

TIM 80 C Lecture 14 May 18, 2017

## Agenda

- (1) Financial Accounting
- (2) HW 4
- (3) Projects / Midterm

# (1) Financial Strategy :

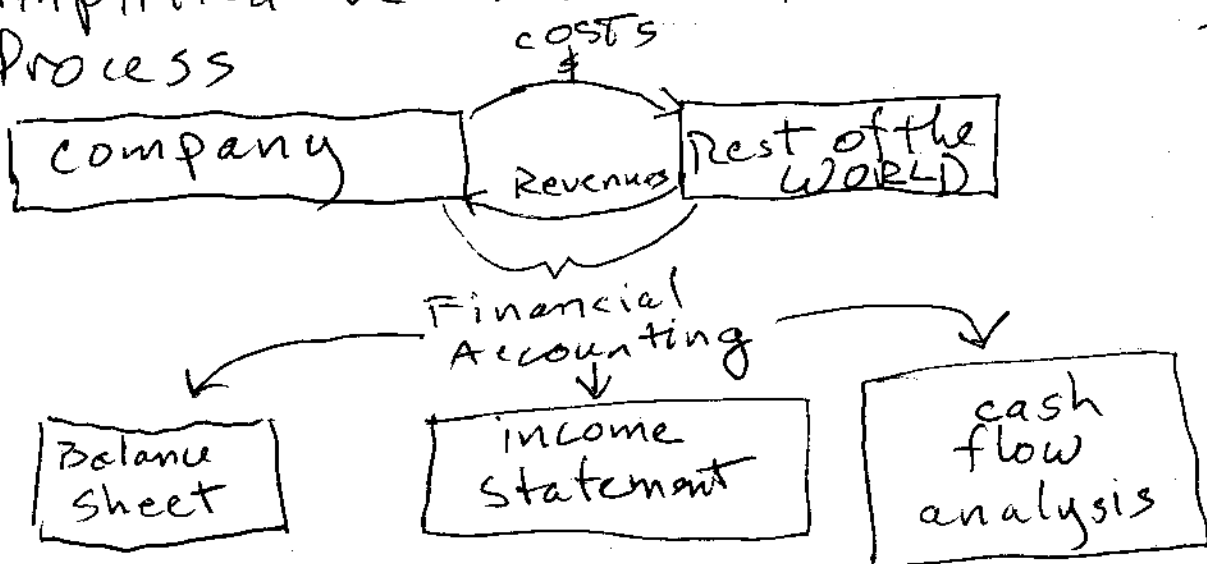
## Accounting

Financial Accounting is the process of recording, summarizing, and reporting the company's financial transactions (costs & revenues)

Financial Accounting is important because;

- (1) communicates the performance to investors
- (2) Required by the government (basis for taxation)
- (3) Enables the company to plan. (esp. budget)

Simplified version of the Accounting Process



## Balance Sheet

The balance sheet is a record of the company's assets & liabilities at a specific point in time.

assets: equipment, facilities, patents, inventory of products, cash

liabilities: money the company owes to the bank or other sources (e.g., suppliers)

Owner's equity (or shareholder's...): difference between assets & liabilities

Equity: Assets - liabilities

also called the "book value" of the company

Example:  
(all #'s in \$1,000's)

assets	liabilities
cash 500	short term debt: 200 (to pay suppliers)
Fixed assets: 500 (facility, equipment, inventory of product) ⋮	long term loan: 500 (used for product development, team, equipment) ⋮
TOTAL ASSETS 1,000	TOTAL LIABILITIES: 700

Owner's equity: 300

↑  
Book Value

# INCOME STATEMENT

Income Statement is a record of revenues & expenses over a period of time.

Example (amount in \$1,000s)

Revenues & Expenses	Amounts
Sales revenues	1,000
operating expenses (salaries, production, facilities)	- 500
Earnings before interest & taxes (EBIT)	500
Interest (loans)	- 50
Earnings before taxes	450
Taxes (~ 50%)	- 225
Net Profit	225
profit margin	$\frac{225}{1000} = 22.5\%$

# Cash Flow Statement

Cash flow statement provides a summary of the company's cash flows over a period of time (e.g. Q4 2016). It shows where the company is spending its money.

## Project Phase 4

Pitch - 10-15 minute presentation presenting your start-up to the investor (VC)

- About the company (1-2 slides)
- The product or service (2-3)
- The Market Strategy (1-2)
- The Business (competitive) strategy (1-2)
- The Financial Strategy (2-3)

For Notebooks

### Complete Financial Strategy

- Funding Plan - objectives, sources of funding, dilution, ownership, valuation, shares of stock
- Accounting - income Statement, Balance sheet
- Financial Health Metrics: ROI, Profit Margin, etc.

Complete any backlogged work from phases 1, 2, 3; integrate feedback from meetings.