Finance for Non-Finance Entrepreneurs

An initiative by Finperial Saturday, 14th September 2019



Finperial





Let's fill your appetite with some basic accounting terms

Assets

Liabilities

Equity



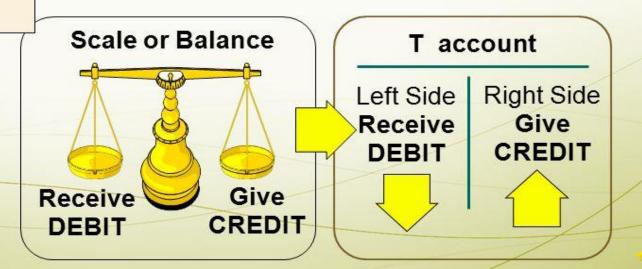


Bookkeeping



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

Loans Payable

Retained Earnings

Accounts Receivable

Sales

Owner's Equity

Inventory

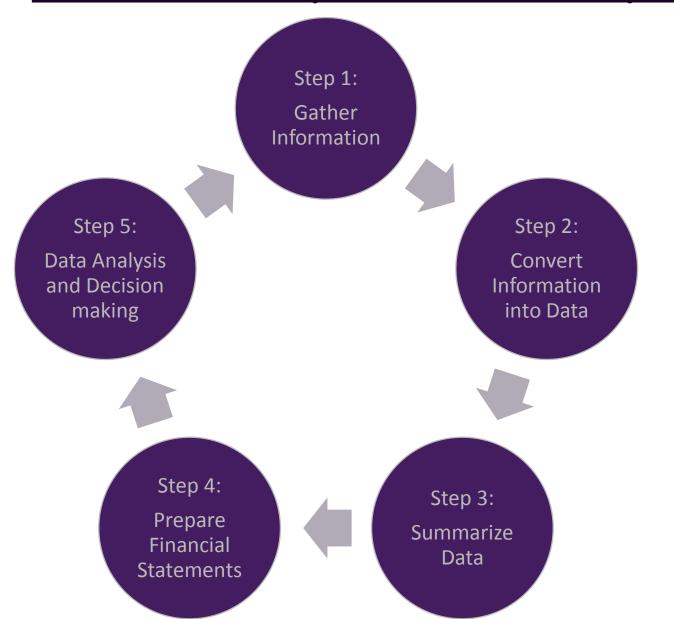
Purchases

Accounts Payable

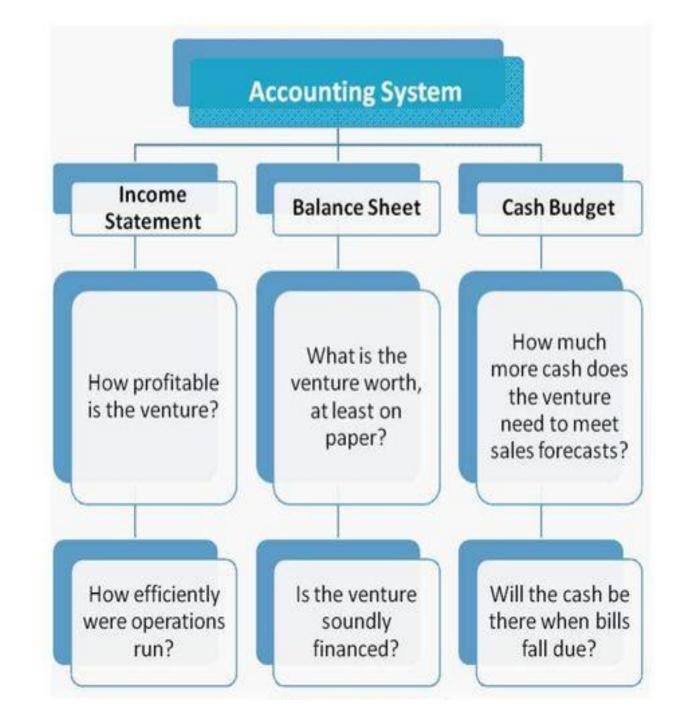
Payroll



Preferable cycle for startups



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Income Statement

Wealth Statement

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

- Current assets
- + Non-current assets
 Total assets
 - **Current liabilities**
- + Long-term liabilities
- + Stockholders' equity
 Total liabilities and
 stockholders' equity



	_																
© Edit	■ Save	Submit	Cancel	Print											×		
	Task	114(1) (Retu	ırn of Income	filed volunta	arily for complete year)			+	Transaction Date								
6	Name										Registration No.						
ii ii	Period		- 1	Tax	Year 2019 Valid Upto	Due Date		[Documen Date		Submissi	on Date: *					
Data	Amortization	Depreciat	tion Minin	num Tax	Option out of PTR	Payment	Company Director	Attachment	t At	Attribute Verification							
▼ Emplo	oyment											С	alculate	Import Pre	vious Return		
Salary	Salary Description											Amount Exempt from Tax / Subject to Fixed / Final Tax	/ Amount	Subject to nal Tax	Action		
▶ Prope	erty		Income fro	m Salary					1000								
Busin	ess		Pay, Wages	or Other I	Remuneration (includi	ng Arrears of	Salary)		1009								
Capita	al Assets		Allowances	(including	Flying / Submarine Al	lowance)			1049								
Other	Sources		Expenditure	e Reimburs	sement				1059								
Foreiç	gn Sources / Ag	griculture	Value of Pe	rquisites (i	ncluding Transport Mo	netization for	Civil Servants)		1089								
▶ Tax C	hargeable / Pa	yments			Addition to Pay, Wage ion Benefits)	s or Other Re	muneration (including		1099								
	onal Assets / Lia ipts / Expenses																



Gross Profit / (Loss)

Income / Loss

Data	Amortization	Deprecia	ation Minimum Ta	x Option out of PTR	Payment	Company Director	Attachme	ent A	ttribute	Verification				
▶ En	nployment											alculate	Import Prev	vious Return
▶ Pro	operty			Des	cription			Code	Tota	al Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amount S Norma	ubject to al Tax	Action
▼ Bu	isiness		Income / (Loss) fr	om Business				3000			/ Final Tax			
Ма	nufacturing / Tradin	g Items		luding Sales Tax, Feder	al Excise, Bro	okerage, Commission	ı,	3029						
Oth	her Revenues		Discount, Freight	•										
Ма	nagement, Adminis	trative,	Gross Revenue (excluding Sales Tax, Federal Excise) 3009											
	lling & Financial Exp		Selling Expenses (Freight Outward, Brokerage, Commission, Discount, etc.) 3019											
	admissible / Admissi	ble	Cost of Sales / Se	rvices				3030						
De	ductions		Opening Stock					3039						
Adj	justments		Net Purchases (e	xcluding Sales Tax, Fed	eral Excise)			3059						
	siness Assets / Equ bilities	ity /	Salaries / Wages					3071						
			Fuel		3072									
▶ Ca	pital Assets		Power					3073						
▶ Otl	her Sources		Gas					3074						
▶ Fo	reign Sources / Agri	iculture	Stores / Spares					3076						
▶ Tax	x Chargeable / Payr	ments	Repair / Maintenar	ice				3077						
	ersonal Assets / Liab	oilities /	Other Direct Exper	ises				3083						
Re	eceipts / Expenses		Accounting Amortization						987					
			Accounting Depre	iation				3088						
			Closing Stock					3099						

3100



Tax Chargeable / Payments

Receipts / Expenses

Personal Assets / Liabilities /

	IIICOITIC / LOSS													
Data	Amortization	Deprecia	ation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachment	Attribute	Verification				
▶ Emp	oloyment											Calculate	Import Pre	vious Return
	perty				Descriptio	on		Code	Tota	al Amount	Amount Exempt fro Tax / Subject to Fix / Final Tax	om ked Amour No	nt Subject to rmal Tax	Action
▼ Busi			Othe	er Revenues				3129						
Manufacturing / Trading Items			Fee	for Technical / Pro	ofessional Services			3101						
Other Revenues			Acco	ounting Gain on Sa	ale of Intangibles			3115						
	agement, Adminis ing & Financial Exp		Acco	ounting Gain on Sa	ale of Assets			3116						
	Imissible / Admissi		Othe	ers				3128						
	uctions	bie	Shar	re in untaxed Incor	me from AOP			3131						
Adju	ıstments		Shar	re in Taxed Income	e from AOP			3141						
Business Assets / Equity / Liabilities		ity /												
▶ Cap	ital Assets													
▶ Othe	er Sources													
▶ Fore	eign Sources / Agri	iculture												



Data	Amortization	Deprecia	tion Minimu	ım Tax	Option out of PTR	Payment	Company Director	Attachment	Attrib	bute	Verification					
▶ Emp	oloyment		-										Calculate		Import Pre	vious Return
▶ Prop					Descri	ption		Cod	de	Total	Amount	Amount Exempt Tax / Subject to I / Final Tax	from Fixed	Amount Norn	Subject to nal Tax	Action
▼ Busi	iness		Management	t, Admin	istrative, Selling & Fi	nancial Expe	nses	3199								
Man	ufacturing / Tradin	g Items	Rent					3151								
Othe	er Revenues		Rates / Taxes	/ Cess				3152	2							
	agement, Adminis		Salaries / Wag	ges / Per	quisites / Benefits			3154								
	ng & Financial Exp		Traveling / Co	nveyanc	e / Vehicles Running /	Maintenance		3155								
	missible / Admissil uctions	ble	Electricity / W	ater / Ga	s		3158									
Adiu	stments		Communication	on			3162									
1	ness Assets / Equi	ity /	Repair / Main	tenance				3165								
	ilities	ity r	Stationery / P	rinting / F	Photocopies / Office So	upplies		3166								
▶ Cap	ital Assets		Advertisemen	nt / Public	ity / Promotion		3168									
▶ Othe	er Sources		Insurance		3170											
	eign Sources / Agri	culture	Professional (3171											
	Chargeable / Payr		Profit on Debt	t (Financi	al Charges / Markup /	Interest)		3172	3172							
			Brokerage / C	commissi	on			3178	3178							
	sonal Assets / Liab eipts / Expenses	ilities /	Other Indirect	Expense	es			3180								
			Irrecoverable	Debts W	ritten off			3186								
			Obsolete Stoo	cks / Stor	es / Spares / Fixed As	sets Written o	ff	3187								
			Accounting (L	3195												
			Accounting (L	3196												
			Accounting A	3197												
			Accounting D	3198												
			Accounting F	Profit / (L	oss)			3200								



Data	Amortization	Deprecia	ation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachmer	nt Attri	ibute	Verification					
▶ Er	nployment			_									Ca	lculate	Import Prev	ious Return
▶ Pr	operty				Desc	ription			Code	Tota	l Amount	Amount Exer Tax / Subject / Final 1	to Fixed	Amoun Nor	t Subject to mal Tax	Action
→ Bu	siness		Inad	missible Deducti	ons				3239			/ T II I I I	Iax			
Ma	nufacturing / Tradin	g Items	Add	Backs u/s 29(2) P	rovision for Doubtful D	ebts			3201							
Ot	ner Revenues		Add	Backs Provision fo	or Obsolete Stocks / St	tores / Spares	/ Fixed Assets		3202							
	nagement, Adminis		Add	Backs Provision fo	or Diminution in Value	of Investment			3203							
Ina	lling & Financial Exp dmissible / Admissil			Backs u/s 21(i) Pro apitalized	ovision for Reserves /	Funds / Amou	unt carried to Reserves	/ Funds	3204							
De	ductions		Add	Backs u/s 21(a) C	ess / Rate / Tax levied	on Profits / G	ains		3205							
Ad	justments		Add	Backs u/s 21(b) A	mount of Tax Deducted		3206									
	siness Assets / Equi bilities	ity /	Add Paid		ayments liable to Dedu	educted /	3207									
▶ Ca	pital Assets		Add	Backs u/s 21(d) E	ntertainment Expendit	ure above pre		3208								
▶ O1	her Sources		Add	Backs u/s 21(e) C	ontributions to Unreco	gnized / Unap	proved Funds		3209							
	reign Sources / Agri	culture		Backs u/s 21(f) Co ax at source	ontributions to Funds n	eduction	3210									
▶ Ta	x Chargeable / Payr	nents	Add	Backs u/s 21(g) Fi	ne / Penalty for violation	on of any law	/ rule / regulation		3211							
	rsonal Assets / Liab	ilities /	Add	Backs u/s 21(h) Po	ersonal Expenditure				3212							
Re	ceipts / Expenses		Add Backs u/s 21(j) Profit on Debt / brokerage / Commission / salary / remuneration Paid by an AOP to its member 3213													
					penditure under a sing h prescribed mode	ed	3215									
			Add mod		Salary exceeding preso	ribed	3216									
			Add	Backs u/s 21(n) C	apital Expenditure				3217							
			Add	Backs u/s 67(1) E:	xpenditure attributable	to Non-Busin	ess Income		3218							
			Add Year		abilities allowed Previo	ously as dedu	ction not Paid within th	ree	3219							
			Add	Backs u/s 28(1)(b)	Lease Rental not adn	nissible			3220							
					ales promotion, advert acturers exceeding pre		oublicity expenses of		3224							
			Add	Backs Tax Gain or	n Sale of Intangibles				3225							
			Add	Backs Tax Gain or	n Sale of Assets				3226							
			Add	Backs Pre-Comme	encement Expenditure	/ Deferred Co	ost		3230							
			Othe	er Inadmissible Dec	ductions				3234							
			Add	Backs Accounting	(Loss) on Sale of Inta	ngibles			3235							
			Add	Backs Accounting	(Loss) on Sale of Ass	ets			3236							
			Add	Backs Accounting	Amortization				3237							
			Add	Backs Accounting	Depreciation				3238							



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



Data	Amortization	Deprecia	ation	Minimum Tax	Option out of PTR	Payment	Company Director	Attachi	ment	Attribute	Verification							
▶ Emp	oloyment												alculate	Import Prev	vious Return			
	perty				Descri	ption			Code	Tota	l Amount	Amount Exempt from Tax / Subject to Fixed / Final Tax	Amoun	t Subject to mal Tax	Action			
▼ Bus	iness						ssible Depreciation / In	tial	3270			7 Tiller Tex						
Man	ufacturing / Tradin	g Items	Allov	vance / Amortization	on for current / previou	s years		3210										
Othe	er Revenues		Unac	djusted (Loss) fron	n Business for 2013				327013									
Management, Administrative,		trative.	Unac	djusted (Loss) fron	n Business for 2014			327014										
Selling & Financial Expenses		Unac	djusted (Loss) fron	n Business for 2015				327015										
	Inadmissible / Admissible		Unac	djusted (Loss) fron	n Business for 2016				327016									
Ded	uctions		Unac	djusted (Loss) fron	n Business for 2017				327017									
Adju	istments		Unac	djusted (Loss) fron	n Business for 2018				327018									
	iness Assets / Equ ilities	ity /																
▶ Cap	ital Assets																	
▶ Oth	er Sources																	
▶ Fore	eign Sources / Agri	iculture																
▶ Tax	Chargeable / Payr	ments																
	sonal Assets / Liab eipts / Expenses	ilities /																



Personal Assets / Liabilities /

Receipts / Expenses

Wealth Statement

Data	Amortization	Deprecia	ation	Minimum Tax	Option out of PTR	Payment	Company Director	Attach	ment	Attribute	Verification				
▶ Em	ployment												Calculate	Import Prev	vious Return
▶ Pro	perty				Descrip	tion			Code	A	mount				Action
▼ Bus	siness		Total /	Assets			3349								
Mai	nufacturing / Trading	n Items	Land 3301												
	Other Revenues		Buildin	ng (all types)					3302						
			Plant /	/ Machinery / Equ	uipment / Furniture (inc	luding fittings	3)		3303						
Management, Administrative, Selling & Financial Expenses			Advan	ices / Deposits / I	Prepayments				3312						
Inac	dmissible / Admissil	issible		s / Stores / Spare	s				3315						
Dec	ductions		Cash /	/ Cash Equivalen			3319								
Adj	ustments		Other Assets												
Bus	iness Assets / Equi	ity /	Total Equity / Liabilities												
Lial	pilities		Capital												
▶ Ca	oital Assets		Long Term Borrowings / Debt / Loan												
▶ Oth	er Sources		Trade Creditors / Payables												
▶ Foreign Sources / Agriculture			Other	Liabilities					3398						
▶ Tax	Chargeable / Payr	nents													



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

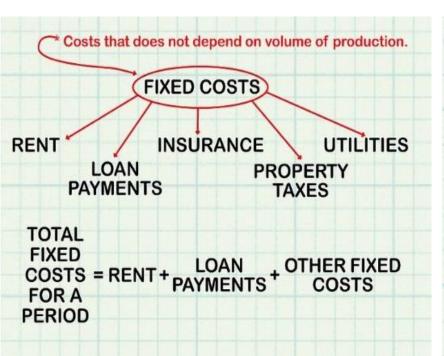
Incremental

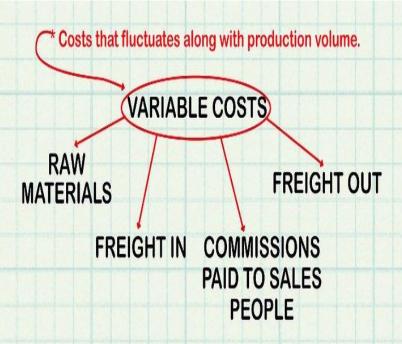
Activity Based Zero Based

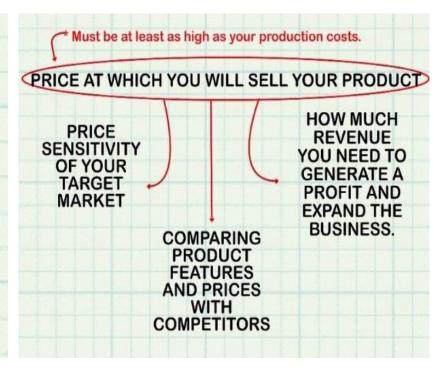
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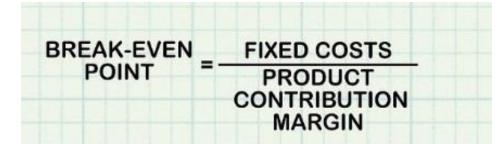
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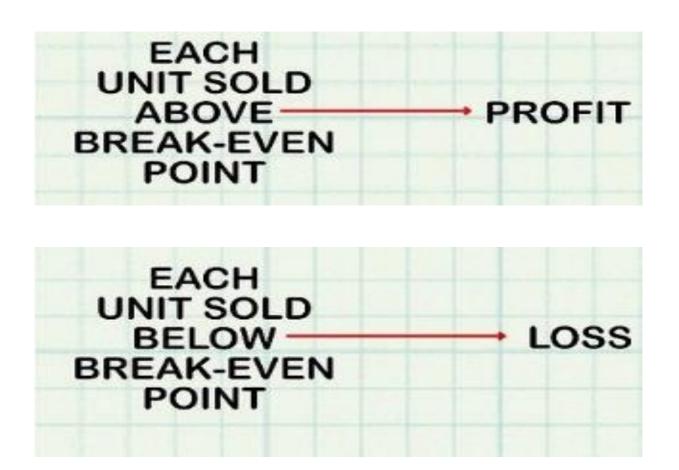








Break-Even Conclusion





Bonus Tip

Pricing Formula

Time + materials = Cost

Cost X 2 = Wholesale Price

Wholesale X 2 = Retail Price

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