Shani Abromowitz
SOS - E4E Edible Landscaping
E4E Weekly Write Up W4 (W6)

This week in Enterprise for Equity Joanne walked us through the accounting and operations side of the business. Accounting is made of sheets: balance sheets, break evens, accounts receivable and payables, assets and liability sheets, and profit and loss reports. Operations are the invoicing, bidding, proposals, and contracts. We ended the night with a cash flow projections spreadsheet.

Accounting takes three views of the business's finances: past, current, and future. An accounting system looks at all of the accounts. To take into *account* your finance history is to have a personal checkings *account.* A business will have *accounts* on its assets and liabilities, equity, and revenue and expenses. Assets give a business value, like an inventory list. Liabilities take value away from a business, like loans. Equity is used to define the quantitative contribution of an individual to the business, like investments. Revenue accounts, like a product sales spreadsheet, track generated income, and expense accounts track the money that goes out of the business necessary to keep the business going, like rent and utility bills. These accounts can be handled in a ledger. Accounting sheets or *reports* track the financial happenings of the business in a concise manner. These reports are Profit and Loss Reports (income statements) which gives a past view of the business, the Balance Sheet which gives a current view, and the Cash Flow Statement, which gives a projected view.

We did an exercise in class to get the feel of a balance sheet. Using the example of a lemonade stand, we separated our make-believe money into assets and liability/equity. This tracked the money that came in and how it was being used. The point of a balance sheet is to have the values of assets and liabilities be equal by the time the sheet is complete. Every time a new balance sheet is made, all the prior ones become null because a balance sheet is a current view. See below at Figure 1 for a balance sheet of an example company. While this exercise was very frustrating, the numbers were simplified and demonstrated how important it was to track your finances and know exactly how they're being used. It also demonstrates how important it is to know these accounting practices, especially if a personal accountant is being employed. Otherwise that money can be embezzled strait into the accountant's Florida vacation.

Example Company
Balance Sheet
December 31, 2010

ASSETS		**LIABILITIES**	
Current Assets		**Current Liabilities**	
Cash	$ 2,100	**Notes Payable**	$ 5,000
Petty Cash	100	**Accounts Payable**	35,900
Temporary Investments	10,000	**Wages Payable**	8,500
Accounts Receivable - net	40,500	**Interest Payable**	2,900
Inventory	31,000	**Taxes Payable**	6,100
Supplies	3,800	**Warranty Liability**	1,100
Prepaid Insurance	1,500	**Unearned Revenues**	1,500
Total Current Assets	89,000	Total Current Liabilities	61,000
Investments	36,000	**Long-term Liabilities**	
		Notes Payable	20,000
Property, Plant & Equipment		**Bonds Payable**	400,000
Land	5,500	Total Long-term Liabilities	420,000
Land Improvements	6,500		
Buildings	180,000		
Equipment	201,000	**Total Liabilities**	481,000
Less: **Accum Depreciation**	(56,000)		
Prop, Plant & Equip - net	337,000		
Intangible Assets		**STOCKHOLDERS' EQUITY**	
Goodwill	105,000	**Common Stock**	110,000
Trade Names	200,000	**Retained Earnings**	229,000
Total Intangible Assets	305,000	Less: **Treasury Stock**	(50,000)
		Total Stockholders' Equity	289,000
Other Assets	3,000		
Total Assets	$770,000	**Total Liab. & Stockholders' Equity**	$770,000

[1]Fig 1

We moved from accounting to operations. Operations includes the deal making between the business and potential clients, which includes a proposal, a contract and a bidding sheet. The proposal reminds the client why they're dealing with your business. It outlines the purpose of the job, the opportunities or methods available to complete the job, the benefits or results of the job once it's been completed, and then the means of contact with the business. Joanne says to never leave the ball in the client's court- to always follow up with a call to close the deal.

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[1] "Financial Basic Concepts." *Dynamics AX Training*. Web. 18 Feb. 2017.

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Applied to my landscaping business I would explain the purpose of edible landscaping in paragraph one, explain the opportunities available within the business, such as design and consultation as well as installation and maintenance services in paragraph two, explain the benefits of the finished landscape in paragraph three, and then leave them with my contact info and experience history in paragraph four. Then I would call them a week or so later to close the deal. This happens before

The contract starts with a meeting of the minds, or mutual consent. This is where both parties outline their expectations of the project. This moves into the offer and acceptance stage where offers are made, counter offers are proposed, and terms are agreed upon by both parties. Then the mutual exchange happens where both parties give something of value, like money for food, or tilling for transplanting. The deal is sanctioned to close when both parties live up to their end of the bargain.

As things progress smoothly and the contract is signed, the business produces a bid sheet. The bid sheet gives an estimate on the time it will take, and the materials needed. However just these two alone won't make the business any profit. A "fudge factor" is necessary to make a profit. The term "Overhead Allocation" is what makes the profit for the business through Allocation Proxy. This means that the business adds a small fee to every project which, when added together between all the projects, pays the overhead fees and keeps the lights on. The E4E Business Planning Handbook gives an equation which looks like this:

Average Overhead/Month = $1000
Average Direct Labor Hours/Month = 500
Overhead Allocation/Month = $1000/500 = $2.00 per Direct Labor Hours

This translates to an additional $2 for every hour spent on the project. So, as the book says, if a job will take 50 hours, then the Overhead Allocation Fee will be determined as $2.00 x 50 hours = $100. $100 on top of the bid for the project based on time and materials alone. At first I thought the fudge factor was a means to cheat my customers and wasn't ethically okay with it.

However, what it truly is is paying the business its dues of existence, not just its dues to finish a job.

We finished the night with a Cash Flow Projections Spreadsheet. I've demonstrate what this looks like later this week. It basically takes a future look at how much money is needed and how many jobs are needed to make that money against a calendar. Things can be planned against the calendar, like seasonal changes in the clientele and thus business actions.

OUR HOMEWORK:

O Finish the marketing portion of the plan.

O Cash Flow Projections

O A Projected Profit and Loss Sheet

O A Balance Sheet

O A Sample Contract

That's it y'all. Until next time!

Shani A

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