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CPAs & ADVISORS, LLP

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# Financial Statements: A Tool to your Success

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**My P&L says I made a lot of money, but I don't have any cash!**

**1. What's on a Balance Sheet?**

**2. What's on an Income Statement (P&L)?**

# **How can use my P&L to help me run my business better?**

## **1. Profit Centers (locations, service type, etc.)**

## **2. Standard Ratios**

### **a. Ratios related to profit margins**

**i. Profit available to owner**

**ii. Hygienist production**

**iii. Production growth over time**

**iv. New patient growth over time**

### **b. Ratios related to financial stability**

**i. Current Ratio**

**ii. Debt to Equity**

**iii. Receivables Days**

# **What reports can help me run my business more effectively?**

## **1. Monthly production reports**

- a. Current month vs. prior month**
  
- b. YTD**
  
- c. Production by service type or employee**
  
- d. Accounts Receivable/Collections**

## **2. Accounts Receivable Aging Report**

- a. Collection calls**
  
- b. Guide policy change**

## **3. Budget Variance Report**

## **4. Balance Sheet**

## **5. Income Statement**

## **What Financial reports can help me identify problems before they become problems?**

- 1. Reviewing cash bank deposits vs. cash receipts report**
  
- 2. P&L by month**
  - a. Cost and revenue trends**
  
  - b. Correct and consistent categorization**
  
- 3. Monthly bank reconciliation (not just looking at online balance)**
  
- 4. Capital improvement budget**

## **How does reviewing these reports regularly help me reduce my taxes?**

- 1. Determining most tax advantageous time to purchase equipment**
- 2. Determining whether to take a full deduction now, or spread it out over time**
- 3. Correct categorization to determine if Domestic Production Activities Deduction is applicable**
- 4. Correct categorization helps get the most benefit from office meals, advertising, gifts, etc.**
- 5. Making sure deductible expenses are in deductible accounts**
- 6. Planning for paying spouses and minor children as employees**
- 7. Determining retirement plan contribution amounts and profit sharing**
- 8. Setting doctor salary at the most advantageous level**