

A woman with dark hair, wearing a white tank top and a green apron, is talking on a black smartphone. She is in a floral shop, surrounded by various flowers and arrangements. In the background, there are pink pom-pom flowers and a sign that says "Enjoy With Our Flowers".

*Free Guide*

# HOW WELL IS MY BUSINESS *Really* DOING?

Analyzing Your Own Financial Performance





I want to preface this guide by saying I don't believe there are **good** and **bad** numbers. In fact, that's part of the reason I created this guide in the first place! Numbers don't hold any power without analysis behind them.

Your numbers can tell a story about your business – understanding **why** you made the choices to get to your current results is going to help make you a better business owner.

***So, let's jump into the analysis!***



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# Profitability

## NET PROFIT RATIO

### **(SALES - EXPENSES) / SALES**

Your net profit ratio helps to measure how much of your revenue is going to expense. Typically, businesses want to have a higher net profit ratio! The higher this ratio, the less of your sales are going towards expenses.

## RETURN ON EQUITY

### **NET INCOME / EQUITY**

Your return on equity shows the overall return of your investment in your business based on your profit levels. A higher return on equity shows a greater reward for the risk your business takes.

## PROFIT GOALS

### **PRICE x QUANTITY**

For this equation, you're working backwards to determine either the price or quantity of your goods/services you need to sell to reach your profit goals. This formula can help you determine how attainable your goals are!



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# Liquidity

## CURRENT RATIO

### **CURRENT ASSETS / CURRENT LIABILITIES**

Your current ratio shows your company's ability to pay off your short-term debts based on your assets expected to be turned into cash within the next year. The higher your current ratio, the higher your liquidity.

## CASH RATIO

### **CASH + A/R / CURRENT LIABILITIES**

Your cash ratio shows the same general principle as your current ratio, but it uses a stricter definition of current assets. By excluding inventory, this ratio uses assets that are more certain to be cash/converted to cash quickly.

## OPERATING CASH FLOW

### **OPERATING CASH FLOWS / CURRENT LIABILITIES**

Our last liquidity ratio shows how many times your current operating cash flows can pay off your current liabilities. The higher this ratio, the more confident you could be in your company's ability to pay off short-term liabilities.



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# SO, HOW WELL IS YOUR BUSINESS DOING REALLY?

If you calculated **ALL** of your business ratios, I am sincerely impressed!

And if you felt a little overwhelmed by all these numbers, that's totally okay.

***In fact, that's why I have a job!***

Downloading this guide shows you're serious about having a financially strong business - those are the types of business owners I love to work with!

*I'll take the numbers  
from here!*



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