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# Growing your Business: Understanding Finances Can Boost Enterprise Value



Quick Introduction

From University of Utah  
to Utah Valley University...

From Professor to  
Dean...





# Why did I move to UVU?

- Primary focus on student success
  - Faculty
  - Staff
  - Administration

Evidence—class sizes, engaged learning, open-enrollment, student achievement (competitions, program rankings)



**What are your biggest challenges?**

**What is your primary focus?**

**What do you spend most of your time doing?**

**How are you adding value to your organization?**

# The Financial Statements



**Balance Sheet**

**Assets = Liabilities + Equity**



**Income Statement**

**Revenue – Expense = Income**



**Statement of Cash Flows**

**Cash from Operations +  
Cash from Investing +  
Cash from Financing =  
Change in Cash**

# Balance Sheet

Cash

Dollars in my bank account

Accounts Receivable

Money people owe me for work already done

Inventory

Physical stuff I'm trying to sell

Prepaid Expenses

Stuff I paid for in cash before it's used up

Fixed Assets

Equipment and building – Expensed over years

## Total Assets

Accounts Payable

Money owed to others

Unearned Revenue

Cash received for work not yet completed

Accrued expenses

Expenses incurred but not yet paid

Debts

Money borrowed for the long-term

Contributed Capital

My own money to start the business

Retained Earnings

A record of cumulative profits (not cash)

## Total L and Equity



# Dilbert



# The lesson...

- Take great care not to invest in non-performing assets.
- Don't let nonperforming assets build up on the Balance Sheet, write them down/off and move on.



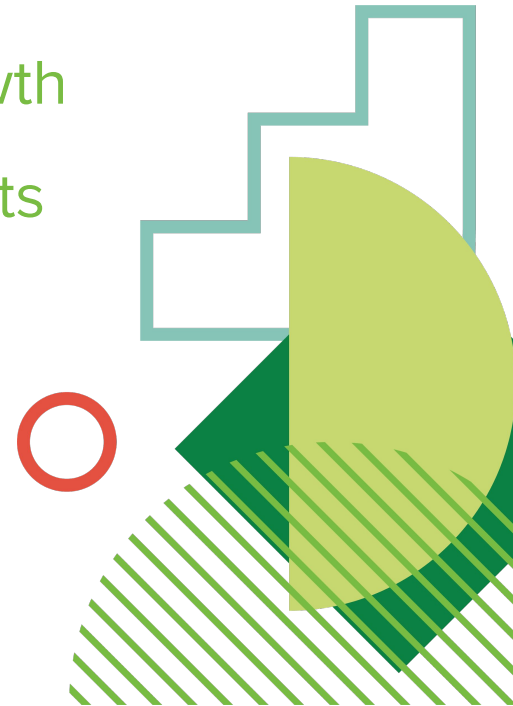


# Statement of Cash Flows

Cash inflows from customers	5,000	
Cash outflows to suppliers	<u>(4,000)</u>	
Cash flow from Operations		1,000
Cash paid for Equipment/building	<u>(500)</u>	
Cash outflow from investing		(500)
Cash from borrowing	<u>300</u>	
Cash flow from financing		<u>300</u>
Net Change in Cash		800

- Understand free cash flow
- Sufficient cash for growth
- Plan for financing events

Many growing businesses have gone under because of insufficient cash management



# What is free cash flow?

Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support its operations and maintain its [capital assets](#).

Unlike other measures that are used to analyze cash flow in a company, such as [earnings](#) or [net income](#), free cash flow is a measure of profitability that excludes the non-cash expenses of the [income statement](#). It also includes spending on equipment and assets, as well as changes in working capital from the [balance sheet](#).

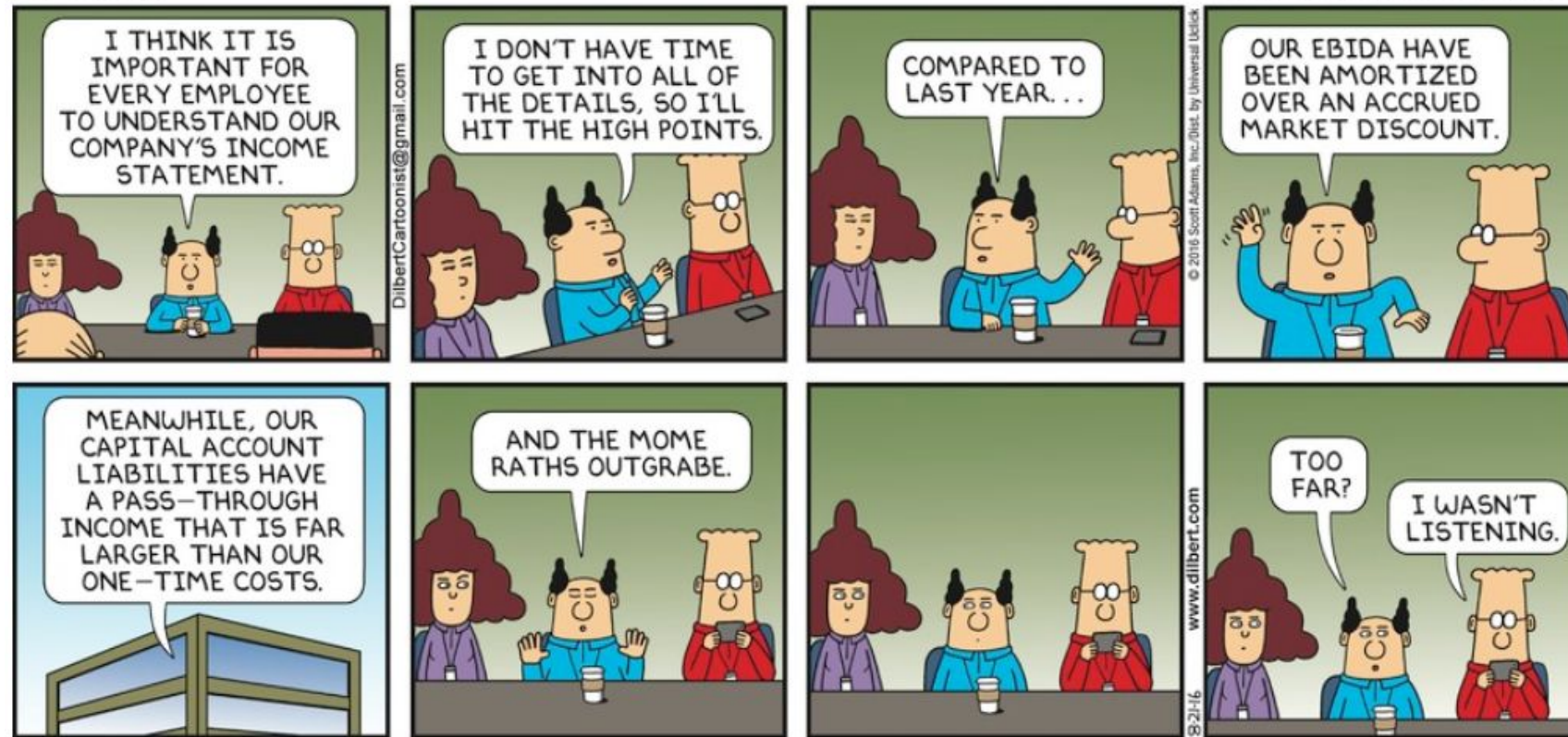
Source: Investopedia.com



# Next, the Income Statement...

Sunday August 21, 2016

**DILBERT**



# INCOME STATEMENT (Pizzeria)

Revenue	100	
Product Cost	25	(30% or less)
Labor	30	(30% or less)
Other Operating Costs	15	(20% or less)
Building Cost	<u>10</u>	(10% or less)
Total Costs	<u>80</u>	
Income	20	





# Summary

- **Balance Sheet**
  - Invest to produce profit
  - Careful not to invest more than necessary to generate profit
  - Beware of debt, especially expensive debt
- **Statement of Cash flows**
  - Keep your eye on free cash flow (can highlight Balance Sheet inefficiencies)
  - Take care not to grow beyond the availability of cash
  - Plan carefully for fund-raising events. Right time and right price
- **Income Statement**
  - Watch unit economics
  - Get the pizza right
  - Get the product mix right
  - Get everything within the four walls right....THEN SCALE
  - Scaling before unit economics are right will waste valuable resources



**“Accounting is not just  
about counting beans;  
it's about making every  
bean count.”**

# Questions?



# Thank you!





