

THE carrot PROJECT

The Carrot Project Financial Calendar Tool Part II: Financial Management Task Details

Weekly/Bi-Weekly

	Task	Goal	Tools & Data Needed	Process
1	Monitor cash balances	Have enough cash to pay upcoming bills and/or prioritize expenses, as needed	<ol style="list-style-type: none"> 1. Bank balance 2. Amount of uncashed checks 3. List of upcoming bills 4. List of anticipated revenue 5. Completed annual cash flow projections 	<ul style="list-style-type: none"> • Project how much cash will be need each week to pay bills. <ol style="list-style-type: none"> 1. Calculate how much cash is anticipated to be coming in (Ex. receivables, new sales) 2. Determine when payments (cash out flow) are expected 3. Add cash on hand plus expected incoming cash 4. Add amounts due 5. Prepare for cash needs to avoid negative cash balance. (Access line of Credit, transfer from savings, use personal moneys, borrow from other sources) 6. Use a cash flow projection worksheet! • For each week, compare estimated cash on hand to what cash is needed to cover expenses: <ol style="list-style-type: none"> 1. If total amount due is less than cash available, pay bills 2. If total amount due is greater than cash available, then, as prepared for above, access cash needed, cut back expenses, or both. Delay payments as a last resort.
2	Compile, log, and allocate payroll/labor hours	Track how much labor is spent on various production tasks for periodic analysis	<ol style="list-style-type: none"> 1. Daily labor tracking sheets (employees log hours spent on specific tasks) 2. Total labor tracking spreadsheet (managers compile and log the time) 	<ul style="list-style-type: none"> • Daily: All employees enter time into labor tracking records per detail level as determined by management. • Compile Data <ol style="list-style-type: none"> 1. Compile all daily labor tracking sheets for each task into total labor tracking spreadsheet 2. Allocate labor hours to individual enterprises and overhead accounts 3. Allocate owners' labor hours, even if they are not paid from payroll • Use total labor tracking spreadsheet for periodic analysis (see task #9)

Monthly/Quarterly

Task	Goal	Tools & Data Needed	Process
3 Reconcile bank statements	Ensure all transactions are recorded in a timely and accurate manner and properly accounted for	<ol style="list-style-type: none"> 1. Bank Statement 2. Checkbook register 3. Credit card statements 	<p>Use the reconcile function in software, or</p> <ul style="list-style-type: none"> • Make sure all transactions on bank statement(s) are recorded accurately in check register(s). • Confirm that the bank balance(s) on bank statement(s) matches the bank balance in checkbook register(s) • Reconcile any inconsistencies in the records
4 Reconcile loan accounts	Stay current on payments and ensure principal and interest are properly allocated in the books	<ol style="list-style-type: none"> 1. Loan amortization worksheet (request at bank) 2. Loan accountant statements 	<ul style="list-style-type: none"> • Determine how much of loan repayments were interest and how much were principal • Review and edit transactions to ensure that all interest and principal payments are properly allocated in record keeping software
5 Review sales: compare projections against actuals	Determine if sales meet targets and clarify how to improve sales as needed	<ol style="list-style-type: none"> 1. Previously determined sales projections 2. Weekly sales reports AND/OR Monthly profit & loss (easiest if generated by accounting software) or cash flow projections or modified cash flow 	<ul style="list-style-type: none"> • Compare actual sales to projected sales There are many reasons why sales may vary materially from projections. Here are some examples of questions to ask to understand why: <ol style="list-style-type: none"> 1. Is the market flooded with product? 2. Are you the only one selling this product? 3. Did you go to markets with all the products you thought you would? 4. Was weather a factor? 5. Did labor change? 6. Was yield lower than expected? 7. Revisit marketing plan projections and ask: are you on track? <p>After analysis:</p> <ul style="list-style-type: none"> • Decide whether to replicate or change procedures to improve sales
6 Review expenses: compare projections against actuals	<p>Determine if spending is on target.</p> <p>This is particularly important when cash is expected to be tight.</p>	<ol style="list-style-type: none"> 1. Previously determined expense projections 2. Weekly expense reports AND/OR monthly or quarterly profit & loss (easiest if generated by accounting software) or cash flow projections or modified cash flow 	<ul style="list-style-type: none"> • Compare actual expenses to projected expenses. Identify variances by asking: <ol style="list-style-type: none"> 1. Were bills earlier than projected? 2. Have input costs changed? 3. Were there unexpected expenses? 4. Were some expenses higher than anticipated? <p>After analysis:</p> <ul style="list-style-type: none"> • Analyze product pricing if needed • Adjust purchasing as necessary • Determine what can be done to prevent or plan for unexpected expenses, reduce expenses, or stay on track financially in the next month
7 Review Profit & Loss reports comparing this year-to-date to last year-to-date.	<p>Understand changes to revenue sources and cost structure of business.</p> <p>Understand where and how the business is changing.</p>	<ol style="list-style-type: none"> 1. Profit & loss reports (easiest if from accounting software) OR Spreadsheets totaling all revenue and expenses 2. Add a column to compare to previous periods 	<ul style="list-style-type: none"> • Compare line item by line item to see how the business has changed since the previous years. <p>Where there are significant differences, ask:</p> <ol style="list-style-type: none"> 1. What changes happened for the better? 2. What changes happened for the worse? 3. Are all items in the budget? Are they supporting the business plans? 4. Would the business benefit from adjusting plans or operations? How?

Annually

Task	Goal	Tools & Data Needed	Process
8 Analyze profit & loss statement	Understand the profitability of the business and what improvements can be made for the coming year Determine starting point for the next year's projections	<ol style="list-style-type: none"> Profit & Loss statement (complete year with columns by month) Common size reports Profit & Loss compared to projections 	<ul style="list-style-type: none"> Review each month and line of the profit & loss statement and ask: <ol style="list-style-type: none"> How did accounts diverge from projections from last year or last quarter? What impact did this have on the business? (Variance analysis) Do certain expenses stand out? Are there certain expenses to avoid in future years? How? How can you budget for expenses more accurately? What percent of sales are each expenses category (ex: labor)? (Common size analysis) What is happening over time? How have labor hours, sales, or other aspects of the business changed over time? (Trend analysis) Prepare for next year's projections by considering how things are likely change.
9 Analyze Balance Sheet	Understand changes in the capital structure of the business. Understand if the business is decreasing or increasing debt	<ol style="list-style-type: none"> Balance sheet reports OR Create a balance sheet by assembling numbers from bank statements, reports, and spreadsheet Common size reports Balance sheet reports from previous year(s) 	<ul style="list-style-type: none"> Analyze the capital structure of the business: <ol style="list-style-type: none"> Equity: How much equity is in the business? Who are the owners? Has the equity in the business grown? Debt: What is the debt level? What are the terms? Who are the lenders? What is debt secured by? How much of the debt is due and when? Assets: What are the business' assets? Own land or lease? Does the business have needed equipment to achieve planned results? Is the debt manageable? Compare total liabilities from current year to previous year. If liabilities have increased, ask: <ol style="list-style-type: none"> Is it because of recent investments in the business or because the business is borrowing money to help with a cash flow crisis? If it is the latter, how can cash flow be better managed?
10 Review pricing structure: <ul style="list-style-type: none"> Cost of production Competitive analysis 	Understand what it costs to produce the goods so that they can be priced to create profit. Understand the competitive landscape and make sure products are priced correctly based on the prices, features, and values of competition in the market	<ol style="list-style-type: none"> Production records Total labor tracking spreadsheet (created from task #2) <ol style="list-style-type: none"> Expense and sales reports Monthly Profit & Loss 	<ul style="list-style-type: none"> Determine actual cost of production: <ol style="list-style-type: none"> Adding together all production expenses (seed costs, equipment costs, labor, etc.) Organizing expenses into variable costs and fixed costs Conduct breakeven analysis: determine what price is necessary to make product profitable Analyze the competitive landscape: <ol style="list-style-type: none"> Determine all competitors and list out all the features of their products (organic, local, non-GMO, pasture-fed, natural ingredients, etc.) Compare these features to your product to determine how your product compares in terms of value Designate a price to each of those features to either add as a premium or use as a discount compared to your own product. If a competitor has a feature that you do NOT have, you will subtract the designated price of that feature from their price. If you have a feature that a competitor does NOT have, you will add the designated price of that feature to their price. Combine all additions and subtractions to competitor's price and compare these adjusted prices to your own. Based on this comparison and on the cost of production analysis, decide whether you should raise, lower, or keep your price to make products profitable.