

# MASTERY

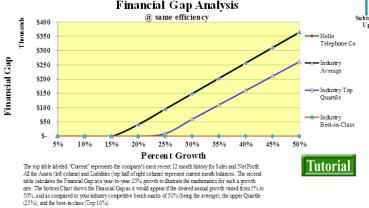
#### FINANCIAL GAP ANALYSIS Hello Telephone Co

Current



current									
Sales	Net Profit								
\$ 4,465,000	3.9%		_						
		% of Sales			% of Sales				
Cash	25,768	0.6%	Notes Payable		Financial Gap				
Accounts Receivable	928,333	20.8%	Accounts Payable	261,667	5.9%				
Inventory	614,667	13.8%	Accruals	354,515	7.9%				
Total Current Assets	1,568,768		Total Current Liabilities	616,182					
Equipment	299,091	6.7%	Long-Term Liabilities	627,859					
Land/Building	415,000		Total Liabilities	1,244,041					
Total Fixed Assets	714,091		Net Worth	1,038,818					
Total Assets	2,282,859		Total Liabilities & Net Worth	2,282,859					

Add				Growth						
Down	Sales	Percent Growth								
	\$ 5,581,250	25%		New Net Worth = Old NW + (New Sales X Net Profit %)						
Į.			% of Sales			% of Sales				
Ė	Cash	32,210	0.6%	Notes Payable	93,888	Financial Gap	=			
<b>⇒</b> +	Accounts Receivable	1,160,417	20.8%	Accounts Payable	327,083	5.9%				
<u> </u>	Inventory	768,333	13.8%	Accruals	443,144	7.9%	-			
<u>S</u> =	Total Current Assets	1,960,960		Total Current Liabilities	864,115		<b>=</b>			
	Equipment	373,864	6.7%	Long-Term Liabilities	627,859					
<u>⇒</u> ±	Land/Building	415,000		Total Liabilities	1,491,974					
<b>==</b>	Total Fixed Assets	788,864		New Net Worth	1,257,850		<u> </u>			
=	Total Assets	2,749,824	<del></del>	Total Liabilities & Net Worth	2,749,824		]			
Financial Can Analysis										



Note: Current Balance Sheet Accounts are last 3 month average

# **Profit Gap Tutorial**

#### Financial Gap Analysis

The Financial Gap that is taught in the Profit Mastery University class is a very powerful planning tool for a company. You simply use the chart at the bottom of this page to estimate your company's financial needs for growth. This calculation uses information from both your Balance Sheet and Income Statement.

#### 1) Top Table: Current

This table shows a company's current status. The Current Sales and the Current Net Profit growth percentage shown at the top of the "Current" table are calculated from your Income Statement for the past 12 months. The rest of the table is from your Balance Sheet, averaged over the last 3 months. The % of sales is calculated by Profit Gap for use to determine the Financial Gap required for the growth of your business.

### 2) Middle Table: Growth

This Table is presented to demonstrate the results if you were to plan growth of 25% of

your current sales. This is simply a refresher of what was taught in the class.

The arrows on both sides show you how the math is done by adding down on the left side then subtracting up on the right side. The table is not suggesting you plan on growing 25%, but is simply an illustration. This sample company would have a Financial Gap of \$93,888 if they were to grow 25% and maintain all internal operating efficiencies at the same rate as today. This means that this company would need \$93,888 to fund their growth through either a loan or an investment to achieve this growth.

# 3) Bottom Chart: Financial Gap Analysis

The chart plots your company's Financial Gap at various growth percentages. Since you subscribe to the Profit Gap Platinum, you also get the benefit of seeing how your Financial Gap compares to your industry. Profit Gap plots your data against the top 10%, the top 25%, as well as the average 50% of performing companies in your industry. The chart is quite easy to use. Simply select the growth rate you would like on the bottom of the chart and then look at your Financial Gap line. Then, follow it over to the Y-axis (Vertical) to find the relevant Financial Gap. In this sample company, if it was planning a 45% sales growth it would need about \$320,000 to fund that growth - assuming the same efficiencies in its operations found on the current Balance Sheet.