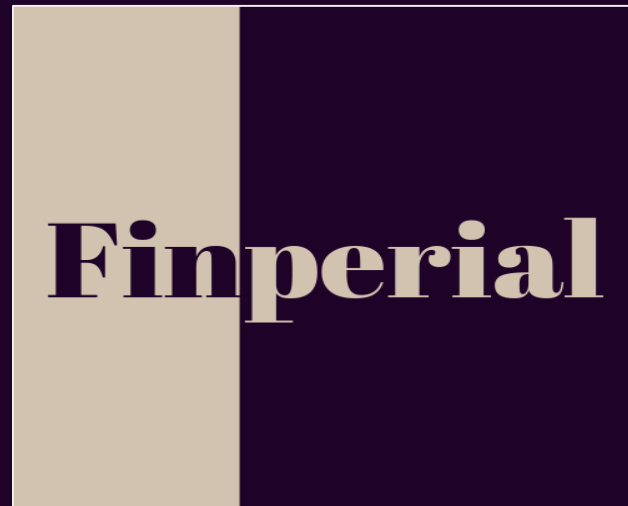


Finance for Non-Finance Entrepreneurs

An initiative by Finperial

Saturday, 14th September 2019



WHO ARE WE?



ENTREPRENEURS



WHY ARE WE HERE?



TO LEARN SOME FINANCE



WHAT DO WE WANT?

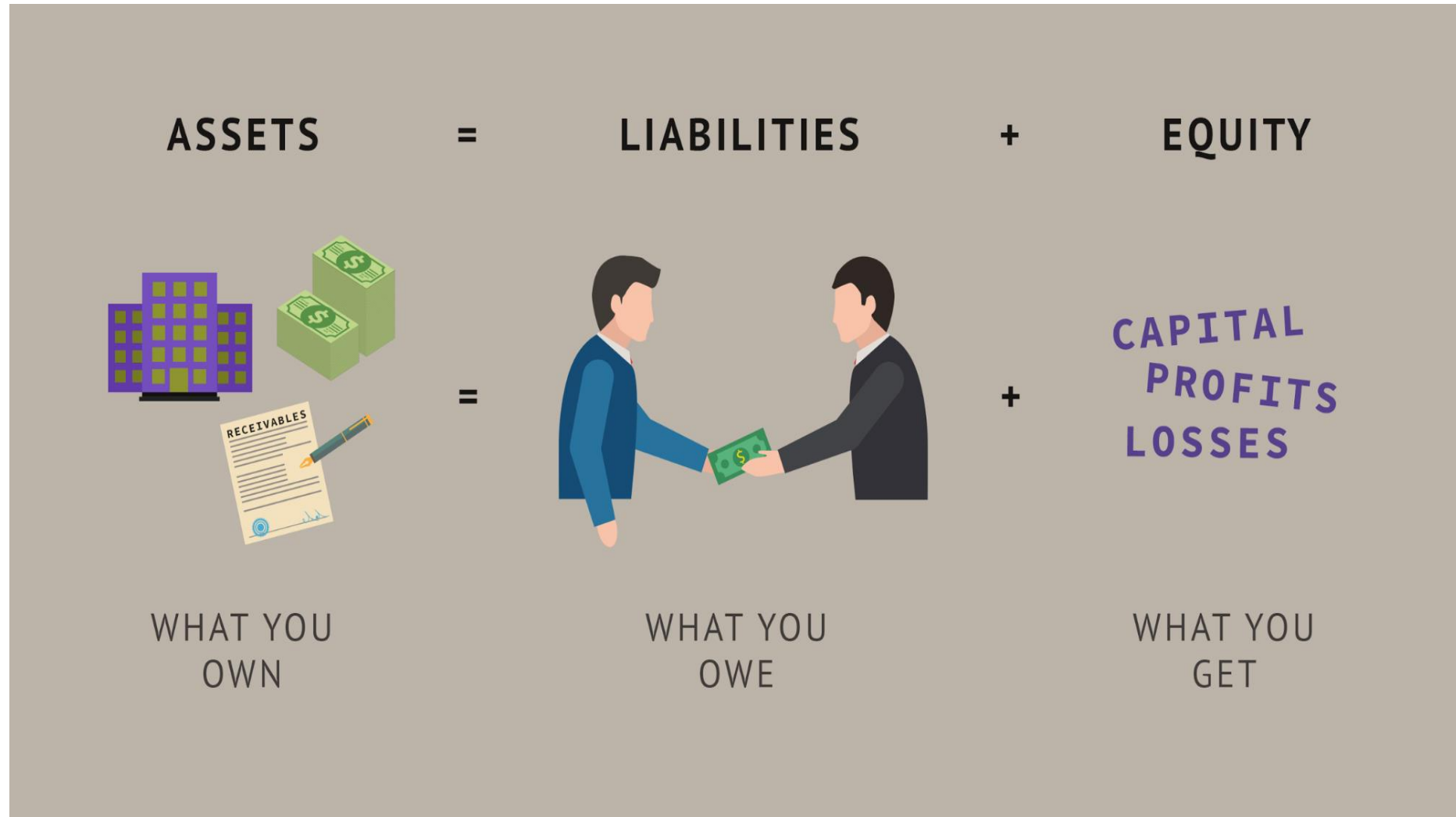


FOOD



Let's fill your appetite with some basic accounting terms

- Assets
- Liabilities
- Equity

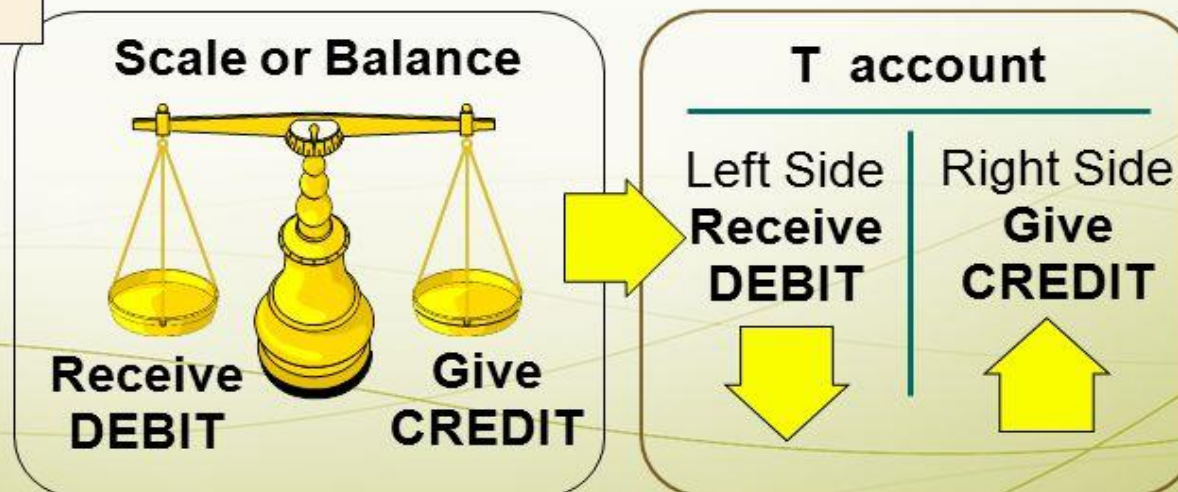


Bookkeeping



Luca Pacioli
Developer of
Double-Entry
Accounting

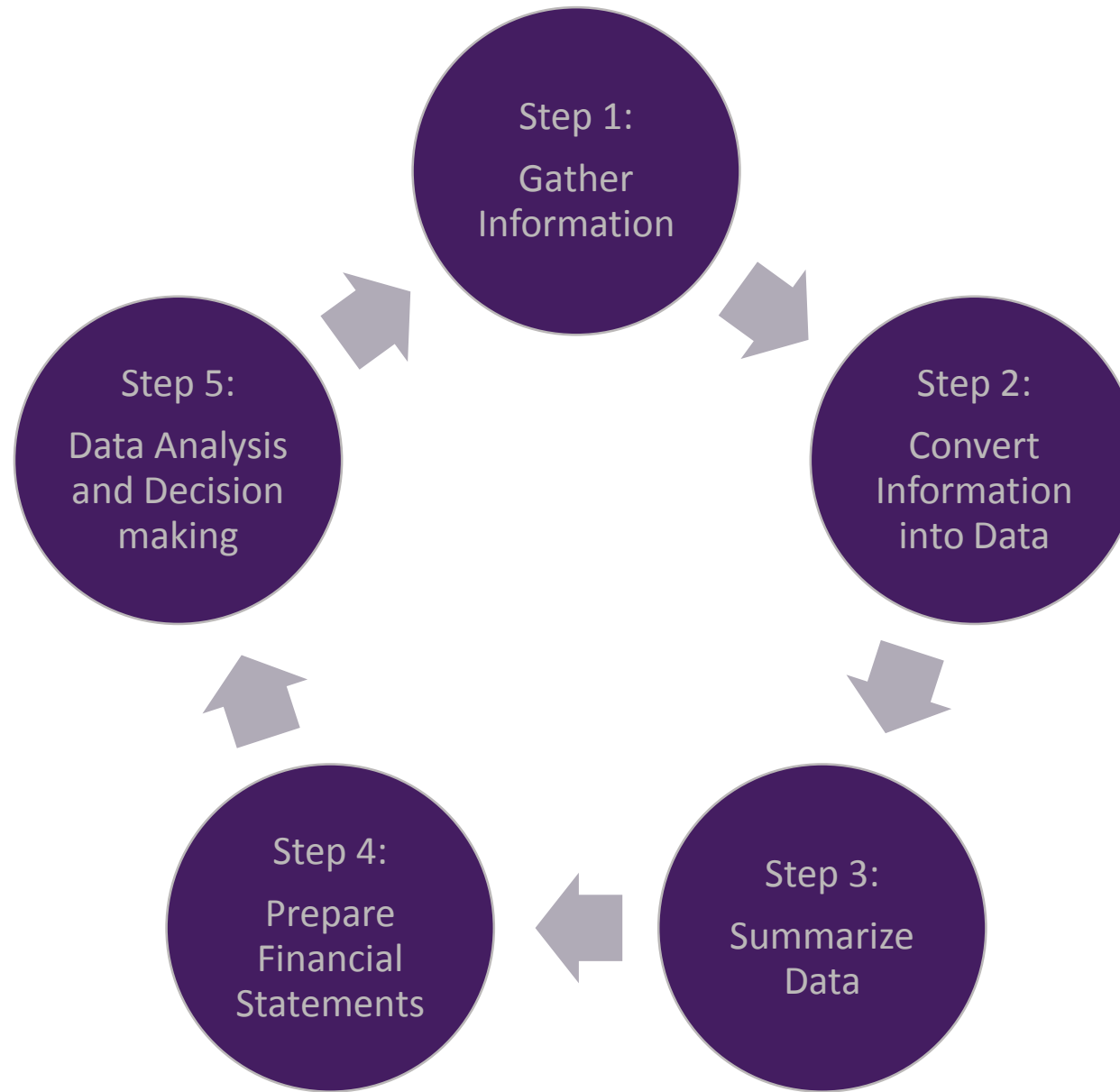
Double-entry accounting is based on a simple concept: each party in a business transaction will receive something and give something in return. In bookkeeping terms, what is received is a debit and what is given is a credit. The T account is a representation of a scale or balance.

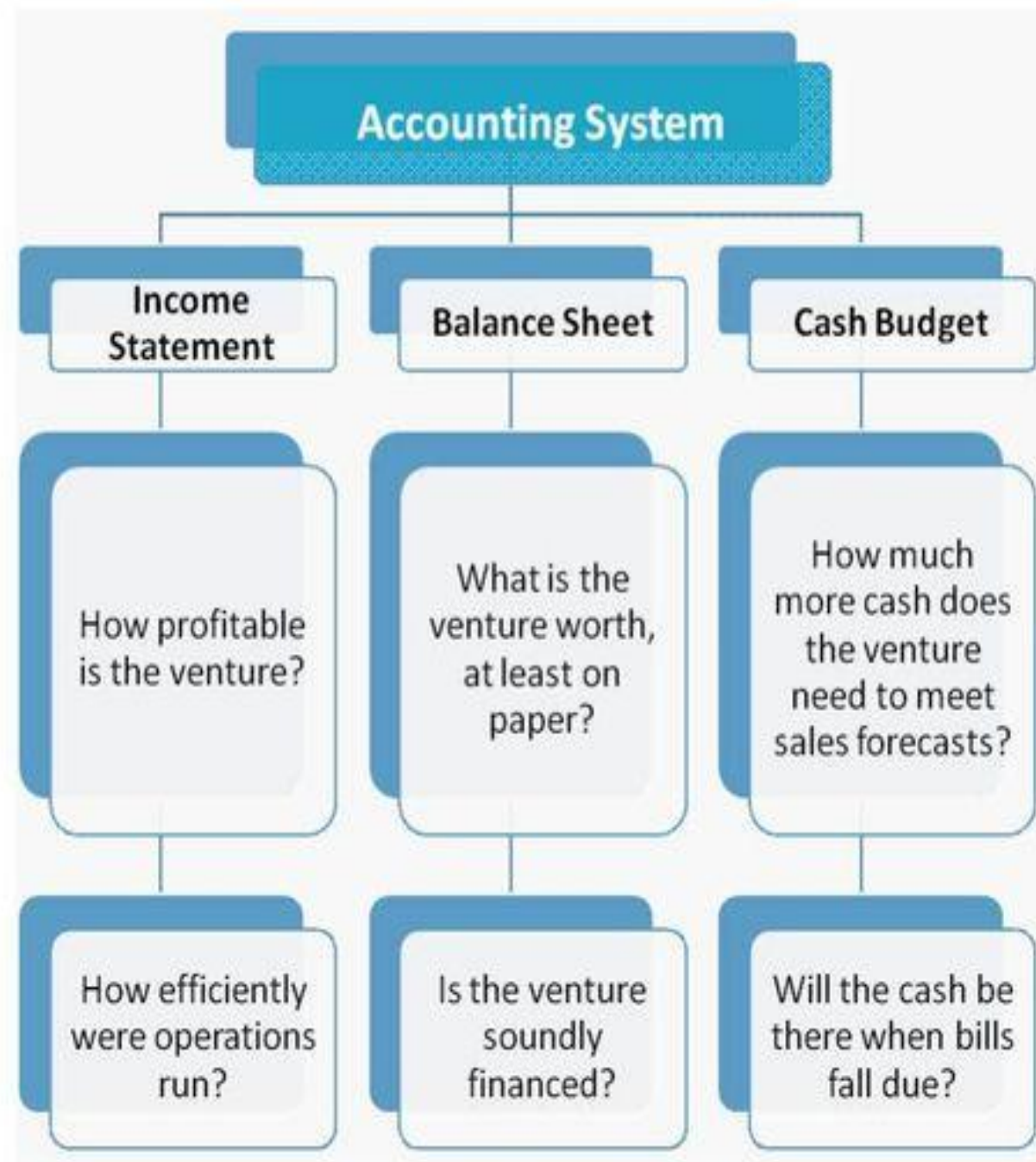


Bookkeeping and its terms

- Cash
- Accounts Receivable
- Inventory
- Accounts Payable
- Loans Payable
- Sales
- Purchases
- Payroll
- Retained Earnings
- Owner's Equity

Preferable cycle for startups





Income Statement

	Sales revenue
-	<u>Cost of goods sold</u>
	Gross profit
-	<u>Operating expenses</u>
	Income from operations
+/-	<u>Non-operating items</u>
	Income before taxes
-	<u>Income taxes</u>
	Net income

Wealth Statement

	Current assets
+	<u>Non-current assets</u>
	Total assets
	 Current liabilities
+	Long-term liabilities
+	<u>Stockholders' equity</u>
	Total liabilities and stockholders' equity

Income / Loss

EditSaveSubmitCancelPrint

Task114(1) (Return of Income filed voluntarily for complete year) +Transaction Date

NameRegistration No.

PeriodTax Year 2019Valid UptoDue DateDocument DateSubmission Date: *

DataAmortizationDepreciationMinimum TaxOption out of PTRPaymentCompany DirectorAttachmentAttributeVerification

EmploymentSalaryPropertyBusinessCapital AssetsOther SourcesForeign Sources / AgricultureTax Chargeable / PaymentsPersonal Assets / Liabilities / Receipts / Expenses

CalculateImport Previous Return

Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Income from Salary	1000				
Pay, Wages or Other Remuneration (including Arrears of Salary)	1009				
Allowances (including Flying / Submarine Allowance)	1049				
Expenditure Reimbursement	1059				
Value of Perquisites (including Transport Monetization for Civil Servants)	1089				
Profits in Lieu of or in Addition to Pay, Wages or Other Remuneration (including Employment Termination Benefits)	1099				

Income / Loss

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification						
▶ Employment										Calculate		Import Previous Return			
▶ Property										Description	Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
▼ Business										Income / (Loss) from Business	3000				
Manufacturing / Trading Items										Net Revenue (excluding Sales Tax, Federal Excise, Brokerage, Commission, Discount, Freight Outward)	3029				
Other Revenues										Gross Revenue (excluding Sales Tax, Federal Excise)	3009				
Management, Administrative, Selling & Financial Expenses										Selling Expenses (Freight Outward, Brokerage, Commission, Discount, etc.)	3019				
Inadmissible / Admissible Deductions										Cost of Sales / Services	3030				
Adjustments										Opening Stock	3039				
Business Assets / Equity / Liabilities										Net Purchases (excluding Sales Tax, Federal Excise)	3059				
										Salaries / Wages	3071				
										Fuel	3072				
▶ Capital Assets										Power	3073				
▶ Other Sources										Gas	3074				
▶ Foreign Sources / Agriculture										Stores / Spares	3076				
▶ Tax Chargeable / Payments										Repair / Maintenance	3077				
▶ Personal Assets / Liabilities / Receipts / Expenses										Other Direct Expenses	3083				
										Accounting Amortization	3087				
										Accounting Depreciation	3088				
										Closing Stock	3099				
										Gross Profit / (Loss)	3100				

Income / Loss

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification				
<div>▶ Employment</div>										Calculate		Import Previous Return	
<div>▶ Property</div>													
<div>▼ Business</div>													
Manufacturing / Trading Items													
Other Revenues													
Management, Administrative, Selling & Financial Expenses													
Inadmissible / Admissible Deductions													
Adjustments													
Business Assets / Equity / Liabilities													
<div>▶ Capital Assets</div>													
<div>▶ Other Sources</div>													
<div>▶ Foreign Sources / Agriculture</div>													
<div>▶ Tax Chargeable / Payments</div>													
<div>▶ Personal Assets / Liabilities / Receipts / Expenses</div>													
Description							Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action		
Other Revenues							3129						
Fee for Technical / Professional Services							3101						
Accounting Gain on Sale of Intangibles							3115						
Accounting Gain on Sale of Assets							3116						
Others							3128						
Share in untaxed Income from AOP							3131						
Share in Taxed Income from AOP							3141						

Income / Loss

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification					
▶ Employment										Calculate		Import Previous Return		
▶ Property														
▼ Business														
Manufacturing / Trading Items														
Other Revenues														
Management, Administrative, Selling & Financial Expenses														
Inadmissible / Admissible Deductions														
Adjustments														
Business Assets / Equity / Liabilities														
▶ Capital Assets														
▶ Other Sources														
▶ Foreign Sources / Agriculture														
▶ Tax Chargeable / Payments														
▶ Personal Assets / Liabilities / Receipts / Expenses														
Description										Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Management, Administrative, Selling & Financial Expenses										3199				
Rent										3151				
Rates / Taxes / Cess										3152				
Salaries / Wages / Perquisites / Benefits										3154				
Traveling / Conveyance / Vehicles Running / Maintenance										3155				
Electricity / Water / Gas										3158				
Communication										3162				
Repair / Maintenance										3165				
Stationery / Printing / Photocopies / Office Supplies										3166				
Advertisement / Publicity / Promotion										3168				
Insurance										3170				
Professional Charges										3171				
Profit on Debt (Financial Charges / Markup / Interest)										3172				
Brokerage / Commission										3178				
Other Indirect Expenses										3180				
Irrecoverable Debts Written off										3186				
Obsolete Stocks / Stores / Spares / Fixed Assets Written off										3187				
Accounting (Loss) on Sale of Intangibles										3195				
Accounting (Loss) on Sale of Assets										3196				
Accounting Amortization										3197				
Accounting Depreciation										3198				
Accounting Profit / (Loss)										3200				



Income / Loss

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification			
										Calculate	Import Previous Return	

Income / Loss

Admissible Deductions	3259				
Accounting Gain on Sale of Intangibles	3245				
Accounting Gain on Sale of Assets	3246				
Tax Amortization for Current Year	3247				
Tax Depreciation / Initial Allowance for Current Year	3248				
Pre-Commencement Expenditure / Deferred Cost	3250				
Other Admissible Deductions	3254				
Tax (Loss) on Sale of Intangibles	3255				
Tax (Loss) on Sale of Assets	3256				
Unabsorbed Tax Amortization for Previous Years	3257				
Unabsorbed Tax Depreciation for Previous Years	3258				

Income / Loss

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification					
▶ Employment										Calculate		Import Previous Return		
▶ Property														
▼ Business														
Manufacturing / Trading Items														
Other Revenues														
Management, Administrative, Selling & Financial Expenses														
Inadmissible / Admissible Deductions														
Adjustments														
Business Assets / Equity / Liabilities														
▶ Capital Assets														
▶ Other Sources														
▶ Foreign Sources / Agriculture														
▶ Tax Chargeable / Payments														
▶ Personal Assets / Liabilities / Receipts / Expenses														
Description										Code	Total Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount Subject to Normal Tax	Action
Income / (Loss) from Business before adjustment of Admissible Depreciation / Initial Allowance / Amortization for current / previous years										3270				
Unadjusted (Loss) from Business for 2013										327013				
Unadjusted (Loss) from Business for 2014										327014				
Unadjusted (Loss) from Business for 2015										327015				
Unadjusted (Loss) from Business for 2016										327016				
Unadjusted (Loss) from Business for 2017										327017				
Unadjusted (Loss) from Business for 2018										327018				

Wealth Statement

Data	Amortization	Depreciation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification			
▶ Employment										Calculate	Import Previous Return	
▶ Property	Description						Code	Amount			Action	
▼ Business	Total Assets						3349					
	Land						3301					
	Building (all types)						3302					
	Plant / Machinery / Equipment / Furniture (including fittings)						3303					
	Advances / Deposits / Prepayments						3312					
	Stocks / Stores / Spares						3315					
	Cash / Cash Equivalents						3319					
	Other Assets						3348					
	Total Equity / Liabilities						3399					
	Capital						3352					
▶ Capital Assets	Long Term Borrowings / Debt / Loan						3371					
▶ Other Sources	Trade Creditors / Payables						3384					
▶ Foreign Sources / Agriculture	Other Liabilities						3398					
▶ Tax Chargeable / Payments												
▶ Personal Assets / Liabilities / Receipts / Expenses												

Ratio Analysis

Financial Ratios

Liquidity / Short-term solvency

- **Current ratio** = total current assets / total current liabilities
- **Quick ratio** = quick assets or current assets – inventory – prepaid expenses / total current liabilities.
- **Working capital** = current assets – current liabilities
- **Cash ratio** = cash / current liabilities
- **Net working capital to total assets** = Net working capital / Total assets
- **Interval measure** = Current assets / Average daily operating costs

Profitability ratios

- **Gross profit Margin** = Gross profit / Sales (operating revenue)
- **Net Profit margin** = net income / Sales (operating revenue)
- **Net (gross) ROA** = net income / average total assets.
- **ROA** = profit margin x asset turnover
- **ROE** = net income / average stockholders' equity
- **ROE** = profit margin x asset turnover x equity multiplier (Du-Pont Analysis)

Activity ratios

- **Total asset turnover** = Sales (operating revenue) / total assets (average)
- **Receivables turnover** = Sales (operating revenue) / Receivables (average)
- **Average collection period** = Days in period or 365 days / Receivables turnover
- **Inventory turnover** = cost of goods sold / inventory (average)
- **Days in inventory** = Days in period or 365 days / inventory turnover
- **NWC turnover** = Sales / NWC

Financial leverage / solvency ratio:

- **Debt ratios: debt ratio** = debt / assets;
- **Debt-to-equity ratio; equity multiplier** = assets / equity
- **Times interest earned / Interest coverage** = EBIT / interest expense
- **Long term debt ratio** = Long term debt / (Long term debt + total equity)
- **Cash coverage ratio** = EBIT + Depreciation / Interest

Value / Market ratios: the value of the firm

- **P/E ratio**: current price of share / Earnings per share
- **PEG ratio** = Price earning ratio / Earnings growth rate
- **Price sales ratio** = Price per share / Sales per share
- **EPS**: Net Income / Outstanding shares
- **Dividend yield** = dividend per share / market price per share.
- **Market-to-book value**: Market value per share / Book value per share
- **Tobin Q's ratio** = Market value of assets / replacement cost of assets

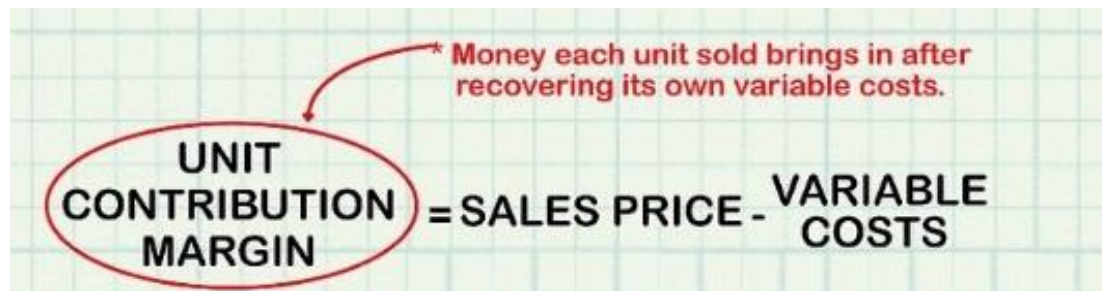
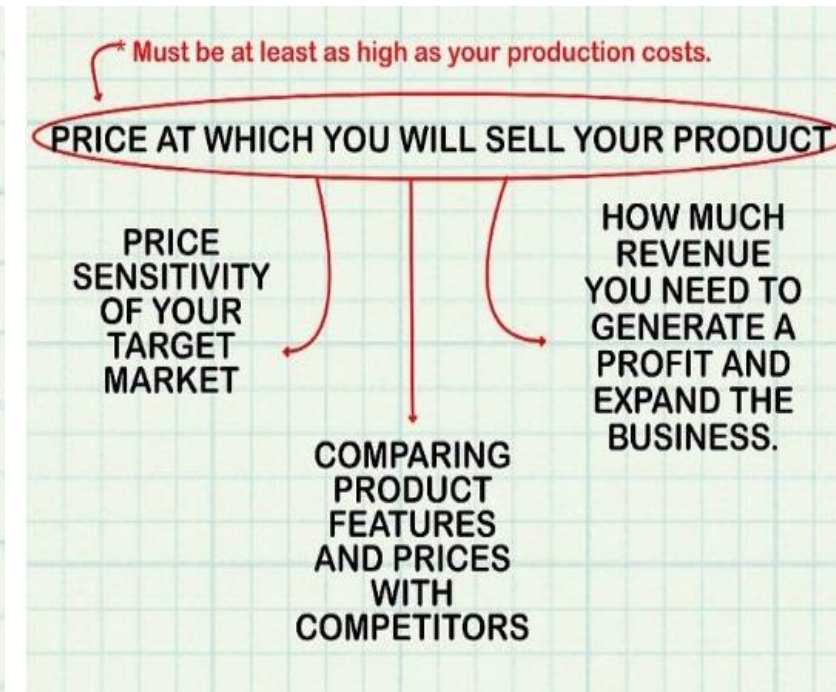
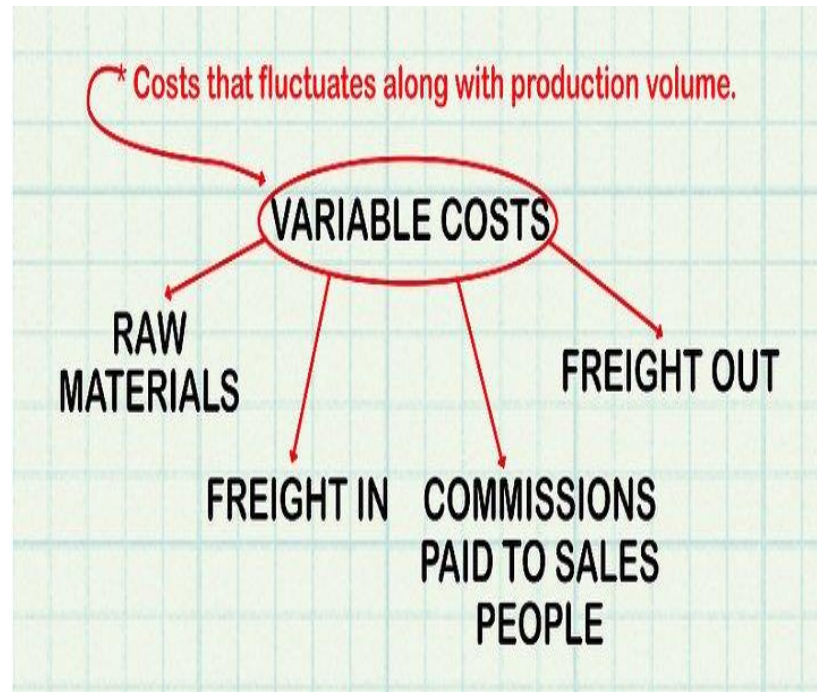
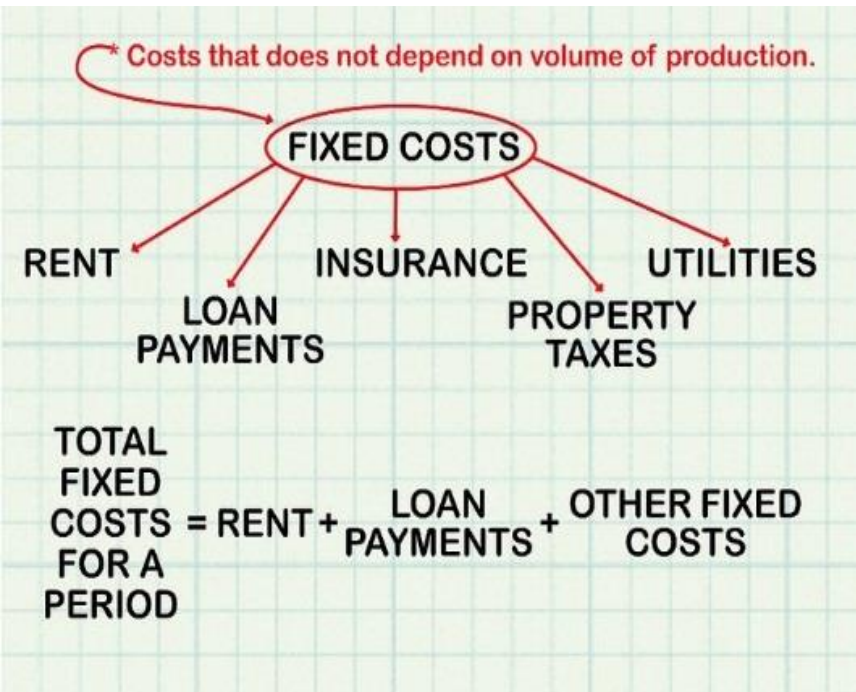
Budgeting Methods

Incremental

Activity
Based

Zero
Based





$$\text{BREAK-EVEN POINT} = \frac{\text{FIXED COSTS}}{\text{PRODUCT CONTRIBUTION MARGIN}}$$

Break-Even Conclusion

EACH
UNIT SOLD
ABOVE → PROFIT
BREAK-EVEN
POINT

EACH
UNIT SOLD
BELOW → LOSS
BREAK-EVEN
POINT

Bonus Tip

Pricing Formula

Time + materials = Cost

Cost \times 2 = Wholesale Price

Wholesale \times 2 = Retail Price

The logo for 'Finperial' is displayed within a rectangular frame. The word 'Finperial' is written in a bold, serif font. The 'Fin' portion is white and set against a solid black background, while the 'perial' portion is black and set against a solid white background.

Finperial

Contact Details

Phone: 0336 5116392

Email : finperial@gmail.com

Web: finperial.finance.blog