



# Money Native

**Make Money by  
minding your P and Q.**

# Two pertinent questions:

How will you or your company make more money this year than last year?



Can we focus on how to make more money?

# KNOW the Income Statement

## **\$ REVENUE**

- Cost of goods sold
- Sell, Gen & Admin

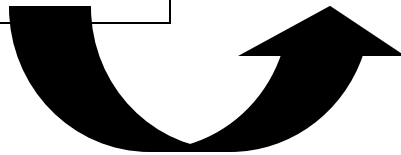
## ***Operating Income***

- Interest Expense
  - Taxes
- 

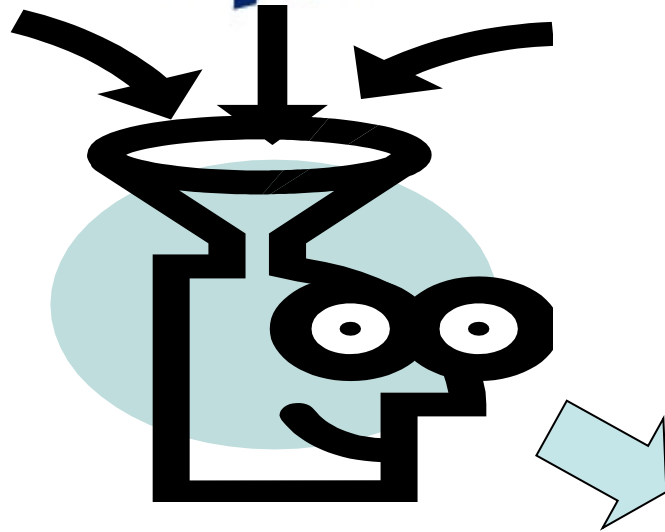
## **\$ Net Income**

The Income Statement is a tool to focus you as a business owner, manager on measuring and planning to make money.

**Net Income = Profit**  
Profits go back into a business or to a dividend to owner(s)



# INFORMATION



Well prepared financial statements will help you look for money making opportunities and help you prioritize the best way to invest time, skills and money.

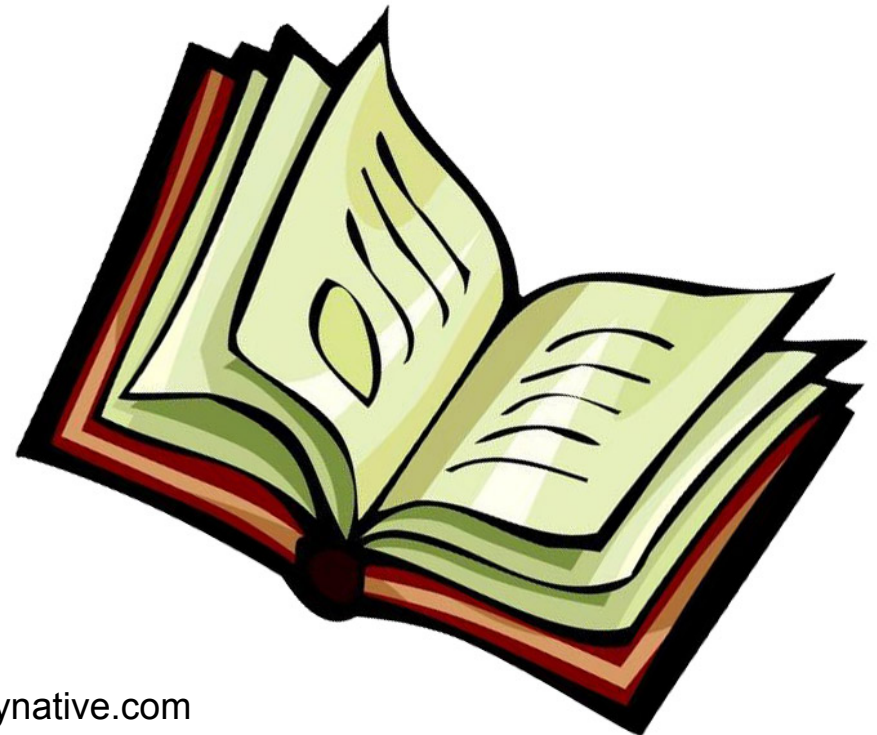
## ACTIONABLE IDEA\$

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

# Two Basics

of the income statement

- Top Line Story
- Margin Story



# The Top Line Story\*

**The company is growing revenues to increase earnings.**

How can revenue grow?

↑ QUANTITY \* ↑ PRICE

↑ growth either organic or acquired

The top line refers to the revenue line of the income statement. It is considered the most important line item of the income statement.

# The Margin Story\*

**The company is lowering its costs to boost profit.**

COGS → labor, materials, supplies

SG&A → sales force corporate office, facilities costs, information systems

How low can costs go and still provide quality?

Margin = costs / revenue; there are 3 types gross margin, operating margin and net profit margin

# Assets (balance sheet) Generate Revenues and Profits

What assets can you use or buy or create that will increase revenues?

REVENUE = Price X Quantity

Example: A restaurant's basic business is to buy food, fix it up and sell it. To estimate revenue a manager must first determine the quality of food it buys, and the staff's ability to prepare it.



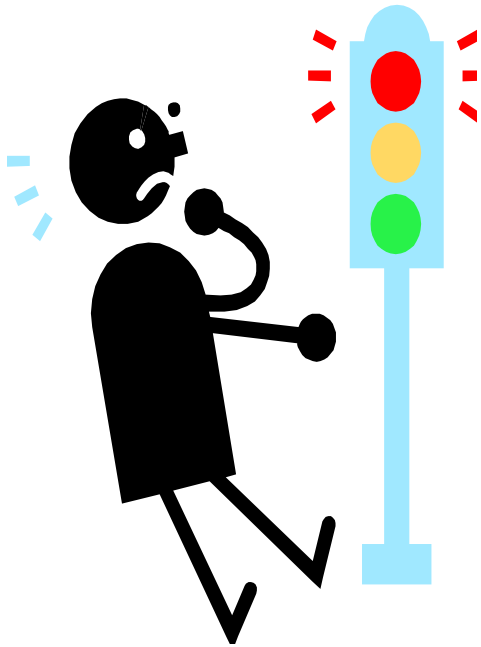
# How do you do better than competitors?

- Financial statements can help you compare your business to competitors.
- Focus on how to either increase customer revenues, or decrease their costs.



# *Hope is not a good story*

Stay away from opportunities that have no direct effect on  $\uparrow$  revenues. These HOPE stories lack thoughtful analysis.



## *Common hope stories:*

- I will compete by lowering price of my service or good.
- I will give my product away for free to get exposure.
- I know the economy will improve.