

**XYZ CONTRACTOR**  
**COMPARATIVE BALANCE SHEET**  
**Years Ending 2017 and 2016**

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Checking	\$ 49,950.00	\$ 38,000.00	\$ 11,950.00
Money Market	\$ 1,000.00	\$ 1,000.00	\$ -
Accounts Receivable	\$ 3,000.00	\$ 2,000.00	\$ 1,000.00
Total Current Assets	<u>\$ 53,950.00</u>	<u>\$ 41,000.00</u>	<u>\$ 12,950.00</u>
Fixed Assets			
Company Vehicle	\$ 40,000.00	\$ 40,000.00	\$ -
Accum. Depr., Vehicle	\$ (6,000.00)	\$ (3,000.00)	\$ (3,000.00)
Tools and Equipment	\$ 5,000.00	\$ 5,000.00	\$ -
Accum. Depr., Tools	\$ (2,000.00)	\$ (1,000.00)	\$ (1,000.00)
Total Fixed Assets	<u>\$ 37,000.00</u>	<u>\$ 41,000.00</u>	<u>\$ (4,000.00)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 90,950.00</u></b>	<b><u>\$ 82,000.00</u></b>	<b><u>\$ 8,950.00</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable, Trade	\$ 500.00	\$ 2,500.00	\$ (2,000.00)
Customer Deposits	\$ 3,000.00	\$ -	\$ 3,000.00
Total Current Liabilities	<u>\$ 3,500.00</u>	<u>\$ 2,500.00</u>	<u>\$ 1,000.00</u>
Non-Current Liabilities			
Vehicle Loan Payable	\$ 30,000.00	\$ 38,000.00	\$ (8,000.00)
Total Non-Current Liabilities	<u>\$ 30,000.00</u>	<u>\$ 38,000.00</u>	<u>\$ (8,000.00)</u>
<b>Total Liabilities</b>	<b><u>\$ 33,500.00</u></b>	<b><u>\$ 40,500.00</u></b>	<b><u>\$ (7,000.00)</u></b>
<b>EQUITY</b>			
Owner Capital	\$ 10,000.00	\$ 20,000.00	\$ (10,000.00)
Owner Contributions	\$ -	\$ 15,000.00	\$ (15,000.00)
Owner Draws	\$ (50,000.00)	\$ (25,000.00)	\$ (25,000.00)
Retained Earnings	\$ 31,500.00	\$ 5,000.00	\$ 26,500.00
Net Income	\$ 65,950.00	\$ 26,500.00	\$ 39,450.00
<b>Total Equity</b>	<b><u>\$ 57,450.00</u></b>	<b><u>\$ 41,500.00</u></b>	<b><u>\$ 15,950.00</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 90,950.00</u></b>	<b><u>\$ 82,000.00</u></b>	<b><u>\$ 8,950.00</u></b>

**XYZ CONTRACTOR**  
**COMPARATIVE INCOME STATEMENT**  
**January through December 2017 and 2016**

	<u>Jan - Dec 2017</u>	<u>Jan - Dec 2016</u>	<u>Change</u>
<b>ORDINARY INCOME &amp; EXPENSE</b>			
Income			
Floor Tile Income			
Floor Tile Sales Revenue	\$ 300,000.00	\$ 250,000.00	\$ 50,000.00
Floor Tile Cost of Goods Sold	<u>\$ (225,000.00)</u>	<u>\$ (210,000.00)</u>	<u>\$ (15,000.00)</u>
Floor Tile Gross Profit	\$ 75,000.00	\$ 40,000.00	\$ 35,000.00
Shower Tile Income			
Shower Tile Revenue	\$ 150,000.00	\$ 50,000.00	\$ 100,000.00
Shower Tile Cost of Goods Sold	<u>\$ (130,000.00)</u>	<u>\$ (45,000.00)</u>	<u>\$ (85,000.00)</u>
Shower Tile Gross Profit	\$ 20,000.00	\$ 5,000.00	\$ 15,000.00
Total Income			
Total Sales Revenue	\$ 450,000.00	\$ 300,000.00	\$ 150,000.00
Total Cost of Goods Sold	<u>\$ (355,000.00)</u>	<u>\$ (255,000.00)</u>	<u>\$ (100,000.00)</u>
<b>Total Gross Profit</b>	<b><u>\$ 95,000.00</u></b>	<b><u>\$ 45,000.00</u></b>	<b><u>\$ 50,000.00</u></b>
Operating Expense			
Payroll Expense			
Payroll Wages	\$ 12,000.00	\$ 3,000.00	\$ 9,000.00
Payroll Taxes	\$ 1,200.00	\$ 300.00	\$ 900.00
Workers Comp	\$ 400.00	\$ 100.00	\$ 300.00
Total Payroll Expense	<u>\$ 13,600.00</u>	<u>\$ 3,400.00</u>	<u>\$ 10,200.00</u>
Auto Fuel and Maintenance	\$ 5,000.00	\$ 4,000.00	\$ 1,000.00
Depreciation Expense, Tools	\$ 1,000.00	\$ 1,000.00	\$ -
Depreciation Expense, Vehicle	\$ 3,000.00	\$ 3,000.00	\$ -
Dues, Licenses, Fees	\$ 300.00	\$ 1,500.00	\$ (1,200.00)
Interest on Vehicle Loan	\$ 1,800.00	\$ 2,000.00	\$ (200.00)
Office Rent	\$ 2,400.00	\$ 2,400.00	\$ -
Telephone Expense	<u>\$ 1,200.00</u>	<u>\$ 1,200.00</u>	<u>\$ -</u>
Total Operating Expense	\$ 28,300.00	\$ 18,500.00	\$ 9,800.00
<b>Net Ordinary Income</b>	<b><u>\$ 66,700.00</u></b>	<b><u>\$ 26,500.00</u></b>	<b><u>\$ 40,200.00</u></b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>			
Non-Operating Income & Expense			
Debt Settlement	<u>\$ (750.00)</u>	<u>\$ -</u>	<u>\$ (750.00)</u>
Total Non-Operating Income & Expense	\$ (750.00)	\$ -	\$ (750.00)
<b>NET INCOME</b>	<b><u>\$ 65,950.00</u></b>	<b><u>\$ 26,500.00</u></b>	<b><u>\$ 39,450.00</u></b>

**XYZ CONTRACTOR**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ending December 31, 2017**

	<u>Jan - Dec 2017</u>
<b>OPERATING ACTIVITIES</b>	
<b>Net Income</b>	<b>\$ 65,950.00</b>
Adjustments to reconcile Net Income to to net cash provided by operations:	
Increase in Accounts Receivable	\$ (1,000.00)
Annual Depreciation Expense	\$ 4,000.00
Decrease in Accounts Payable	\$ (2,000.00)
Increase in Customer Deposits	\$ 3,000.00
Net cash provided by Operating Activities	<u>\$ 69,950.00</u>
<b>FINANCING ACTIVITIES</b>	
Decrease in vehicle loan payable	<u>\$ (8,000.00)</u>
Net cash provided by Financing Activities	\$ (8,000.00)
<b>INVESTING ACTIVITIES</b>	
Annual Owner Draws	<u>\$ (50,000.00)</u>
Net cash provided by Investing Activities	\$ (50,000.00)
Net cash increase for period	\$ 11,950.00
Cash at Beginning of Period	\$ 38,000.00
<b>Cash at End of Period</b>	<b><u><u>\$ 49,950.00</u></u></b>

# CHARMING NATIONAL BANK

**Teller-Morrow Automotive**

7311 Radford Avenue  
Charming, CA 91605

Checking Account:     **0471-505**

*Statement for 6/1/2018 to 6/30/2018*

**Previous Balance**             \$ 381.97  
1 Deposit for                     \$ 1,200.00  
7 Withdrawals for               \$ 1,463.28  
Service Charge                   \$ 15.00  
**Current Balance**             \$ 103.69

**Checks and Other Debits**

Check #	Date Paid	Amount	Other Withdrawal	Date Paid	Amount
161	6/5	\$ 216.30	#0286 at ATM #423A	6/18	\$ 35.00
162	6/19	\$ 82.87	#02699 at ATM B	6/25	\$ 20.00
163	6/27	\$ 1,000.00	#02566 Check Card	6/18	\$ 55.00
			#06959 Check Card	6/26	\$ 54.11
			Account Service Charge	6/30	\$ 15.00

**Deposits and Other Credits**

Date	Description	Amount
6/23	Transfer from 9963-557 at ATM #423C	\$ 1,200.00

*Thank you for banking with Charming National Bank  
500 South Main Street, Charming, CA 91605 (555)568-3529*

## CHECK REGISTER

			<i>Previous Balance</i>		<i>\$ 381.97</i>
Number	Date	Transaction Description	Payment	Deposit	Balance
161	6/1	Best Buy - Printer	\$ 216.30		\$ 165.67
ATM	6/18	Withdrawal	\$ 35.00		\$ 130.67
Ck Card	6/18	Holiday Oil	\$ 55.00		\$ 75.67
162	6/19	Garage Supply	\$ 82.87		\$ (7.20)
ATM	6/23	Deposit		\$1,200.00	\$ 1,192.80
ATM	6/25	Withdrawal	\$ 20.00		\$ 1,172.80
163	6/25	Rent	\$1,000.00		\$ 172.80
Ck Card	6/26	Diner - lunch with Tig and Chibs	\$ 54.11		\$ 118.69
164	6/30	Garage Supply	\$ 26.31		\$ 92.38
165	6/30	Business Renewal	\$ 10.00		\$ 82.38
ATM	6/30	Deposit		\$ 253.17	\$ 335.55

## RECONCILIATION FORM

<b>Checks Outstanding</b>	
<b>Number</b>	<b>Amount</b>
<b>TOTAL</b>	

<p><b>Enter</b> The "current" or "ending" balance shown on bank statement</p>	<p>\$ _____</p>
<p><b>Add</b> Any deposits or transfers listed on the check register that are not shown on the bank statement</p>	<p>\$ _____ \$ _____</p>
<p><b>Total</b> Deposits listed above</p>	<p>\$ _____</p>
<p><b>Subtotal</b> Current Balance + Total Deposits</p>	<p>\$ _____</p>
<p><b>Subtract</b> Total outstanding checks and withdrawals (listed at left)</p>	<p>\$ _____</p>
<p><b>Calculate</b> the ending balance Subtotal – outstanding checks</p> <p><i>Note: this amount should be the same as the current balance on the check register</i></p>	<p>\$ _____</p>

*\*Remember to subtract the \$15.00 bank fee on the check register*

# MARKUP AND MARGINS WORKSHEET

## FORMULAS

Gross Profit = Sales Revenue – Direct Job Costs

Gross Profit Margin = (Sales Revenue – Direct Job Costs) / Sales Revenue OR Gross Profit / Sales Revenue

Net Profit Margin = Net Profit / Sales Revenue

To convert gross margin to mark-up: Mark-Up = Gross Margin / (1.00 – Gross Margin)

To convert mark-up to gross margin: Gross Margin = Mark-Up / (1.00 + Mark-Up)

To use mark-up to calculate price of job: Price = Job Cost + (Job Cost x Mark-Up)

ABC Corporation Income Statement January – December 2018	
Sales Revenue	\$1,200,000
Cost of Goods Sold	\$750,000
Operating Expenses	\$360,000
Net Profit	\$90,000

1. What is ABC Construction's Gross Profit dollar amount? \_\_\_\_\_
2. What is ABC Construction's Gross Profit Margin? \_\_\_\_\_
3. What is ABC Construction's Net Profit Margin? \_\_\_\_\_
4. What should ABC Construction's Mark-Up be if they want to keep the same net profit margin?  
\_\_\_\_\_
5. Double check yourself: If you convert your mark-up in question 4 back to gross margin, what number do you get? \_\_\_\_\_ Does it match the gross margin you have in question 2? \_\_\_\_\_
6. ABC Construction wants to put a bid in on a job. Their estimator estimates the job costs of the job as \$40,000. What should the price for the job be? \_\_\_\_\_
7. Double check yourself: If you calculate the gross margin for the job using the job price you have in question 6 what number do you get? \_\_\_\_\_ Does it match the gross margin you have in question 2? \_\_\_\_\_
8. BONUS: What Gross Profit Margin does ABC Construction need to break even? \_\_\_\_\_ (HINT: Their Gross Profit Dollars would exactly equal their Operating Expenses)
9. BONUS: What could ABC Construction price the job in question 6 at if they only wanted to break even and didn't want to make a profit? (which is a terrible idea!) \_\_\_\_\_

## RESOURCES

### PAYROLL

Form 8822-B Change of Address – Business: <https://www.irs.gov/pub/irs-pdf/f8822b.pdf>

Employee Eligibility: [www.uscis.gov](http://www.uscis.gov)

Federal Posters: [webapps.dol.gov/elaws/posters.htm](http://webapps.dol.gov/elaws/posters.htm)

Utah Posters: <http://www.Laborcommission.Utah.gov/divisions/UOSH/RequiredPosters.html>

Employee W-4 Withholding Calculator: <https://apps.irs.gov/app/withholdingcalculator/>

Equal Employment Opportunity: [www.eeoc.gov/employers/smallbusiness](http://www.eeoc.gov/employers/smallbusiness)

Fair Labor Standards: <http://www.dol.gov/whd/flsa>

### BUSINESS MANAGEMENT

Backup Plan: <https://www.entrepreneur.com/article/253609>

Utah OneStop Business Registration: [https://corporations.utah.gov/online\\_bus\\_reg.html](https://corporations.utah.gov/online_bus_reg.html)

### ACCOUNTING CONCEPTS

[www.learnaccountingforfree.com](http://www.learnaccountingforfree.com)

### FINANCIAL STATEMENTS

### CASH MANAGEMENT

Embezzlement: <http://www.embezzlement.com/Embezzement101-SectionI.pdf>

### MARKUP/MARGINS

[www.forconstructionpros.com](http://www.forconstructionpros.com) (search “markup”)

*Markup & Profit: A Contractor’s Guide, Revisited* by Michael C. Stone

# POST-CLASS CHECKLIST

## PAYROLL

- Outsource your payroll or educate yourself to do your own payroll

## BUSINESS MANAGEMENT

- Hire a great CPA
- Find a great bookkeeper or educate yourself to become your own bookkeeper
- Create a filing system
- Create a backup plan and review regularly to make sure it is functioning properly
- Create systems for invoicing and collecting receivables
- If you are in a partnership, create a written partnership agreement
- Evaluate your entity type and make sure it's the best option for your business
- If you are an S-Corp, create annual corporate minutes
- If you are an S-Corp or LLC with S-Corp tax status, determine and pay a "reasonable salary" to owners who are also employees
- Register your business with the state of Utah
- Make a plan for estimated quarterly tax payments

## ACCOUNTING CONCEPTS

- Update / improve your Chart of Accounts
- Make sure you aren't commingling business and personal accounts

## FINANCIAL STATEMENTS

- Review and understand your Comparative Balance Sheet each month
- Verify or reconcile each account on your Balance Sheet
- Review and understand your Profit and Loss Statement each month
- Clean up the equity accounts on your Balance Sheet if needed, close out old draws, etc.
- Calculate key ratios on your financial statements, going back as far as you have accurate records – bonus points if you graph the results
- Purchase accounting software or understand how to use another tracking method

## CASH MANAGEMENT

- Review and reconcile each of your checking accounts and credit card accounts every month
- Create a cash flow projection for your company and update each month
- Remove any perceived opportunities for your employees to embezzle from you

## MARKUP / MARGINS

- Understand your overhead costs
- Understand what your target gross profit margin should be for your company to cover overhead, owner pay and profit
- Understand the relationship between your gross profit margin and your mark-up
- Improve your estimating skills
- Understand your mark-up and use it to price your jobs
- Develop a job-costing process
- Develop a system to use your gross profit margin to evaluate the profitability of completed jobs