5,704 x 27.5% = **\$1,569 Tax**

Profit and Loss

Jenny's Chocolate Pty Ltd
For the 11 months ended 31 May 2019

JUL 2018-MAY 2019

Trading Income	
Sales	154,038.32
Total Trading Income	154,038.32
Cost of Sales	
Opening Stock	28,320.00
Purchases	41,672.73
Closing Stock	(45,532.00)
Total Cost of Sales	24,460.73
Gross Profit	129,577.59
Other Income	
Interest Income	97.05
Total Other Income	97.05
Operating Expenses	
Advertising	4,102.91
Bank Fees	331.50
Cleaning	465.00
Consulting & Accounting	98.00
Depreciation	29,957.95
Donations	500.00
Entertainment	277.20
General Expenses	1,085.05
Interest Expense	2,345.00
Legal expenses	4,090.91
Light, Power, Heating	1,044.73
Motor Vehicle Expenses	878.95
Office Expenses	1,425.92
Printing & Stationery	180.45
Rent	5,573.86
Subscriptions	120.00
Superannuation	3,819.00
Telephone & Internet	239.56
Travel - National	682.14
Wages and Salaries	40,200.00
Total Operating Expenses	97,418.13
Net Profit	32,256.51

Profit & Loss Statement (Or where is my money!)

1. GST exclusive

2. Cash vs Accruals

3. Depreciation:

Immediate claim for amounts:

\$20,000 1/7/18 – 28/1/19

\$25,000 29/1/18 – 2/4/19 (<7:30pm)

\$30,000 2/4/19 (<7:30pm) – 30/6/20



Profit and Loss

Jenny's Chocolate Pty Ltd
For the 11 months ended 31 May 2019

JUL 2018-MAY 2019

Trading Income	
Sales	154,038.32
Total Trading Income	154,038.32
Cost of Sales	
Opening Stock	28,320.00
Purchases	41,672.73
Closing Stock	(45,532.00)
Total Cost of Sales	24,460.73
Gross Profit	129,577.59
Other Income	
Interest Income	97.05
Total Other Income	97.05
Operating Expenses	
Advertising	4,102.91
Bank Fees	331.50
Cleaning	465.00
Consulting & Accounting	98.00
Depreciation	29,957.95
Donations	500.00
Entertainment	277.20
General Expenses	1,085.05
Interest Expense	2,345.00
Legal expenses	4,090.91
Light, Power, Heating	1,044.73
Motor Vehicle Expenses	878.95
Office Expenses	1,425.92
Printing & Stationery	180.45
Rent	5,573.86
Subscriptions	120.00
Superannuation	3,819.00
Telephone & Internet	239.56
Travel - National	682.14
Wages and Salaries	40,200.00
Total Operating Expenses	97,418.13
Net Profit	32,256.51

Profit & Loss Statement (Or where is my money!)

1. GST exclusive
2. Cash vs Accruals
3. Depreciation
4. Loans & Leases



Motor Vehicle Loan:

\$645 per month x 11 months \$7,095

However on financials is reflected as

Depreciation \$9,995

And Interest \$2,345

Total claim \$12,340

Initially better deduction than lease payments

Profit and Loss

Jenny's Chocolate Pty Ltd
For the 11 months ended 31 May 2019

JUL 2018-MAY 2019

Trading Income	
Sales	154,038.32
Total Trading Income	154,038.32
Cost of Sales	
Opening Stock	28,320.00
Purchases	41,672.73
Closing Stock	(45,532.00)
Total Cost of Sales	24,460.73
Gross Profit	
	129,577.59
Other Income	
Interest Income	97.05
Total Other Income	97.05
Operating Expenses	
Advertising	4,102.91
Bank Fees	331.50
Cleaning	465.00
Consulting & Accounting	98.00
Depreciation	29,957.95
Donations	500.00
Entertainment	277.20
General Expenses	1,085.05
Interest Expense	2,345.00
Legal expenses	4,090.91
Light, Power, Heating	1,044.73
Motor Vehicle Expenses	878.95
Office Expenses	1,425.92
Printing & Stationery	180.45
Rent	5,573.86
Subscriptions	120.00
Superannuation	3,819.00
Telephone & Internet	239.56
Travel - National	682.14
Wages and Salaries	40,200.00
Total Operating Expenses	97,418.13
Net Profit	
	32,256.51

Cost of Sales

Opening Stock	28,320.00
Purchases	41,672.73
Closing Stock	(45,532.00)
Total Cost of Sales	24,460.73

Gross Profit**129,577.59**

Profit & Loss Statement (Or where is my money!)

1. GST exclusive
2. Cash vs Accruals
3. Depreciation
4. Loans & Leases
5. Stock



Balance Sheet

1. What is an asset?
2. What is a liability?
3. What is Equity



Balance Sheet

Jenny's Chocolate Pty Ltd As at 31 May 2019

31 May 2019 30 Jun 2018

Assets

	31 May 2019	30 Jun 2018
Bank		
Business Bank Account	70,383	17,535
Business Savings Account	6,878	-
Total Bank	77,261	17,535
Current Assets		
Accounts Receivable	36,007	8,432
Stock on Hand	45,532	28,320
Total Current Assets	81,539	36,752
Fixed Assets		
Motor Vehicle	45,454	45,454
Less Accumulated Depreciation on Motor Vehicles	(11,889)	(1,894)
Plant & Equipment	150,000	150,000
Less Accumulated Depreciation on Plant & Equipment	(24,958)	(4,995)
Total Fixed Assets	158,607	188,565
Total Assets	317,407	242,852

Liabilities

Current Liabilities		
Accounts Payable	6,799	458
Directors Loan - 2018	114,015	114,015
Directors Loan - 2019	29,239	-
GST	(5,016)	(14,275)
PAYG Withholdings Payable	2,283	1,241
Superannuation Payable	1,523	568
Total Current Liabilities	148,842	102,006
Non-Current Liabilities		
Loan - Motor Vehicle	54,065	61,160
Loan: Unexpired Interest	(14,284)	(16,629)
Total Non-Current Liabilities	39,781	44,531
Total Liabilities	188,623	146,537
Net Assets	128,783	96,314

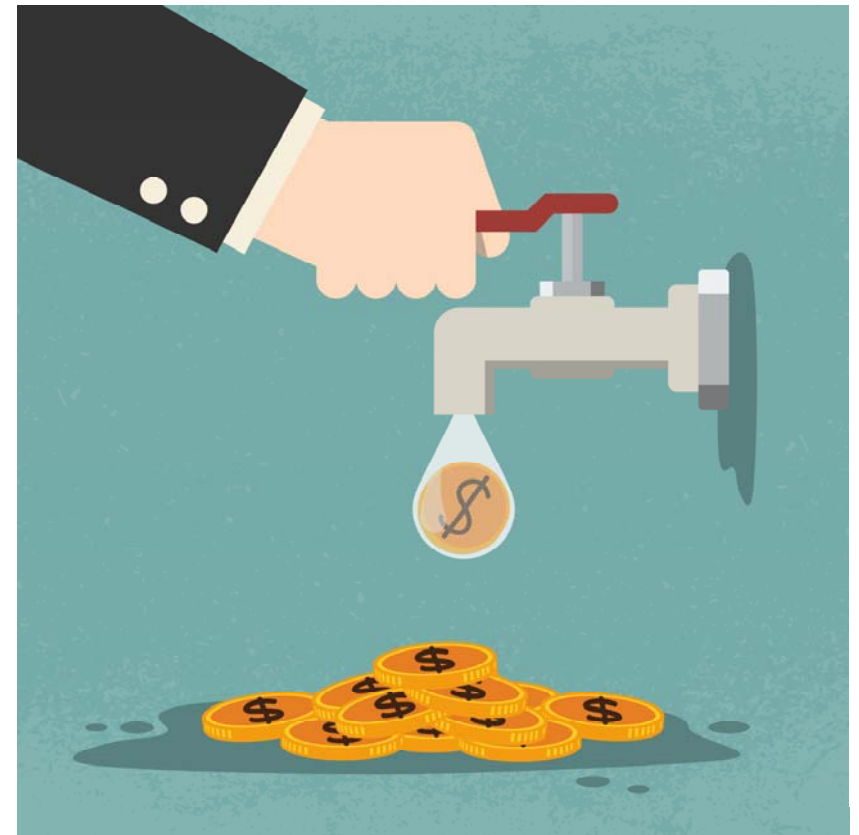
Equity

Current Year Earnings	32,469	96,302
Owner A Share Capital	12	12
Retained Earnings	96,302	-
Total Equity	128,783	96,314

Cashflow Statements

If Cashflow is King the the cashflow report is the ruler of all reports.

Great for tracking cash but CANNOT be used for tax calculations



Cash Summary

Jenny's Chocolate Pty Ltd For the 6 months ended 31 May 2019 Including GST

	May 2019	YTD Actual
Income		
Interest Income	97	97
Sales	133,670	142,102
Total Income	133,767	142,199
Less Operating Expenses		
Opening Stock	-	28,320
Advertising	13	13
Bank Fees	332	332
Cleaning	341	341
Consulting & Accounting	108	108
Donations	500	500
Entertainment	277	277
General Expenses	900	900
Legal expenses	4,500	4,500
Light, Power, Heating	1,041	1,041
Motor Vehicle Expenses	967	967
Office Expenses	1,569	1,569
Printing & Stationery	199	199
Purchases	45,000	45,000
Rent	6,131	6,131
Superannuation	3,819	3,819
Telephone & Internet	209	209
Travel - National	508	508
Wages and Salaries	40,200	40,200
Total Operating Expenses	106,613	134,933
Operating Surplus (Deficit)	27,153	7,265
Plus Non Operating Movements		
Stock on Hand	-	28,320
Directors Loan - 2019	37,671	29,239
PAYG Withholdings Payable	1,042	1,042
Superannuation Payable	955	955
Loan - Motor Vehicle	(7,095)	(7,095)
Total Non Operating Movements	32,573	52,461
Net Cash Movement	59,727	59,727
Summary		
Opening Balance	17,535	17,535
Plus Net Cash Movement	59,727	59,727
Closing Balance	77,261	77,261

Thank You!

