



**Welcome**  
**to**

**ESSENTIAL FINANCIAL LITERACY**

**AND PLANNING**

# Today's Objectives

- To understand the basics of financial statements
- To understand the link between business activities and financial outcomes
- To apply these principles in your company
- To learn safeguards to protect your assets against a disaster



# Definitions

- Fluency: to speak and understand the language
- Financial Fluency: understanding your company's financial language.
- Business Fluency: understanding your company's business language.



# Why be fluent?

- When traveling abroad, it's the difference between seeing the city through the eyes of the tour guide and discovering the city through your own eyes.
- In business, it's the difference between seeing the company through someone else's eyes and seeing it through your own eyes. Especially when it comes to understanding how your efforts impact the company.



# What is a business?



# The Business must make a Profit:

- For Employees to have a job.
- For Customers to have goods and services to buy.
- For Owners & Shareholders to get a return on their investment.



# There are three end goals:

1. To sell our goods & services for more than it costs us to provide them.
2. To get a return on our investment
3. To maintain a healthy cash flow to keep the company running



# Three goals = Three Statements:

1. To sell our goods & services for more than it costs us to provide them.

## Income Statement

1. To get a return on our investment

## Balance Sheet

1. To maintain a healthy cash flow to keep the company running

## Cash Flow



# Basic Financial Equations

$$\text{Profit} = \text{Revenue} - \text{Expenses}$$

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

## Income Statement

Income Statement

Reflects activities over a  
period of time

1 month  
1 quarter  
1 year

## Balance Sheet

Balance Sheet

A snap shot of the  
financial position of the  
company at a particular  
point  
in time



# Basic Financial Definitions

Profit =  
Revenue – Expenses

Equity =  
Assets – Liabilities

Income Statement

**Revenues** = how much \$ we bring in

**Expenses** = how much \$ we spend

**Profit** = what \$ is left over

Balance Sheet

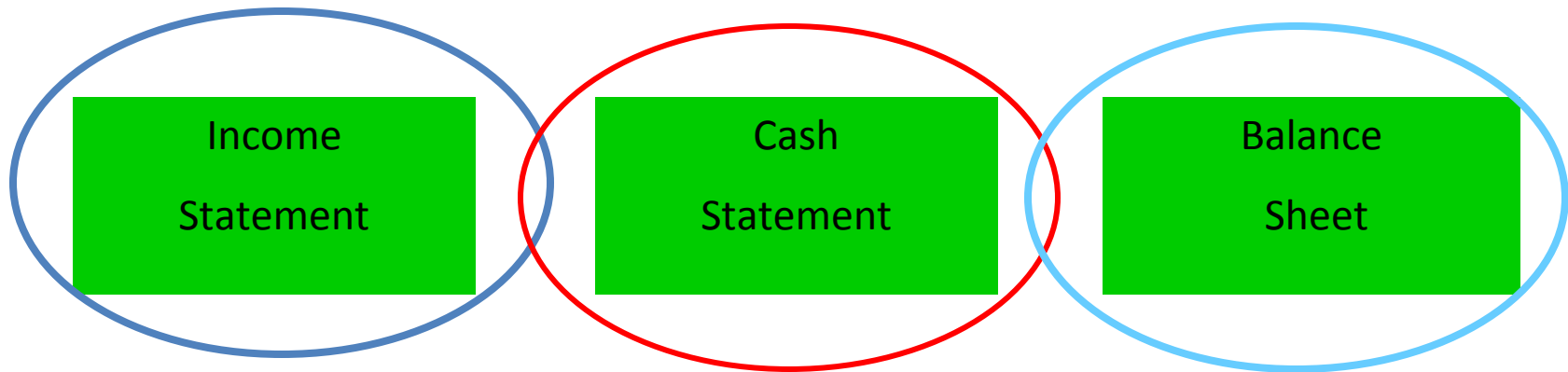
**Assets** = the \$ value of what we have

**Liabilities** = the \$ amount we owe

**Equity** = remaining \$ value left over



# Cash Statement Link



**The Cash Statement provides the link between  
the  
Balance Sheet & Income Statement**

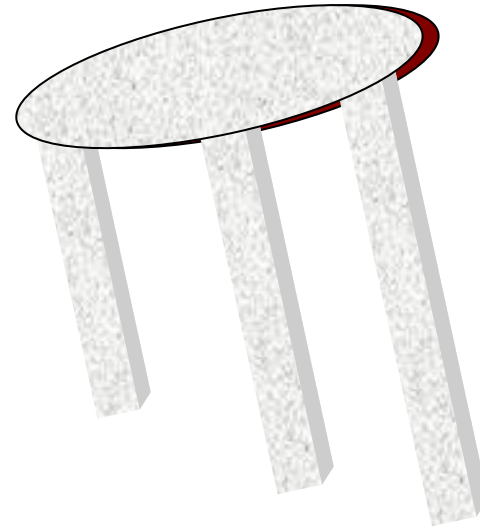


# Question:

- Is it possible to make a profit and not have any cash?
- Is it possible to make a profit and not get a good return on investment?
- Is it possible to have cash without making a profit?



# Three Legged Stool

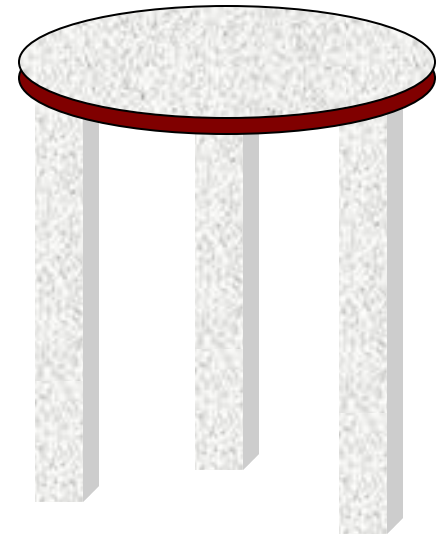


## Answer:

- Yes to all three, but not for very long. It's like sitting on a stool with three legs of different lengths.
- The long-term health of the company requires that all three legs of the stool be equally balanced.



How can we make sure  
that all the legs are in  
balance?



We need to understand & manage the factors in  
the business that impact the three legs.



	MONTH OR TRIP DATE	MONTH OR TRIP DATE	MONTH OR TRIP DATE
<b>FISHING &amp; OTHER OPERATING INCOME</b>			
Fish Sales			
Vessel/Equipment Lease Income			
Other Income			
<b>Total Income</b>			
<b>VARIABLE FISHING EXPENSES</b>			
Contract Services/1099s			
Supplies			
Fuel & Oil			
Ice			
Nets			
Salt/Sulfite			
Safety Equipment			
Repairs & Equipment			
Misc. Operating Costs			
Large Capital Expenses for Depreciation			
Other			
<b>Total Variable Expenses</b>			
<b>FIXED FISHING EXPENSES</b>			
Taxes & Licenses			
Loan Payments			
Office Expenses			
Vessel Insurance			
Professional Fees			
Other			
<b>Total Fixed Expenses</b>			
<b>TOTAL FISHING EXPENSES (VARIABLE &amp; FIXED)</b>			
<b>NET CASH FLOW FROM FISHING</b>			
<b>CUMULATIVE CASH BALANCE FROM FISHING</b>			



# Questions:

- What is depreciation?

A portion of the original cost of fixed assets charged to a particular income period as a cost of doing business.

- What is meant by “You can’t serve two gods?”

The two gods I am referring to is the “tax god” and the “good business sense god”. Do business the right way to prevent that battle. Have accurate business records that will represent your business properly in case you need a loan, for reimbursement in the event of a disaster, and for retirement planning.

- Can I have one checking account for my business and personal activity?

Even if a business is not incorporated, it is good business practice to keep the business and personal activity separated into two accounts.



# Bookkeeping Systems

- Manual System using a checkbook and ledger.
- Combined System of manual checkbook and a spreadsheet on a computer.
- Software such as Quickbooks on a computer.
- Hire someone to “keep your books”.
  
- However it is done, keeping organized and having accurate records is the key.



# What about a disaster?

- Vital Records that are necessary:
  - Employee data
  - Payroll information
  - Financial records, such as bank statements, copies of prior year tax returns, loan documents, etc.
  - Customer information
  - Vendor information
  - Insurance information and policies



# What about a disaster?

- Critical Phone Numbers:
  - Employees
  - Customers
  - Vendors
  - Insurance Companies
  - Banks
  - Investigate other forms of communication such as two way radios or land lines.



# What about a disaster?

- Safeguard Assets:
  - Boats
  - Vehicles
  - Residence
  - Equipment
  - Valuables
  - Vital Records



# What about a disaster?

- To help support insurance or disaster claims, you will need:
  - Historical sales records
  - Income and expense information such as current income and expenses and past tax returns
  - Receipts and pictures of equipment, boats, valuables and any insured items
  - Record of extra expenses incurred after the disasters
  - Record of sales made after the disaster





**Any  
Questions?**