

Monthly Report

February 2025

Test Company

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This monthly financial report provides business insights for Test Company. Objective is to show financial health and performance for February 2025 focusing on profitability, liquidity and efficiency.

The report seeks to show the prospects of the company in its current position while showing both historical and future estimated trends using different methods of analysis. The report also admits the fact that some analysis conducted has limitations because of the vast amounts of variables that may be related or unrelated to the business.

It includes all the relevant information at your fingertips, offering the ability to visualize and analyze key financial data, uncover fresh insights, spot vital financial trends, identify strengths and weaknesses and improve communication throughout the organization.

Over the current fiscal year Test Company generated Total Income of \$14,867.

The costs of providing core business operations, recorded as Cost of Goods Sold, amounted to \$0, leaving \$14,867 as Gross Profit. Gross Profit should be high enough to cover overhead costs recorded as Total Expense of -\$5,000, as well as leave a reasonable Net Profit. Knowing the Cost of Goods Sold helps estimate the company's bottom line. If it increases, Net Profit decreases.

Test Company generated Net Profit of \$19,867 over two months ended February 28, 2025.

P&L statement: Indicates the revenue a business earned over a certain period of time and shows a business's profitability. It includes a net income equal to the revenues and gains minus the expenses and losses.

Balance sheet: Displays a business's financial status at the end of a certain time period. It offers an overview of a business's liabilities, assets, and shareholder equity.

Cash flow statement: Details a business's cash flows during certain time periods and indicates if a business made or lost cash during that period of time.

	Feb 25	Jan 25		Feb 24	
PROFITABILITY	ACTUALS	PRIOR MONTH	TREND	PRIOR YEAR	TREND
Total Income	7,433	7,433	▼ 0.00%	6,671	▲ 11.43%
Net Profit	12,433	7,433	▲ 67.27%	-2,283	▲ 644.55%
Net Profit Margin	167.27%	100.00%	▲ 67.27%	-34.23%	▲ 588.68%
Gross Profit	7,433	7,433	▼ 0.00%	2,220	▲ 234.87%
Gross Profit Margin	100.00%	100.00%	▼ 0.00%	33.28%	▲ 66.72%
EBITDA	12,433	7,433	▲ 67.27%	-2,283	▲ 644.55%
EBITDA Margin	167.27%	100.00%	▲ 67.27%	-34.23%	▲ 201.49%
EBIT	12,433	7,433	▲ 67.27%	-2,283	▲ 644.55%
EBIT Margin	167.27%	100.00%	▲ 67.27%	-34.23%	▲ 201.49%
Expense to Income Ratio	-67.27%	0.00%	▼ -67.27%	134.23%	▼ -201.49%

	ACTUALS	PRIOR MONTH	TREND	PRIOR YEAR	TREND
LIQUIDITY					
Bank Accounts	241,013	216,205	▲ 11.47%	74,811	▲ 222.16%
Net Cash Flow	24,808	91,041	▼ -72.75%	-1,874	▲ 1424.16%
Working Capital	107,259	94,826	▲ 13.11%	6,364	▲ 1585.44%
Current Ratio	1.61	1.54	▲ 4.62%	1.05	▲ 53.22%
Cash Ratio	1.38	1.24	▲ 11.47%	0.63	▲ 118.51%
Cash Runway (Months)	-96.41			5.73	▼ -1783.28%
Cash Flow Margin	333.75%	119.84%	▲ 213.90%	50.19%	▲ 283.55%

	ACTUALS	PRIOR MONTH	TREND	PRIOR YEAR	TREND
EFFICIENCY					
Debt to Equity	183.97%	210.32%	▼ -26.36%	-7315.42%	▲ 7499.39%
Debt to Assets	64.78%	67.78%	▼ -2.99%	101.39%	▼ -36.60%
Equity to Assets	35.22%	32.22%	▲ 2.99%	-1.39%	▲ 36.60%
Return on Equity	20.02%	8.57%	▲ 11.46%	-61.07%	▲ 81.10%
Return on Assets	7.05%	2.76%	▲ 4.29%	0.85%	▲ 6.20%
AR Days	208	219	▼ -4.84%	114	▲ 81.95%
AP Days	-54			16	▼ -428.24%

Total Income

\$14.9k

Jan 2025 - Feb 2025: Total Income (\$14.9k) were 45% lower (-\$12.3k) than Jan 2024 - Feb 2024 (\$27.2k).

Cost of Goods Sold

\$0

Jan 2025 - Feb 2025: Cost of Goods Sold (\$0) was 100% lower (-\$13.7k) than Jan 2024 - Feb 2024 (\$13.7k).

Total Expense

-\$5k

Jan 2025 - Feb 2025: Total Expense (-\$5k) was 140% lower (-\$17.5k) than Jan 2024 - Feb 2024 (\$12.5k).

Net Profit

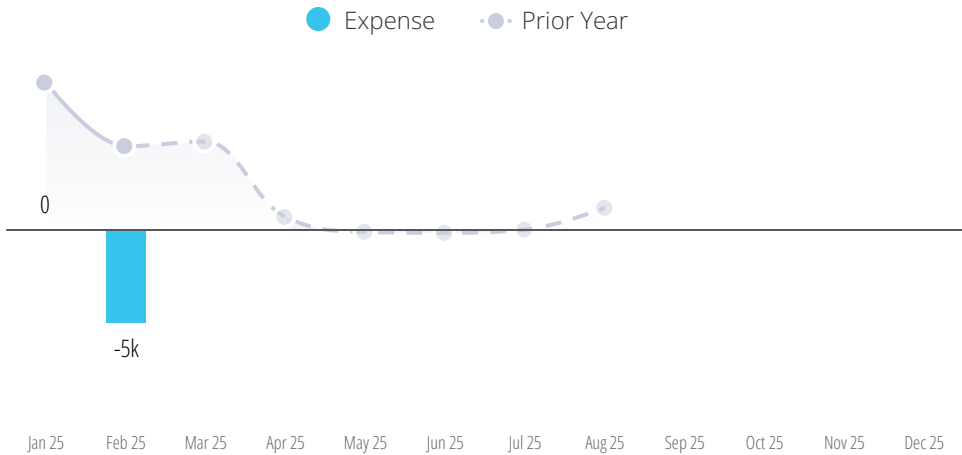
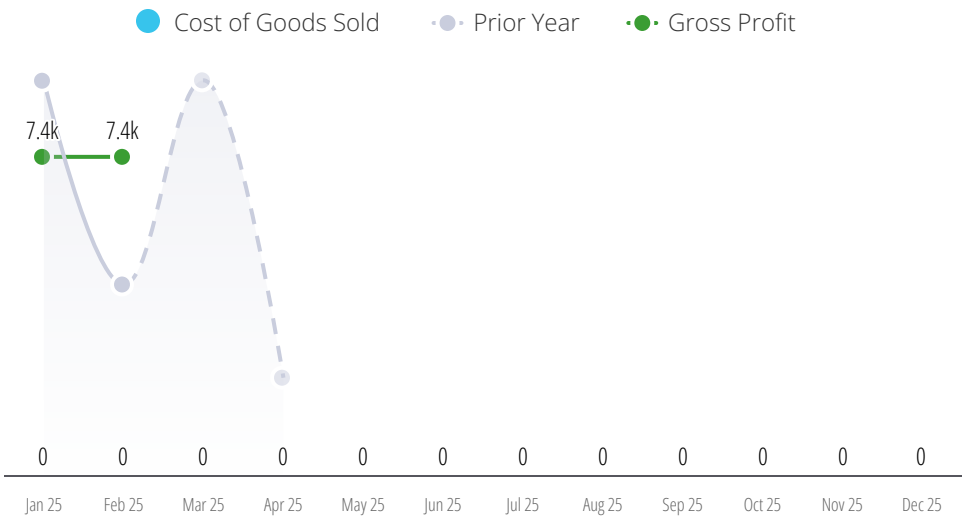
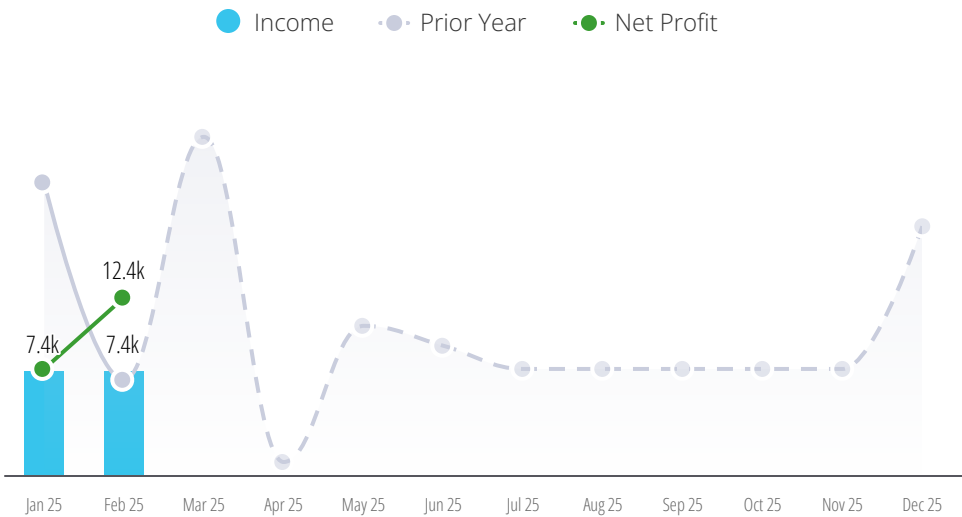
\$19.9k

Jan 2025 - Feb 2025: Net Profit (\$19.9k) was 1783% higher (+\$18.8k) than Jan 2024 - Feb 2024 (\$1.1k).

Net Profit Margin

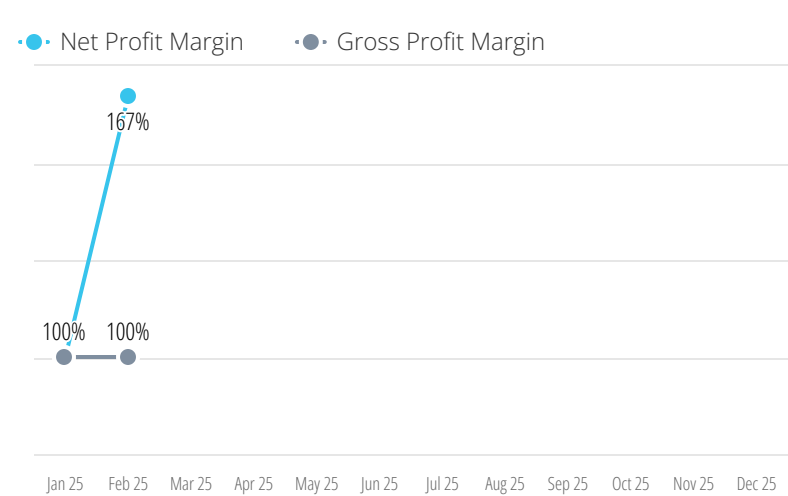
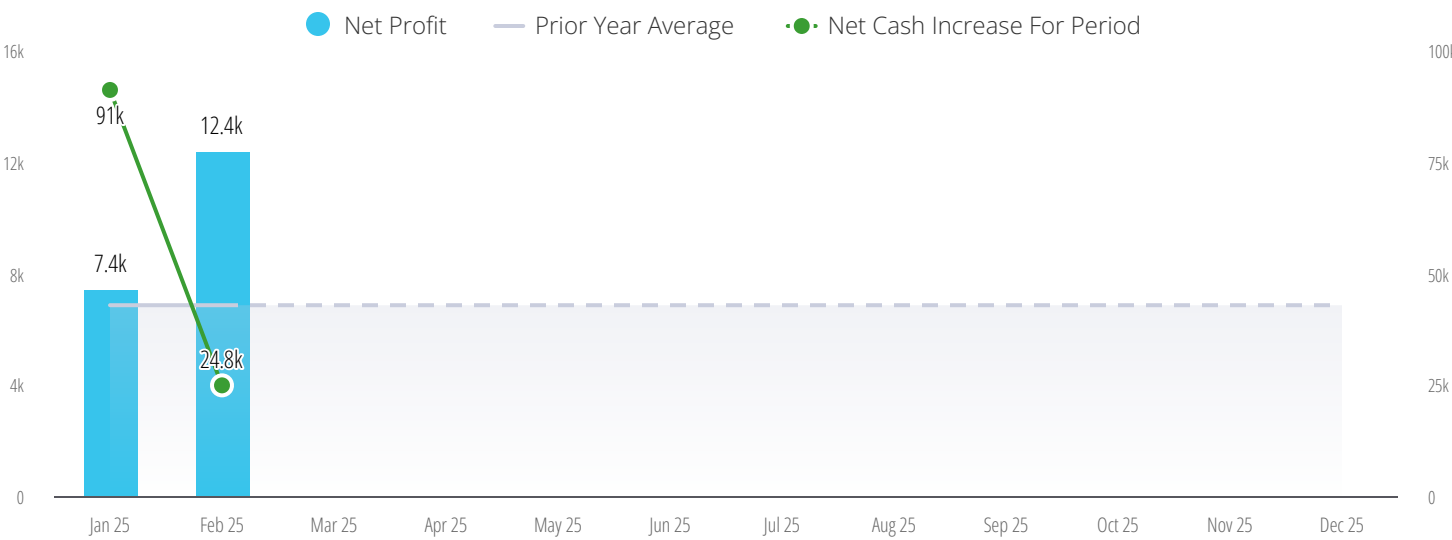
134%

Jan 2025 - Feb 2025: Net Profit Margin (134%) was higher (+130%) than Jan 2024 - Feb 2024 (4%).

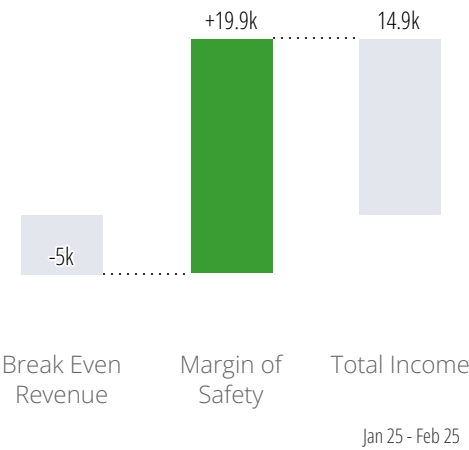
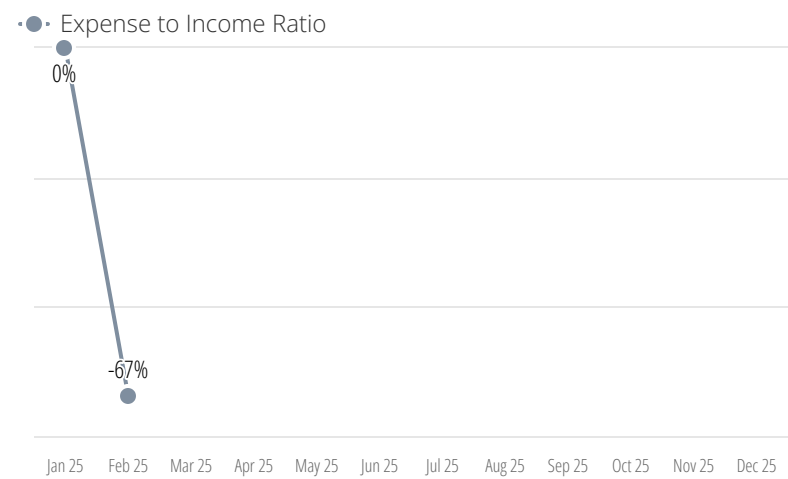


Current Fiscal Year

February 2025 | Test Company



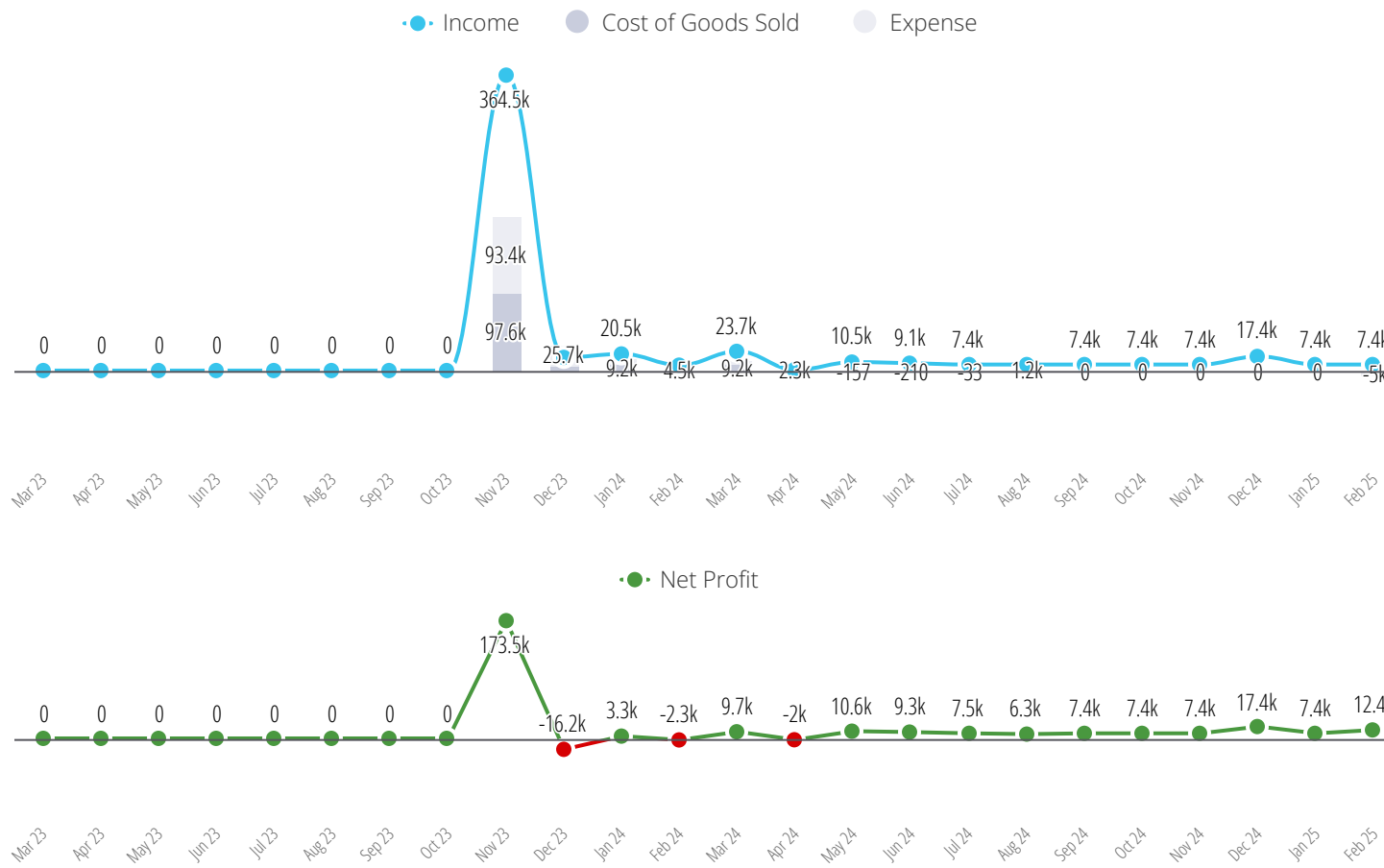
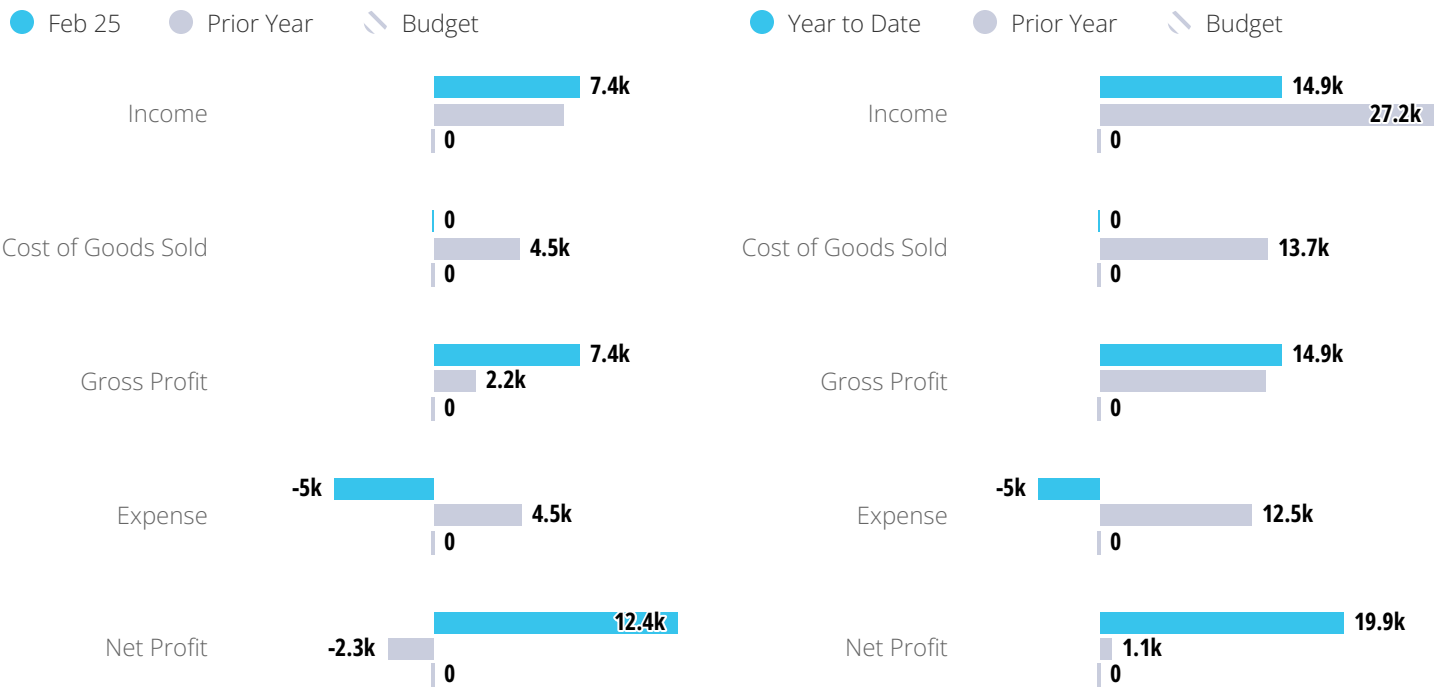
	Feb 25
Net Profit	12,433
Rolling 24 Month Average	10,804
Variance	▲ 1,629
Rolling 3 Month Average	12,433
Variance	
Rolling 12 Month Average	8,412
Variance	▲ 4,021
Prior Year Average	6,844
Variance	▲ 5,589



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Profitability Summary

February 2025 | Test Company



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Liquidity Summary

February 2025 | Test Company

Bank Accounts

\$241k

↑ Feb 2025: Bank Accounts were \$166.2k higher than Feb 2024.

Working Capital

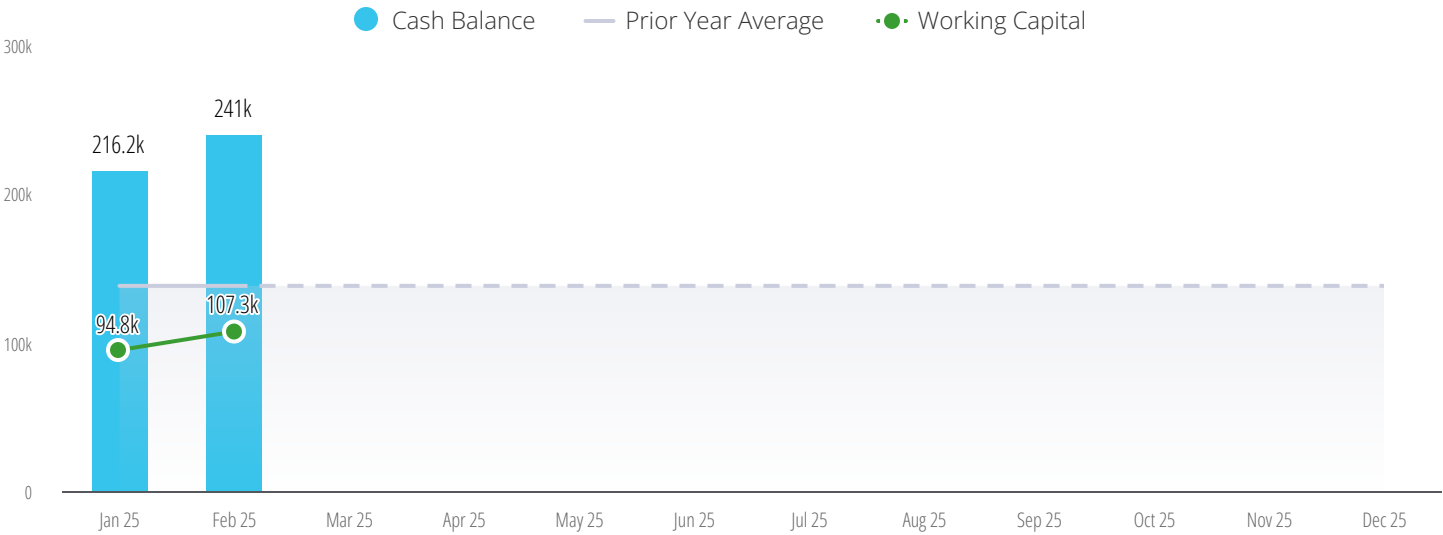
\$107.3k

↑ Feb 2025: Working Capital was \$100.9k higher than Feb 2024.

Current Ratio

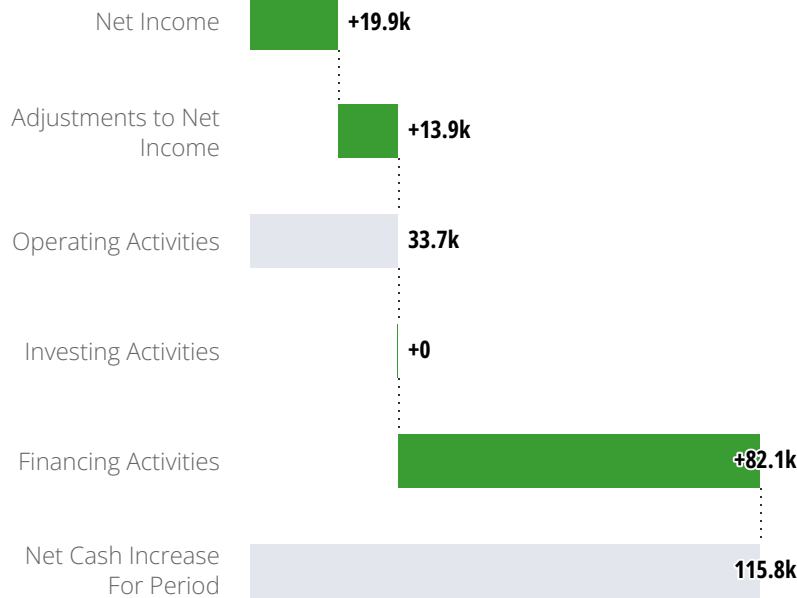
1.61

↑ Feb 2025: Current Ratio was 0.56 higher than Feb 2024.

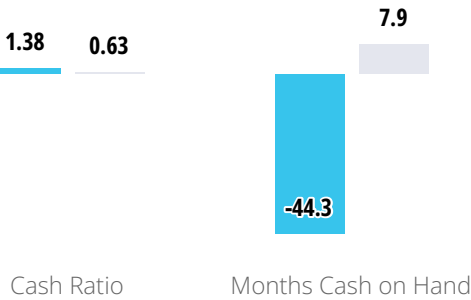


Cash Received Cash Spent

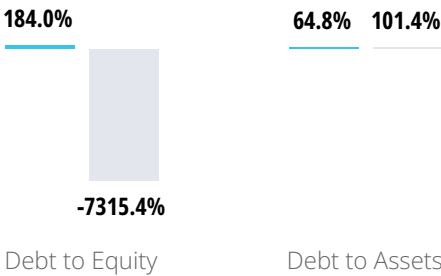
Jan 25 - Feb 25



Cash Ratio Months Cash on Hand

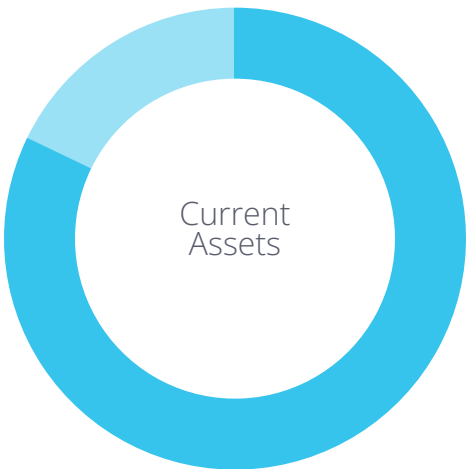
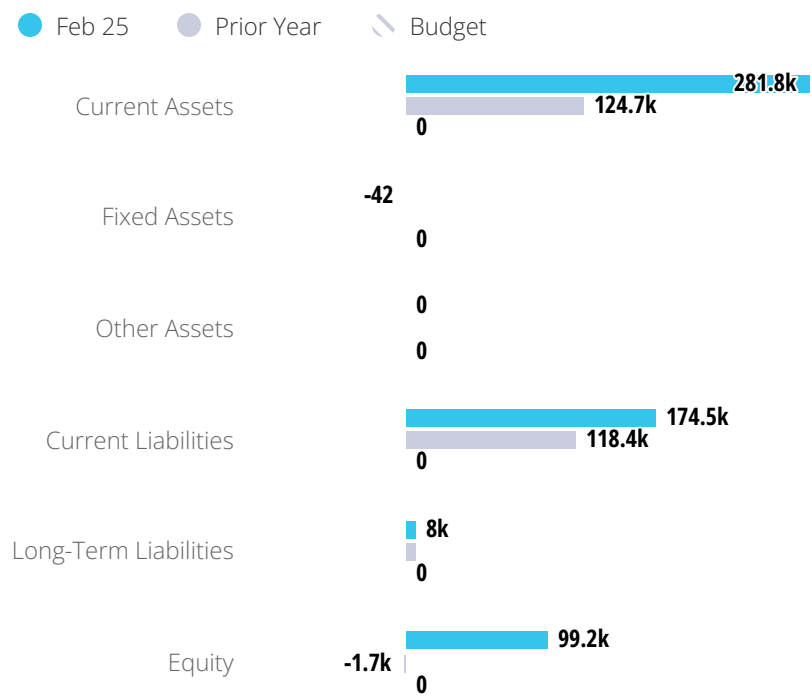


Debt to Equity Debt to Assets

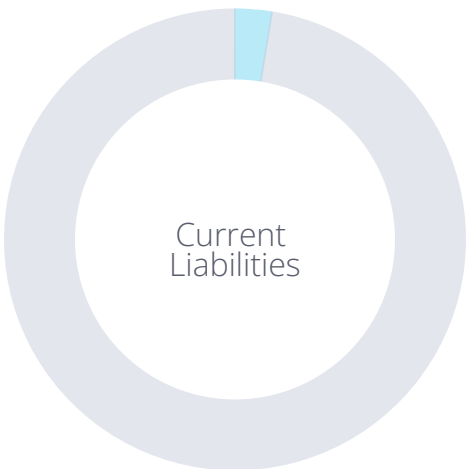
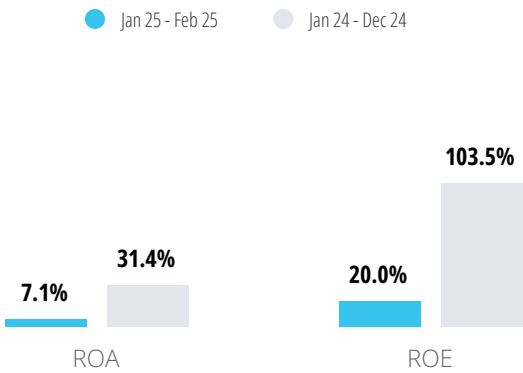


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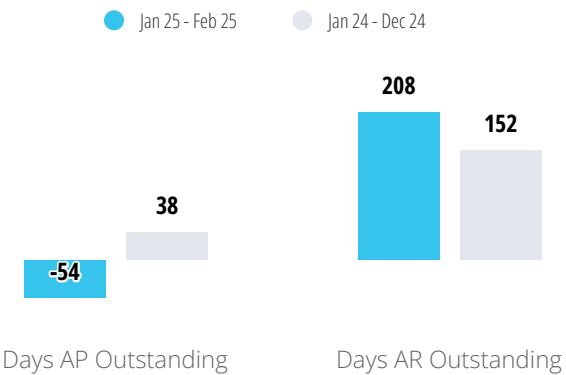
Efficiency Summary



● Bank Accounts 241k (82.1%)
● Accounts Receivable 52.4k (17.9%)



● Accounts Payable 4.5k (2.6%)
● Other Current Liabilities 172.2k (97.4%)



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Profit and Loss

February 2025

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	Feb 25		Feb 24		Jan 25	
	Actuals	% of Income	Prior Year	Variance	Prior Month	Variance
Income						
4100 Legal Fee Income	\$7,433	100%		\$7,433	\$7,433	
4444 Legal Services			6,671	-6,671		
Total Income	7,433	100%	6,671	763	7,433	
Cost of Goods Sold						
5120 Billable Time/Wages:Wages- Associates (Billable)			4,451	-4,451		
Total Cost of Goods Sold			4,451	-4,451		
Gross Profit	7,433	100%	2,220	5,214	7,433	
Expense						
6130 Car/Truck Expense						
6131 Car/Truck Expense:Company Car (deleted)			563	-563		
Total 6130 Car/Truck Expense			563	-563		
6185 Insurance:Owner's Health Insurance			356	-356		
6188 Insurance:General Liability Insurance			230	-230		
6189 Insurance:Worker's Compensation			232	-232		
6250 Office Equipment			25	-25		
6255 Postage and Delivery			82	-82		
6276 Professional Fees:Legal Fees	-5,000	-67%		-5,000		-5,000
6278 Professional Fees:Payroll Service Fees			123	-123		
6295 Rent			584	-584		
6310 Supplies			59	-59		
6320 Telephone			304	-304		
6510 Wages - Unbillable:Wages-Office Staff			432	-432		
6511 Wages - Unbillable:Wages-Unbillable			549	-549		
6514 Wages - Unbillable:Payroll Tax Expenses			633	-633		
6516 Wages - Unbillable:Employee Benefits			188	-188		
6970 Utilities			73	-73		
9100 Other Expense:Interest Expense			71	-71		
Total Expense	-5,000	-67%	4,503	-9,503		-5,000
Net Operating Income	12,433	167%	-2,283	14,716	7,433	5,000
Net Profit	\$12,433	167%	-\$2,283	\$14,716	\$7,433	\$5,000

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Profit and Loss

2 Months Ended February 28, 2025

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	Jan 25 - Feb 25		Jan 24 - Feb 24		
	Actuals	% of Income	Prior Year	Variance	%Variance
Income					
4100 Legal Fee Income	14,867	100%	18,290	-3,424	-19%
4444 Legal Services			6,671	-6,671	-100%
4500 Markup on Reimbursable Expenses			3	-3	-100%
4700 Reimbursed Exp. (Income)			32	-32	-100%
Sales of Product Income			2,184	-2,184	-100%
Total Income	14,867	100%	27,180	-12,313	-45%
Cost of Goods Sold					
5120 Billable Time/Wages:Wages- Associates (Billable)			8,996	-8,996	-100%
5200 Outside Consultants (Billable)			4,600	-4,600	-100%
5900 Reimbursable Expenses			66	-66	-100%
Total Cost of Goods Sold			13,662	-13,662	-100%
Gross Profit	14,867	100%	13,517	1,349	10%
Expense					
6030 Billable Expense (offset income from above)			125	-125	-100%
6100 Advertising Expense			451	-451	-100%
6130 Car/Truck Expense					
6131 Car/Truck Expense:Company Car (deleted)			1,126	-1,126	-100%
6138 Car/Truck Expense:Insurance-Auto			120	-120	-100%
Total 6130 Car/Truck Expense			1,246	-1,246	-100%
6155 Dues and Subscriptions			1	-1	-100%
6185 Insurance:Owner's Health Insurance			712	-712	-100%
6188 Insurance:General Liability Insurance			460	-460	-100%
6189 Insurance:Worker's Compensation			464	-464	-100%
6236 Maintenance/Janitorial			200	-200	-100%
6250 Office Equipment			50	-50	-100%
6255 Postage and Delivery			260	-260	-100%
6276 Professional Fees:Legal Fees	-5,000	-34%		-5,000	
6277 Professional Fees:Accounting Fees			255	-255	-100%
6278 Professional Fees:Payroll Service Fees			246	-246	-100%
6295 Rent			1,168	-1,168	-100%
6310 Supplies			90	-90	-100%
6320 Telephone			630	-630	-100%
6510 Wages - Unbillable:Wages-Office Staff			864	-864	-100%
6511 Wages - Unbillable:Wages-Unbillable			1,004	-1,004	-100%
6514 Wages - Unbillable:Payroll Tax Expenses			1,266	-1,266	-100%
6516 Wages - Unbillable:Employee Benefits			376	-376	-100%
6970 Utilities			1,578	-1,578	-100%
9100 Other Expense:Interest Expense			202	-202	-100%
Uncategorized Expense			816	-816	-100%
Total Expense	-5,000	-34%	12,462	-17,462	-140%
Net Operating Income	19,867	134%	1,055	18,811	1783%
Net Profit	19,867	134%	1,055	18,811	1783%

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Balance Sheet

As of February 28th, 2025

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	Feb 25	Feb 24		Jan 25	
	Actuals	Prior Year	Variance	Prior Month	Variance
Assets					
Current Assets					
Bank Accounts					
1005 SVB Checking Operating	27,097	-12,608	39,705	27,097	
1014 IOLTA Trust Bank SVB	22,000		22,000	17,000	5,000
1110 General Business Checking Acct.	21,670	25,950	-4,279	10,770	10,900
1140 Petty Cash Account	888	888		888	
1200 Trust Bank Account	290,091	60,581	229,510	266,091	24,000
Clearing Account	-120,734		-120,734	-105,642	-15,092
Total Bank Accounts	241,013	74,811	166,202	216,205	24,808
Accounts Receivable					
1210 Accounts Receivable	52,407	51,782	625	52,407	
Total Accounts Receivable	52,407	51,782	625	52,407	
Other Current Assets					
1250 Prepays	108	108		108	
1475 Terri Advanced Client Costs	-75		-75	-75	
1500 Undeposited Funds		-2,300	2,300	10,900	-10,900
1505 Advanced Client Costs	-11,770	235	-12,005	-10,295	-1,475
Uncategorized Asset	102	102		102	
Total Other Current Assets	-11,635	-1,855	-9,780	740	-12,375
Total Current Assets	281,784	124,738	157,047	269,351	12,433
Fixed Assets					
1510 Automobiles & Trucks	49		49	49	
1520 Computer Equipment	2,500	2,500		2,500	
1540 Accumulated Depreciation	-2,591	-2,591		-2,591	
Total Fixed Assets	-42	-91	49	-42	
Total Assets	281,742	124,646	157,096	269,309	12,433
Liabilities and Equity					
Liabilities					
Current Liabilities					
Accounts Payable					
2010 Accounts Payable	4,543	7,111	-2,568	4,543	
Total Accounts Payable	4,543	7,111	-2,568	4,543	
Credit Card					
2050 Master Card Payable	1,259	1,464	-205	1,259	
Visa Card Payable:Credit Card-Fred	-1,500	-1,500		-1,500	
Visa Card Payable:Credit Card-Mary	-2,000	-2,000		-2,000	
Total Credit Card	-2,241	-2,036	-205	-2,241	
Other Current Liabilities					
2110 Payroll Liabilities:SEC125 Payable	50	150	-100	50	
2130 Payroll Liabilities:Payroll Taxes Payable	2,704	6,309	-3,605	2,704	
2410 Line of Credit	36,473	36,373	100	36,473	

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Balance Sheet

As of February 28th, 2025

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	Feb 25	Feb 24		Jan 25	
	Actuals	Prior Year	Variance	Prior Month	Variance
Funds Held in Trust:0831-2696- Dansby Mike:0831-2696-20-0001- Purchase from Raney	9,351	4,351	5,000	9,351	
Funds Held in Trust:10001- Fishman Jonathon:Estate Planning	7,235	9,750	-2,515	7,235	
Funds Held in Trust:10002- Smith Mary:Estate Planning	14,062	12,062	2,000	14,062	
Funds Held in Trust:10005- Lewis Jonathan:10005-19-0006- Estate Planning	7,046	7,046		7,046	
Funds Held in Trust:200500- Open Sesame Child Care:200500-200501- Collection vs Billy Bob	5,945		5,945	5,945	
Funds Held in Trust:200800- Culvers of Dixon:200800-200801- General Corp	900		900	900	
Funds Held in Trust:200901- Educators of Beauty:200901-200901- Employment issue	500		500	500	
Funds Held in Trust:JOHN RUDNIANYN:0353-2208- SALE TO ARMSTRONG	10,444	10,444		10,444	
Funds Held in Trust:Jones Mary:19-0002- Estate Planning	7,500	7,500		7,500	
Funds Held in Trust:Kerr Suzanne:19-0013- Estate Planning	3,720	3,720		3,720	
Funds Held in Trust:Morris Michael:19-0005- Estate Planning	8,000	8,000		8,000	
Funds Held in Trust:Rubio Mary:20-0014- Estate Planning	700		700	700	
Funds Held in Trust:Souza Mary:20-0015- Estate Planning	5,000		5,000	5,000	
Funds Held in Trust:Swanson Kate:19-0010- Estate Planning	7,595	7,595		7,595	
Retainer Liability	35,000		35,000	35,000	
Trust Accounts Liability -non LL SVB:Snelson Mike:20-6069-Slip and Fall	10,000		10,000	10,000	
Total Other Current Liabilities	172,223	113,299	58,925	172,223	
Total Current Liabilities	174,525	118,374	56,151	174,525	
Long-Term Liabilities					
Test LM	8,000	8,000		8,000	
Total Long-Term Liabilities	8,000	8,000		8,000	
Total Liabilities	182,525	126,374	56,151	182,525	
Equity					
Shareholder Equity					
3001 Opening Bal Equity-DO NOT USE	-25,222	-25,222		-25,222	
3120 Owner's Capital:Owner's Draws	-135,000	-135,000		-135,000	
3900 Retained Earnings	239,572	157,439	82,133	239,572	
Total Shareholder Equity	79,350	-2,783	82,133	79,350	
Net Profit (Loss)	19,867	1,055	18,811	7,433	12,433
Total Equity	99,217	-1,728	100,944	86,784	12,433
Total Liabilities and Equity	281,742	124,646	157,096	269,309	12,433

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Cash Flow

February 2025

Test Company

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	Feb 25	Feb 24		Jan 25 - Feb 25
	Actuals	Prior Year	Variance	Actuals YTD
Operating Activities				
Net Income	12,433	-2,283	14,716	19,867
Adjustments to Net Income				
Accounts Receivable				
1210 Accounts Receivable		3,995	-3,995	
Total Accounts Receivable		3,995	-3,995	
Other Current Assets				
1500 Undeposited Funds	10,900	2,300	8,600	10,900
1505 Advanced Client Costs	1,475		1,475	2,950
Total Other Current Assets	12,375	2,300	10,075	13,850
Accounts Payable				
2010 Accounts Payable		-4,762	4,762	
Total Accounts Payable		-4,762	4,762	
Other Current Liabilities				
2420 Interest Payable		-26	26	
Funds Held in Trust:0831-2696- Dansby Mike:0831-2696-20-0001- Purchase from Raney		4,351	-4,351	
Funds Held in Trust:10001- Fishman Jonathon:Estate Planning		-125	125	
Funds Held in Trust:10003- Bennett Michael:10003-19-0004- Estate Planning		-10,546	10,546	
Funds Held in Trust:JOHN RUDNIANYN:0353-2208- SALE TO ARMSTRONG		10,444	-10,444	
Total Other Current Liabilities		4,098	-4,098	
Total Adjustments to Net Income	12,375	5,631	6,744	13,850
Total Operating Activities	24,808	3,348	21,460	33,717
Financing Activities				
Equity				
Shareholder Equity				
3001 Opening Bal Equity-DO NOT USE		-5,222	5,222	
3900 Retained Earnings				82,133
Total Shareholder Equity		-5,222	5,222	82,133
Total Equity		-5,222	5,222	82,133
Total Financing Activities		-5,222	5,222	82,133
Net Cash Increase for Period	24,808	-1,874	26,682	115,849

The information contained in this report is provided for informational purposes only and is not intended to substitute for obtaining accounting, tax, or financial advice from a professional accountant. Any tax advice contained in this report is not intended to be used for the purpose of avoiding penalties under tax law. While we use reasonable efforts to furnish accurate and up-to-date information, we do not warrant that any information contained in or made available through this report is accurate, complete, reliable, current or error-free. We assume no liability or responsibility for any errors or omissions in the content of this report or delivered information.

Profit and Loss

Current Fiscal Year

Test Company

YOUR COMPANY
LOGO HERE

	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25
Income												
4100 Legal Fee Income	7,433	7,433										
Total Income	7,433	7,433										
Gross Profit	7,433	7,433										
Expense												
6276 Professional Fees:Legal Fees		-5,000										
Total Expense		-5,000										
Net Operating Income	7,433	12,433										
Net Profit	7,433	12,433										

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KPI Definitions

Profit & Loss

A Profit and Loss (P&L) statement, also known as the Income statement is a snapshots of company's profitability. It provides insights into a company's ability to generate profit by increasing revenue and managing costs. It typically includes the following components:

- **Revenue/ Income**

Represents the total income generated from sales of goods or services.

- **Cost of Goods Sold**

The direct costs associated with producing goods or services.

- **Operating Expenses (Overhead expenses):**

Includes expenses like salaries, rent, marketing, and utilities.

- **Net Profit/ Net Income:**

Calculated by subtracting all expenses from revenue. It reflects the company's profit or loss.

Break-Even Point & Date

Break-Even calculates the level of revenue/ income and a date after which a company becomes profitable. It occurs at a point where revenue is equal to expenses, making profit equal to zero. Margin of Safety is the difference between your Break-Even point of revenue and actual sales made.

Gross Profit Margin

Gross Profit Margin is a share of Gross Profit in total revenue/ income. Gross Profit is the money a company makes from its core operations, calculated as revenues minus the direct costs associated with producing goods or services. A good Gross Profit Margin should be high enough to cover operating and other expenses and leave a reasonable Net Profit, for most industries that is above 50%.

Net Profit Margin

Net Profit Margin shows the profit earned per dollar of revenue/ income. A 10% is considered an excellent ratio. If a company has a low Net Profit Margin it is making very little profit after all costs. With a low margin, a sudden dip in sales could turn a company unprofitable. A high margin indicates a company has solid competitive advantages.

% Expense to Income Ratio

A ratio showing the proportion of total revenue/ income eaten up by Cost of Goods Sold and all other Expense.

EBITDA

EBITDA stands for "Earnings Before Interest, Taxes, Depreciation, and Amortization." It is used to evaluate a company's operating performance. By excluding the effects of financial leverage, tax strategies and non-cash expenses like D&A, EBITDA focuses on the core profitability of a business, offering a clearer view of how well a company is performing from its main operations.

EBITDA Margin

EBITDA margin measures operating profitability as % of EBITDA in total revenue/ income. It provides insight into how efficiently a company is managing its core operations before accounting for interest, taxes, depreciation, and amortization expenses. An EBITDA margin above 20% is seen as strong, though this varies by sector.

EBIT

EBIT stands for "Earnings Before Interest and Taxes." It is a measure of a company's profitability that focuses on its core operating performance by excluding interest expenses and income tax expenses. Unlike EBITDA, EBIT includes D&A as non-cash charges, so it provides a view of profitability that accounts for the cost of using long-term assets.

EBIT Margin

EBIT margin measures operating profitability as % of EBIT in total revenue/ income. A higher EBIT margin indicates that a company is efficient at converting revenue into operating profit. In many industries, an EBIT margin above 15% is considered strong, though this varies by sector.

KPI Definitions

Balance Sheet

Balance Sheet offers an overview of Assets, Liabilities and Equity. Assets are items the company owns that can provide future economic benefit and thus they add value. Liabilities are what the company owes and they decrease its value.

• Assets

Assets are grouped based on their liquidity or how quickly they can be turned into cash. Current Assets can be quickly converted into cash. The more Current Assets the company has, the better, as this means it can survive longer without borrowing money. Fixed Assets are physical and intangible items that last over a year and have financial value to the company, such as equipment, computers, software and tools.

• Liabilities

Liabilities represent financial obligations of the company. They show indebtedness and are grouped based on their liquidity. Current Liabilities are those due in the current year and they represent money owed for operating expenses. Long-Term Liabilities represent debt that will not be due for at least a year.

Net Assets

Net assets, also known as net worth or shareholders' equity, represent the difference between a company's total assets and total liabilities.

Return on Assets

ROA indicates how well a company is using capital invested in Assets to generate revenue/ income. The higher the return, the more productive and efficient management is in utilizing economic resources the business has.

Return on Equity

ROE indicates how efficient company management is at generating growth from the Equity financing. Because Equity is equal to a company's Assets minus Liabilities, ROE is also considered the Return on Net Assets. Higher ROE suggests more efficient use of equity capital.

Days Sales Outstanding (DSO)/ AR Turnover

DSO indicates the average number of days it takes to collect a payment after a sale. Lower DSO is generally better. AR Turnover shows the number of times accounts receivable are collected in a month.

Days Payable Outstanding (DPO)/ AP Turnover

DPO measures the average number of days it takes to pay suppliers. Longer DPO can improve cash flow, but excessively long periods may strain supplier relationships. AP Turnover shows the number of times a company pays off its accounts payable during a specific period.

Days Inventory Outstanding (DIO)/ Inventory Turnover Ratio

DIO measures the average number of days it takes to convert inventory into sales. Inventory Turnover measures how quickly inventory is sold and replaced over a period. Higher turnover indicates efficient inventory management.

Cash Gap/ Cash Conversion Cycle

Cash Gap measures in days how long it takes a company to convert its inventory and AR into cash flows from sales as opposed to paying for goods and services incurred ($CCC = DSO + DIO - DPO$). If positive then that interval in days must be financed by further indebtedness. Negative cash gap means that the organization is financing its operating expenses during the period by its own funds.

Asset Turnover Ratio

Asset Turnover Ratio assesses how efficiently a company uses its assets to generate sales. Higher ratios indicate better performance.

Equity Ratio

Shows the proportion of assets financed by shareholders' equity. A higher ratio indicates less reliance on debt.

KPI Definitions

Cash Flow

Cash Flow records the movement of money into and out of a business during a specific period. Positive cash flow indicates that the company is generating more cash than it is spending, while negative cash flow suggests that the company may need to seek additional financing or make adjustments to its operations. There are typically three main categories of cash flow:

- **Operating Cash Flow (OCF)**

This category represents the cash generated or consumed by the core business operations of the company. It includes cash receipts from sales of goods or services, as well as cash payments for operating expenses such as salaries, utilities, inventory purchases, and taxes.

- **Investing Cash Flow (ICF)**

Reflects the cash flows associated with the purchase and sale of long-term assets like equipment or property, investments in securities, and other investments not considered part of normal operations. In healthy companies that are actively investing in their businesses, this number will often be negative.

- **Financing Cash Flow (FCF)**

Encompasses cash flows between a business and its owners, investors or creditors to finance the company. May include the issuance or repayment of debt, issuance or repurchase of equity securities, and payment of dividends.

Working Capital

Working capital reflects money used to cover all of company's operating expenses, inventory, and payments on short-term debt. It is critical to keep a business operating smoothly and meet all its financial obligations within the coming year. Efficient management of Working capital, such as accounts receivable, accounts payable, and inventory can help optimize cash flow.

Current Ratio

Current ratio is a liquidity ratio that measures the ability to meet the demands for cash as they arise, using available current assets. A ratio of less than 1 indicates that the company may not have enough liquid assets to meet all its short-term obligations. However, low ratios can be justified for businesses with negative cash gap - those that collect cash from customers or turn inventory into cash long before they need to pay their suppliers.

Cash Ratio

A liquidity ratio that measures the ability to cover short-term obligations using only cash and cash equivalents. A value above 0.5 is considered a good ratio.

Cash Flow Margin

A ratio that measures cash from operating activities as a % of total revenue/ income. It tracks how well a business is able to convert sales to cash.

Cash Burn & Runway

Gross Cash Burn measures the level of monthly spending a company has on its overall operations. Net Cash Burn takes revenue/ income into account when calculating the monthly cash burn. From Cash Burn, a Cash Runway can be implied, showing the number of months that a business can continue to pay for its core and operating expenses. Similarly a Zero Cash Date can be implied, showing the predicted future date after which a company will run out of money. Under 3 months or a downward trend may be a cause for concern.

Debt to Assets

A solvency measure that measures the proportion of a company's assets that are financed by debt. A higher ratio indicates higher leverage and potentially higher risk.

Debt to Equity

Indebtedness ratio that shows the capital structure weighing total debt to shareholder's equity. A lower value of the ratio is preferred as it shows lower levels of indebtedness. A ratio of 2 means the organization relies twice as much on debt to drive growth than it does on equity, and that creditors, therefore, own two-thirds of the company's assets.