

Chapter

USING FINANCIAL STATEMENTS TO STEER YOUR BUSINESS

EASY INCOME, CASH FLOW, AND BALANCE SHEET STATEMENTS

Money is better than poverty, if only for financial reasons.

—Woody Allen (b. 1935)
American filmmaker

AND THE THREE FINANCIAL STATEMENTS ARE . . .

Even a really small business can get complicated pretty fast if the entrepreneur isn't tracking its income and expenses. That's why entrepreneurs use three financial statements to steer their businesses: (1) an income statement, (2) a cash flow statement, and (3) a balance sheet. *Please*, don't skip this chapter because you think learning to prepare financial statements is going to be complicated or difficult. My special ed students have learned to prepare them! You can, too.

1. **Income statement.** Entrepreneurs draw up a monthly income statement to track income and expenses and see whether their businesses are profitable. Monthly income statements