

Notes for financial statements

All figures and writing highlighted in red are open to change and you should only change those figures and words. Everything else will run automatically and requires no alteration by you.

Income Statement

The first thing you will have to do is change the name of the company, change the dates of the financial statements, and make sure that the months are correct.

Change the various revenue streams and any that you do not use you can leave blank and leave all the numbers alone.

DO NOT DELETE ANY OF THE LINES IN THE SPREADSHEET!!!!!!

Costs of goods sold vary by industry. You should refer to the web site below to see what the average costs of goods sold is for your specific industry. The results are provided as percentages of total revenue. In the example provided the costs of goods sold are 37.5%, for the first line, the rest can be changed by you to reflect the costs of goods sold in the industry of interest.

Direct Salaries expenses vary by industry. You should refer to the following web site to see what the direct salary expenses are for the industry

Advertising expenses vary by industry and are tracked as well, again, refer to the web site to find the appropriate multiplier and alter the formula accordingly

The web site is <http://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home>

Once you get in you should click on CREATE A REPORT and follow the instructions

Income tax expenses are 0 when you have negative income, therefore you should go and change them, only if you end up with a negative income in line 67 (operating income).

Balance Sheet

The initial inventory levels need to be set and this depends on the business. Some businesses will have absolutely no inventory such as a consulting company and some have quite a bit like a corner store. Anyway you will need to refer to the web site to see what percentage of your revenue should be held in inventory.

The fixed asset lines that should be altered are the ones in red and the rest will automatically calculate.

Salaries payable and GST payable can be entered manually, if applicable.

Common shares should be determined at the beginning and will remain constant throughout.

Identify your grants and enter the name of the organisation providing the grant, also put the amount of the grant into Column B.

For depreciation calculations, just fill in the value of your asset and the rest will be calculated

For the ratio calculators, you just need to change the years of the ratios, for example the *current ratio for year one* can be the **current ratio for 2015**

Cash Flow

The cash sales and the accounts receivable need to be altered as percentages of the total cash receipts. This will vary according to the way your company does business. For example you can have cash sales of 20% of total revenues and accounts receivable as 80% or cash sales of 90% and accounts receivable of 10%. It all depends on the type of business. One that deals only in cash will have no receivables and one that deals with accounts may have at least 50% of revenues as receivables.

The third number that needs to be adjusted is the opening bank balance in the first year.