

# profitcents<sup>®</sup>



## Training Manual

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## Getting Started

Information on general overview and navigation of ProfitCents.

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## Entering Client Data

Instructions on how to add a client and financial information to the system.

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## Report Overview

Learn the key features of each of our reports and how to run them.

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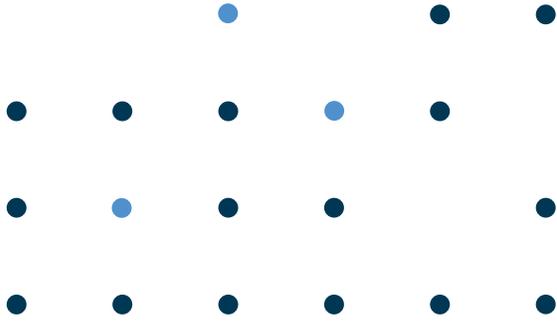
## Best Practices

Learn tips for presenting reports to your clients.

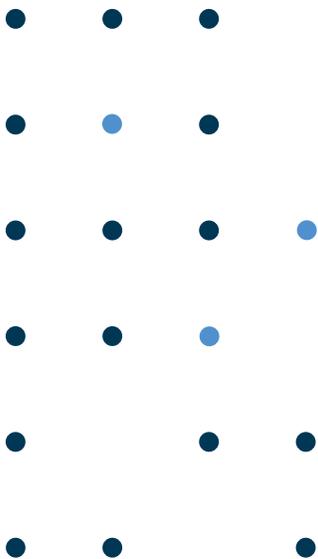
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## Additional Resources

Tools, tips and tricks on how to successfully implement ProfitCents into your service offerings.



# Getting **STARTED**



### **1 GLOBALLY ACCESSIBLE**

Entirely web-based, ProfitCents solutions can be accessed from any computer. Updates and product enhancements are delivered seamlessly without disrupting your work.

### **2 CUSTOMIZABLE REPORTS**

Consistently generate accurate, professional reports about your clients' financials, business value or industry.

### **3 SIMPLE INTEGRATION OF FINANCIALS**

Upload your clients' financials and transfer them between solutions when performing audits, valuations or other services.

### **4 PROFITCENTS INDUSTRY DATA**

Track industry trends, benchmark clients and create reports using the largest real-time database of private-company financial statements in the United States.

# About ProfitCents

Our Software as a Service (SaaS) platform is designed to help your firm streamline workflow, scale processes and create consistent growth opportunities. ProfitCents helps firms increase realization rates and add value during advisory engagements.

*ProfitCents helps thousands of firms and consultants acquire and retain clients through differentiated, high-value services. Build or strengthen an advisory practice and leverage robust benchmarking.*

# About Our Data

ProfitCents strives to provide you with the most representative, relevant, and useful data by maintaining our ProfitCents database with a uniform, systematic, and statistically valid filtering system. We believe that useful data must be representative, relevant, and timely. Our filtering system ensures that the industry averages used throughout our products present you with representative information that accurately reflects the economic conditions of your industry for your financial analysis, whether you segment the data by geographic region or sales range.

**1,400**

Industries covered, including industry-specific KPIs to analyze operational efficiency

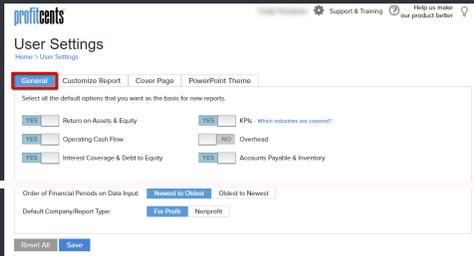
**3,000,000+**

Financial statements collected from accountants, consultants, and small to mid-sized banks

**5**

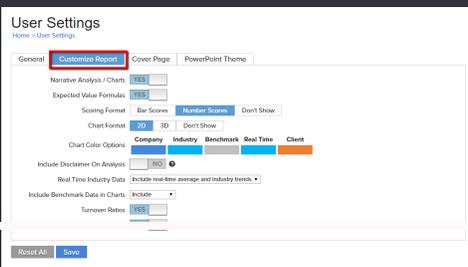
Filters Method used to cleanse data to remove duplicates, incorrect or sample data

# User Settings



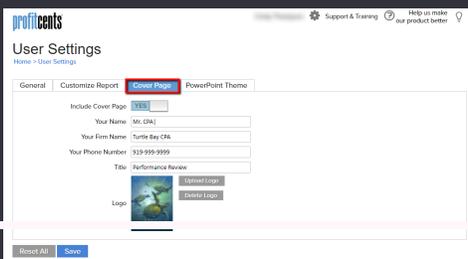
## Getting Started

Allows you to assign default settings for all reports.



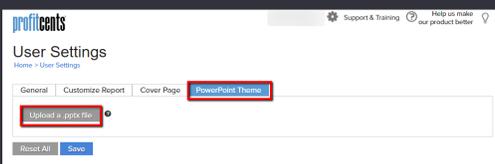
## Customize Report

Set default settings for the Narrative report



## Cover Page

Add company logo and contact information



## PowerPoint Theme

Upload a PowerPoint theme to apply to Narrative presentation

# Support & Training



## FAQ Help Center

Access our Support Center and browse articles

**Request A Training**

Page 1 of 2

Refresher Training (Est. Time: 30 min)

A condensed version of topics including Data entry, Industry data, Company comparisons & Narrative

Product Training (Est. Time: 60 min)

**Data Entry** (Naming Client, Choosing Industry Code, Locate Integration options)

**Industry Data** (Research of Industry Averages, Trends & KPI's)

**Company Comparisons** (Side by side comparison of Client vs. Industry)

**Narrative** (Benchmarking Report)

Advanced Product Training (Est. Time: 60 min)

**Projections**

**Analytical Procedures** (Audits/Reviews)

Integration Training Topics

Electronic Tax Return Reader  QuickBooks Desktop

QuickBooks Online  CCH Engagement

Caseware  Accounting CS

Xero  SAGE 50/Peachtree

Best Practices Training (Est. Time 30 min)

Improving Cash Flow With Your Clients

Report Positioning / Leveraging Reports as Conversation Starters

Enhancements

Case Study (learn best practices)

[Next Page](#)

## Request A Training

To schedule a one-on-one training session, fill out a Request a Training form

**Request A Call**

Name:

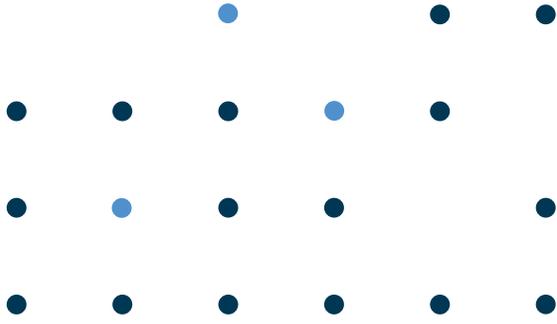
Phone:

Reason For Call:

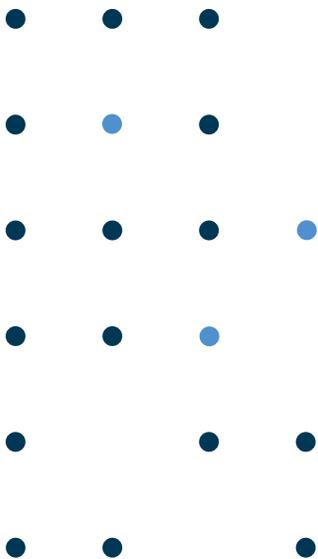
[Submit](#)

## Request A Call

Contact our support team for any questions

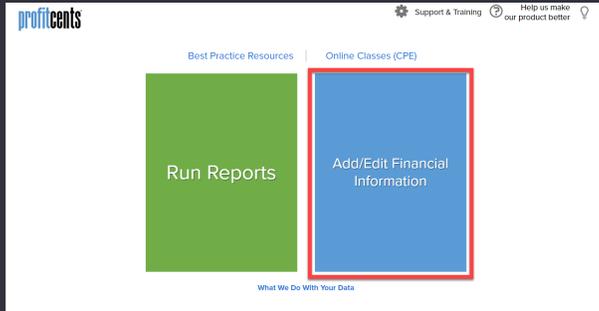


# Entering CLIENT DATA



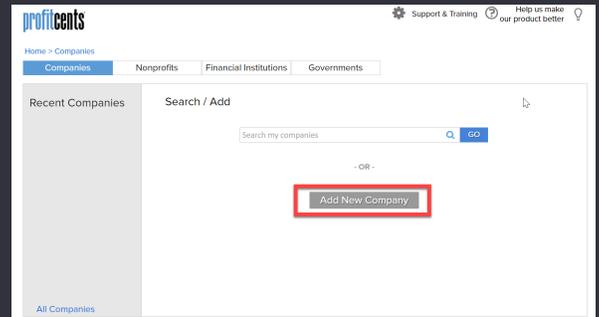
# Instructions: Creating a New Client

1



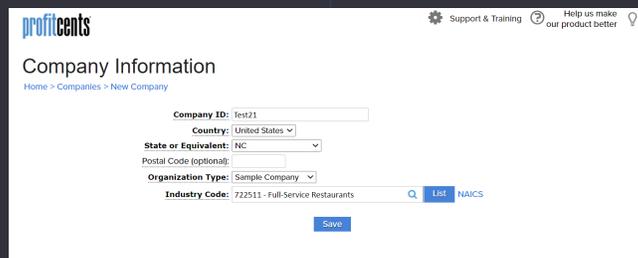
Add/Edit Financial Information

2



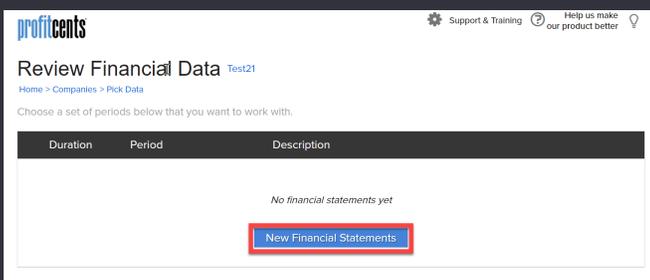
Add New Company

3



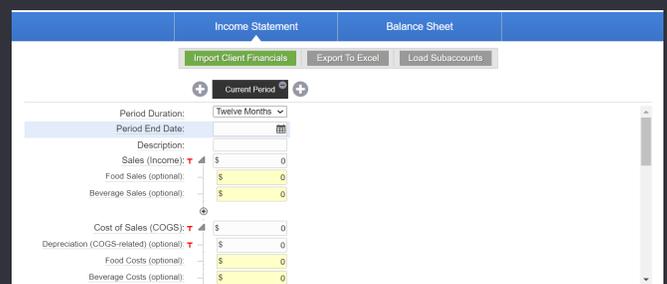
Assign an alphanumeric ID to anonymize the company name  
Select **Country**, **State**, **Organization type** and **Industry Code**

4



New Financial Statements

5



Enter financial statement data



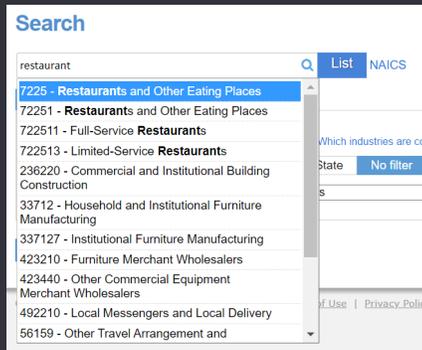
For more details,  
watch the video ProfitCents: How to Enter a Client

# Instructions:

## Determine a NAICS code

ProfitCents uses the NAICS coding system to classify an industry. The NAICS code can be determined while assigning company information or running an Industry Data report, and can be determined three different ways:

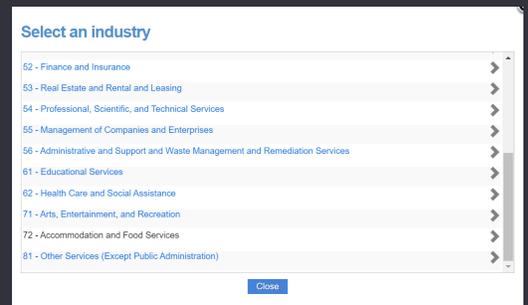
1



The screenshot shows a search bar with the word 'restaurant' entered. Below the search bar is a list of search results. The first result is highlighted in blue: '7225 - Restaurants and Other Eating Places'. Other results include '72251 - Restaurants and Other Eating Places', '722511 - Full-Service Restaurants', '722513 - Limited-Service Restaurants', '236220 - Commercial and Institutional Building Construction', '33712 - Household and Institutional Furniture Manufacturing', '337127 - Institutional Furniture Manufacturing', '423210 - Furniture Merchant Wholesalers', '423440 - Other Commercial Equipment Merchant Wholesalers', '492210 - Local Messengers and Local Delivery', and '56159 - Other Travel Arrangement and'. There are 'List' and 'NAICS' buttons to the right of the search bar.

Type part of the number or a keyword until the desired code populates

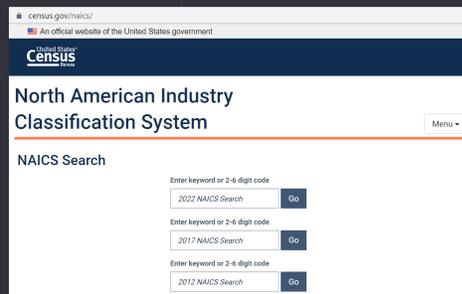
2



The screenshot shows a dropdown menu titled 'Select an industry'. The menu is open, showing a list of industry categories with right-pointing chevrons. The categories are: '52 - Finance and Insurance', '53 - Real Estate and Rental and Leasing', '54 - Professional, Scientific, and Technical Services', '55 - Management of Companies and Enterprises', '56 - Administrative and Support and Waste Management and Remediation Services', '61 - Educational Services', '62 - Health Care and Social Assistance', '71 - Arts, Entertainment, and Recreation', '72 - Accommodation and Food Services', and '81 - Other Services (Except Public Administration)'. A 'Close' button is at the bottom right.

Use the list method to narrow down your choices

3



The screenshot shows the 'North American Industry Classification System' website. The page title is 'North American Industry Classification System'. Below the title is a 'NAICS Search' section. It contains three search boxes, each with a 'Go' button. The first search box is labeled '2022 NAICS Search', the second '2017 NAICS Search', and the third '2012 NAICS Search'. The website header includes the 'Census Bureau' logo and the text 'An official website of the United States government'.

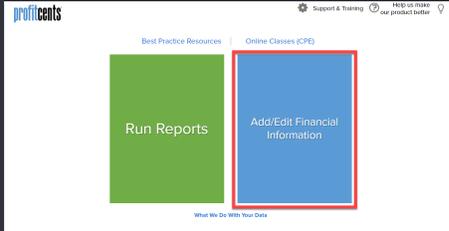
Redirect to the NAICS website for more detailed information, including cross-references and corresponding index industries



For more details, watch ProfitCents: How to Determine a NAICS Code

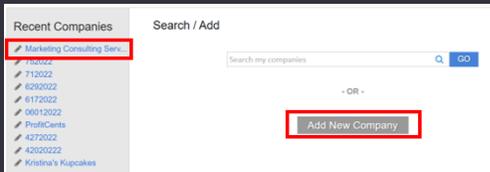
# Instructions: Entering Financial Data

1



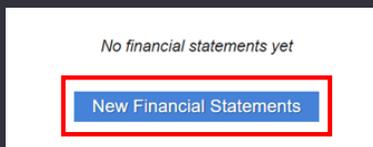
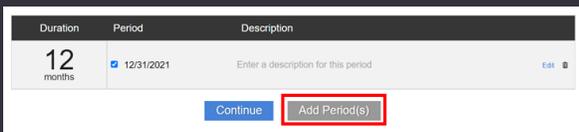
Add/Edit Financial Information

2



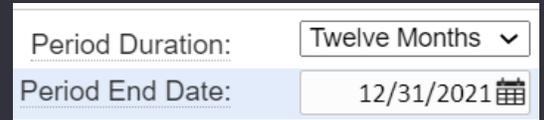
Add a new company or choose an existing one

3



Choose **Add Period(s)** for current companies, or **New Financial Statements** for new clients

4



Select **Period Duration** and **Period End Date**

5

Income Statement	
<input type="button" value="Import Client Financials"/> <input type="button" value="Export"/>	
<input type="button" value="Current Period"/>	
Period Duration:	Twelve Months
Period End Date:	12/31/2021
Description:	
Sales (Income):	\$ 9,500,398
Cost of Sales (COGS):	\$ 3,965,977
Depreciation (COGS-related) (optional):	\$ 0
Subcontractor Expense (optional):	\$ 1,876,880
Direct Materials (optional):	\$ 2,089,097
<b>Gross Profit:</b>	<b>\$ 5,534,421</b>

Enter Income Statement data, including KPI accounts, if applicable. **Save** and **Continue**

6

Income Statement		Balance Sheet	
<input type="button" value="Current Period"/>			
Period End Date:	12/31/2021		
Cash (Bank Funds):	\$ 10,983,389		
Accounts Receivable:	\$ 2,877,764		
Inventory:	\$ 29,990,087		
Other Current Assets:	\$ 780,039		
Costs and Earnings in Excess of Billings (optional):	\$ 780,039		
<b>Total Current Assets:</b>	<b>\$ 44,631,279</b>		

Enter Balance Sheet data, including non-financial KPI information, if applicable. **Save** and **Continue**



For more details, watch ProfitCents: Entering Financial Data

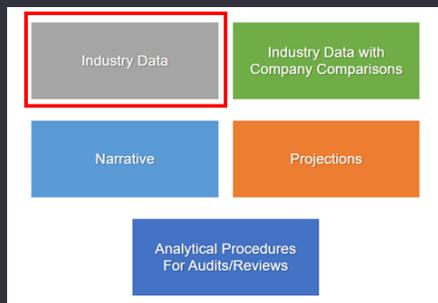
# Instructions: Determining KPIs

1



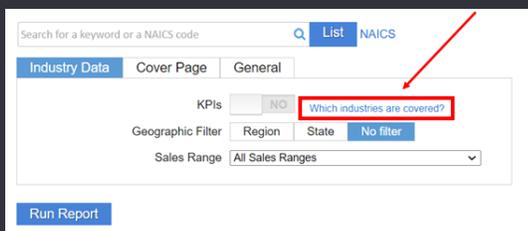
Run Reports

2



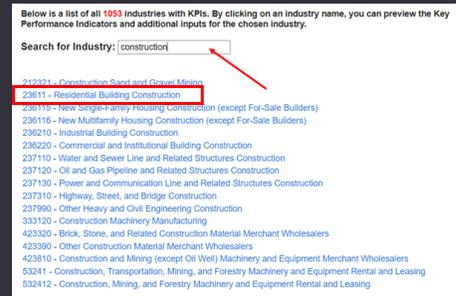
Industry Data

3



Which industries are covered?

4



Search for the industry and select the proper link

5

**23611 - Residential Building Construction**

Additional Accounts	
Main Account	subaccount
Cost of Sales (COGS)	Direct Labor
	Subcontractor Expense
Other Non-Financial Accounts	Backlog
Other Current Assets	Costs and Earnings in Excess of Billings
Other Current Liabilities	Billings in Excess of Costs

Industry Specific Ratios		
Ratio		Calculation
Billings in Excess of Cost to Total Assets		Billings in Excess of Costs / Total Assets
Costs and Earnings in Excess of Billings to Total Assets		Costs and Earnings in Excess of Billings / Total Assets
Months in Backlog		(Backlog / Sales) * 12
Direct Labor Ratio		Direct Labor / Sales
Backlog to Working Capital		Backlog / (Current Assets - Current Liabilities)
Subcontractor Expense to Sales		Subcontractor Expense / Sales
Revenue per Employee		Sales / Employees

The chart will display what KPIs are tracked, how they are calculated, and what accounts are needed to make the calculations  
These will be prepopulated subaccounts when entering financial data



For more details,  
watch ProfitCents: Determining KPIs

# Instructions: Entering KPI Data

Accounts used to calculate KPIs are often highlighted in yellow and marked as (optional)

1

**23611 - Residential Building Construction**

Additional Accounts	
Main Account	subaccount
Cost of Sales (COGS)	Direct Labor
	Subcontractor Expense
Other Non-Financial Accounts	Backlog
Other Current Assets	Costs and Earnings in Excess of Billings
Other Current Liabilities	Billings in Excess of Costs

Industry Specific Ratios	
Ratio	Calculation
Billings in Excess of Cost to Total Assets	Billings in Excess of Costs / Total Assets
Costs and Earnings in Excess of Billings to Total Assets	Costs and Earnings in Excess of Billings / Total Assets
Months in Backlog	(Backlog / Sales) * 12
Direct Labor Ratio	Direct Labor / Sales
Backlog to Working Capital	Backlog / (Current Assets - Current Liabilities)
Subcontractor Expense to Sales	Subcontractor Expense / Sales
Revenue per Employee	Sales / Employees

Determine the subaccounts needed to calculate KPIs (see page 12)

2

Period Duration:	Twelve Months
Period End Date:	12/31/2021
Description:	
Sales (Income):	\$ 9,500,398
Cost of Sales (COGS):	\$ 5,896,364
Depreciation (COGS-related) (optional):	\$ 0
Direct Labor (optional):	\$ 1,930,387
Subcontractor Expense (optional):	\$ 1,876,880
Direct Materials (optional):	\$ 2,089,097
<b>Gross Profit:</b>	\$ 3,604,034

Enter relevant fields in the Income Statement and Balance Sheet

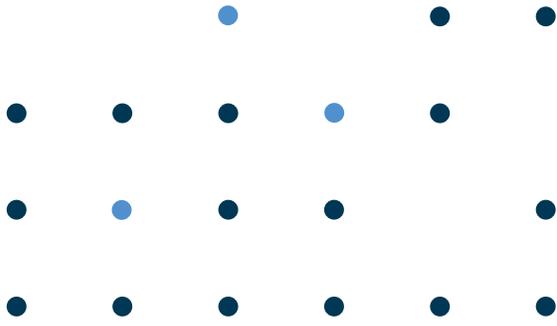
3

<b>Total Assets - (Liabilities + Equity):</b>	\$ 0
Number of Employees (FTE) (optional):	25.0
Other Non-Financial Accounts:	
Backlog (optional):	1,255,433.00

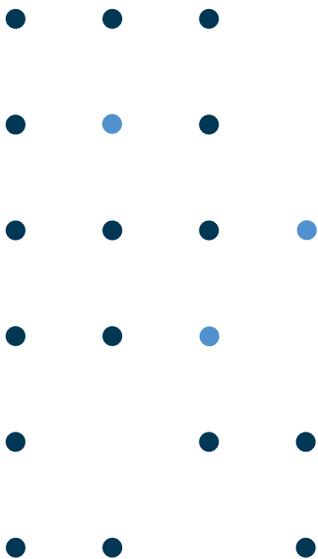
Any non-financial information needed can be entered at the bottom of the Balance Sheet



For more details,  
watch ProfitCents: Entering KPI Data



# Report OVERVIEW



# Industry Data

## Key Features

1,400 industries covered, including industry specific KPIs

Financial data provided by CPAs and bankers to ensure high-quality information

Data is cleansed through a Five-Filters Method to remove duplicates or incorrect data

Data can be segmented by private businesses and nonprofits

Export data to Microsoft Word, PDF, or Excel



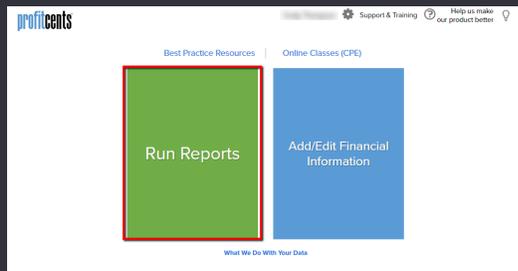
## Benefits

- Identify macro-level industry trends to help develop specialized and diversified services
- Filter real-time data by industry, geography and revenue range
- Useful tool for marketing collateral and prospect meetings

*ProfitCents provides the largest real-time database of private-company financials in North America.*

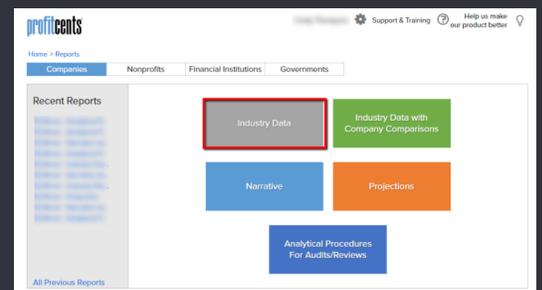
# Instructions: How to Run an Industry Data Report

1



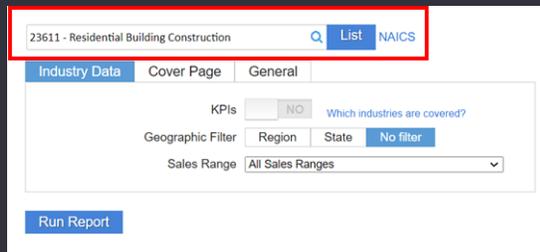
Run Reports

2



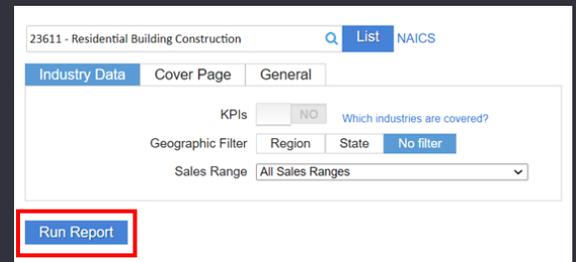
Industry Data

3



Select an industry code

4



Run Report



For more details,  
watch ProfitCents: How to Run an Industry Data Report

# Instructions: How to Customize an Industry Data Report

23611 - Residential Building Construction

Industry Data | Cover Page | General

KPIs  YES Which industries are covered?

Geographic Filter Region State No filter

Sales Range All Sales Ranges

Run Report

Turn KPIs on

23611 - Residential Building Construction

Industry Data | Cover Page | General

KPIs  YES Which industries are covered?

Geographic Filter Region State No filter

Region All Areas All Areas West Midwest South Northeast United States Canada Other

Sales Range

Run Report

Filter data by Geographic  
Region or State(s)

23611 - Residential Building Construction

Industry Data | Cover Page | General

KPIs  YES Which industries are covered?

Geographic Filter Region State No filter

Region South

Sales Range All Sales Ranges All Sales Ranges Yearly sales under \$1 Million Yearly sales \$1 Million to \$10 Million Yearly sales \$10 Million to \$50 Million Yearly sales \$50 Million to \$150 Million Yearly sales \$150 Million to \$250 Million Yearly sales \$250 Million to \$500 Million Yearly sales over \$500 Million Custom Sales Range (SMM)

Run Report

Filter data by Sales Range

23611 - Residential Building Construction

Industry Data | Cover Page | General

Include Cover Page  YES

Your Name Kristina Vidal

Your Firm Name ProfitCents

Your Phone Number (984) 242-2542

Title Sample Report

Logo Upload Logo Delete Logo

Run Report

Add a custom Cover Page

23611 - Residential Building Construction

Industry Data | Cover Page | General

Industry Recommendations

Liquidity  YES All Recommendations

Profitability  YES All Recommendations

Sales  YES

Include General industry  
specific recommendations:  
Liquidity, Profitability and Sales

23611 - Residential Building Construction

sageworks Industry Data

Industry: 23611 - Residential Building Construction

Sales Range: All Sales Ranges

Location: US - South What's my region?

Prepared On: 7/13/2022

Customize Report

The same report options can  
be changed after running  
the report by selecting  
Customize Report



For more details,  
watch ProfitCents: How to Customize an Industry Data Report

# Components of an Industry Data Report

**INDUSTRY FINANCIAL DATA AND RATIOS**

View Formula Key

Average by Year (Number of Financial Statements)

Financial Metric	Last 12 Months (3,172)	2021 (3,949)	2020 (8,089)	Last 5 Years (42,888)	All Years (111,720)
Current Ratio	3.32	3.28	3.10	3.05	2.88
Quick Ratio	1.67	1.63	1.49	1.39	1.32
Gross Profit Margin	31.06%	30.61%	30.31%	29.83%	29.44%
Net Profit Margin	10.66%	10.67%	7.48%	6.15%	4.19%
Inventory Days	125.87	131.07	111.55	118.26	124.02
Accounts Receivable Days	17.88	19.63	16.49	14.81	16.02
Payables to Suppliers Days	19.10	20.65	15.66	16.18	17.31
Interest Coverage Ratio	17.00	17.57	13.79	13.03	10.95

## Industry Financial Data and Ratios

Industry averages over a number of different periods

Industry-Specific Metric	Last 12 Months	2021	2020	Last 5 Years	All Years
Billings in Excess of Cost to Total Assets	14.20% (23)	15.40% (23)	14.40% (36)	13.70% (159)	9.80% (650)
Costs and Earnings in Excess of Billings to Total Assets	13.50% (21)	12.30% (22)	5.90% (32)	8.90% (179)	7.30% (761)
Months in Backlog	5.21 (3)	4.73 (4)	6.27 (6)	7.52 (32)	6.13 (211)
Direct Labor Ratio	14.40% (58)	15.10% (65)	16.10% (106)	16.90% (541)	16.50% (1477)
Backlog to Working Capital	9.57 (3)	9.13 (4)	8.81 (6)	6.22 (32)	6.62 (175)
Expense to Sales	(24)	(32)	(54)	(280)	(1146)
Revenue per Employee	\$555,304 (6)	\$586,769 (9)	\$687,119 (24)	\$595,709 (125)	\$425,779 (3469)

## Industry-Specific Metrics (KPIs)

Key-performance indicator data for the industry

**INDUSTRY DATA COMMON SIZE**

What Is Common Size?

Average by Year (Number of Financial Statements)

Income Statement	Last 12 Months (3,172)	2021 (3,949)	2020 (8,089)	Last 5 Years (42,888)	All Years (111,720)
Sales (Income)	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales (COGS)	68.94%	69.39%	69.69%	70.17%	70.56%
Gross Profit	31.06%	30.61%	30.31%	29.83%	29.44%
Depreciation	0.34%	0.32%	0.61%	0.66%	0.77%
Overhead or S,G, & A Expenses	15.25%	15.07%	16.41%	16.63%	17.90%
Other Operating Income	0.01%	0.01%	0.03%	0.02%	0.02%
Other Operating Expenses	4.17%	3.91%	4.90%	5.35%	5.48%
Interest Expense	0.80%	0.81%	1.09%	1.14%	1.20%

## Industry Data Common Size

Ratio comparison for income statement and balance sheet accounts

### COMPANY-SPECIFIC / INDUSTRY RECOMMENDATIONS

#### LIQUIDITY

What are some potential ways to improve the company's ability to meet obligations as they come due?

- Set longer terms for paying expenses when possible and allowable by the subcontractor. For example, increase a 30 day payment window to 60 days.
- Establish contractual agreements that allow as much collection up front as possible for large jobs. This will ensure that the job is being completed with funds provided by the customer instead of the business.
- Speed up the billing of customers (even three days earlier each month) in order to accelerate the collection process, which can significantly improve the business's cash position.

## Company-Specific/Industry Recommendations

Liquidity, Profitability and Sales recommendations relevant to the industry

# Industry Data with Company Comparisons

## Key Features

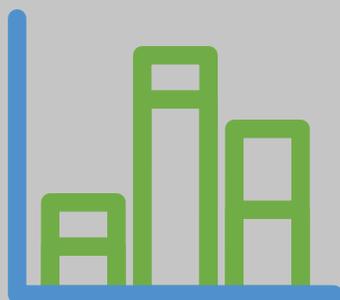
Client vs. Industry SWOT analysis

Metrics within the top and bottom 20% of the industry are highlighted in green and red, respectively

Identify clients' % distance from the industry

Industry specific recommendations included to aid in advisory conversations

Export data to Microsoft Word, PDF, or Excel



## Benefits

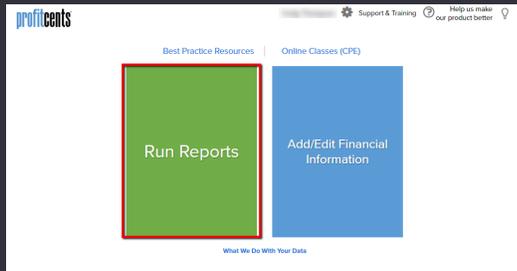
- Benchmark clients against their industry
- Customize data sets for individual clients
- Useful tool for providing value-added, proactive reporting

*Decrease time spent per engagement while delivering high quality services.*

# Instructions:

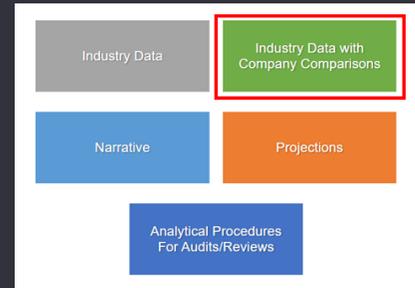
## How to Run an Industry Data with Company Comparisons Report

1



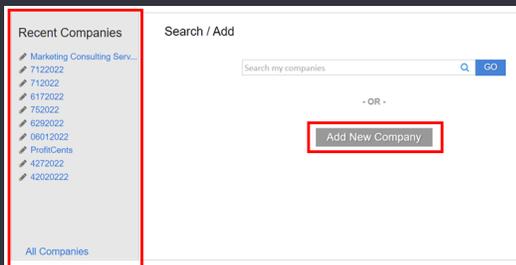
Run Reports

2



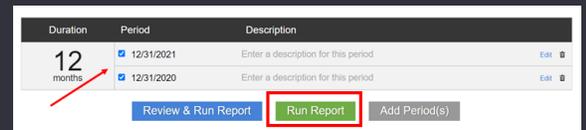
Industry Data with Company Comparisons

3



Select a previously entered Recent Company or Add New Company

4



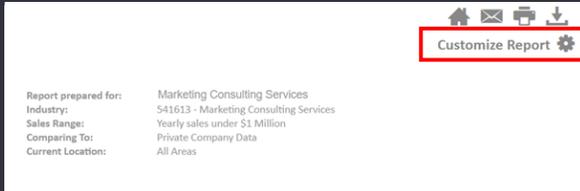
Choose 1 or 2 periods of data to analyze, then Run Report



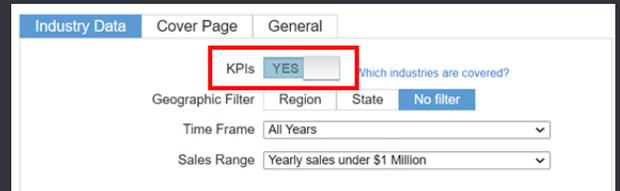
For more details, watch ProfitCents: How to run an Industry Data with Company Comparisons Report

# Instructions:

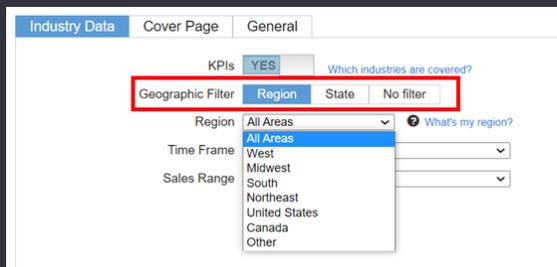
## How to Customize an Industry Data with Company Comparisons Report



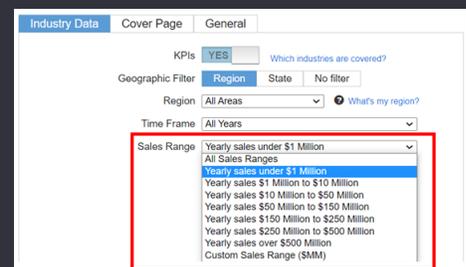
Customize Report



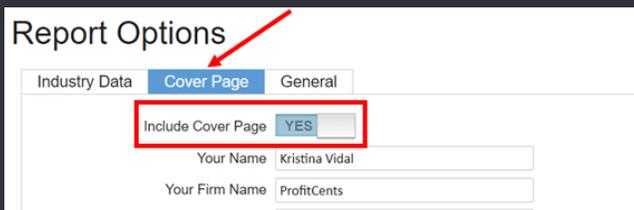
Turn on KPIs (toggle to YES)



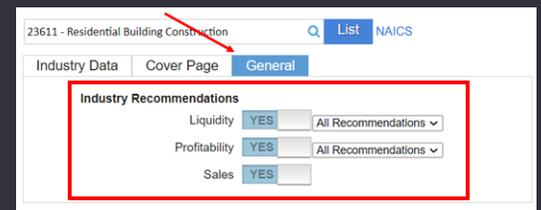
Filter data by Geographic Region or State(s)



Filter by Sales Range



Add a custom Cover Page



Include General industry specific recommendations: Liquidity, Profitability and Sales



For more details, watch ProfitCents: How to Customize an Industry Data with Company Comparisons Report

# Components of an Industry Data with Company Comparisons Report

## Company vs. Industry SWOT Analysis

Financial Metric	Company Data	Recent 12 Months (48)	Distance from Industry	2021 (61)	2000-Present (1613)
Current Ratio	0.37	2.95	-88%	4.18	3.78
Quick Ratio	0.35	2.62	-86%	3.30	3.11
Gross Profit Margin	96.78%	83.02%	17%	82.51%	75.06%
Net Profit Margin	87.75%	18.39%	377%	12.02%	12.80%
Inventory Days	0.00	--	--	--	0.05

Company metrics highlighted in green are within the top 20% of the industry |  
Company metrics highlighted in red are within the bottom 20% of the industry

Industry-Specific Key Performance Indicators (KPIs)	Industry Data (Number of Financial Statements)				
	Company Data	Recent 12 Months	Distance from Industry	2020	2000-Present
Billings in Excess of Cost to Total Assets	6.78%	8.80% (43)	-23%	8.50% (47)	7.80% (2693)
Costs and Earnings in Excess of Billings to Total Assets	1.20%	5.50% (45)	-78%	6.00% (48)	6.40% (2556)
Direct Labor Ratio	16.43%	22.40% (69)	-27%	22.40% (78)	22.40% (2450)
Direct Materials to Sales	47.52%	30.30% (74)	57%	29.70% (83)	29.50% (4104)
		29.70% (49)			20.77% (2077)

## Industry-Specific Metrics (KPIs)

Key-performance indicator data for the company vs. industry

Financial Metric	Company Data	Recent 12 Months (48)	2021 (61)	2020 (99)	2000-Present (1613)
Cash (Bank Funds)	2.99%	34.54%	36.95%	40.03%	30.84%
Accounts Receivable	54.52%	12.81%	12.85%	17.21%	17.83%
Inventory	0.00%	0.01%	0.02%	0.00%	0.01%
Other Current Assets	1.94%	1.31%	1.71%	2.86%	2.71%
Total Current Assets	59.45%	75.81%	74.91%	79.54%	75.49%
Gross Fixed Assets	40.67%	43.37%	39.40%	40.17%	50.67%
Accumulated Depreciation	0.12%	25.54%	22.87%	29.52%	34.44%
Net Fixed Assets	40.55%	17.83%	16.53%	10.65%	16.23%

## Industry Data Common Size

Ratio comparison for income statement and balance sheet accounts

### COMPANY-SPECIFIC / INDUSTRY RECOMMENDATIONS

#### LIQUIDITY

What are some potential ways to improve the company's ability to meet obligations as they come due?

- ▶ Set longer terms for paying expenses when possible and allowable by the subcontractor. For example, increase a 30 day payment window to 60 days.
- ▶ Establish contractual agreements that allow as much collection up front as possible for large jobs. This will ensure that the job is being completed with funds provided by the customer instead of the business.
- ▶ Speed up the billing of customers (even three days earlier each month) in order to accelerate the collection process, which can significantly improve the business's cash position.

## Company-Specific/Industry Recommendations

Liquidity, Profitability and Sales recommendations relevant to the industry

# Narrative

## Key Features

Comprehensive written analysis of 2-5 periods of client data

Compare client's performance with industry benchmarks

Highlight six key areas of strengths/weaknesses on a scorecard

Compare clients to their historical performance and to your other clients in the same industry

Export report to Microsoft Word, PDF, or PowerPoint



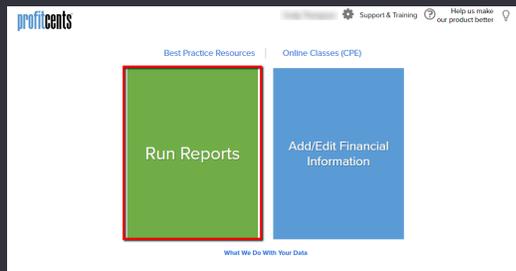
## Benefits

- Value-added tool ideal for year-end reviews and delivery of financial statements
- Educate the client by quickly converting numbers into plain language
- Present insightful advice to strengthen advisory relationships

*The Narrative report includes an easy-to-understand business analysis complete with narrative, graphs, ratios and industry comparisons.*

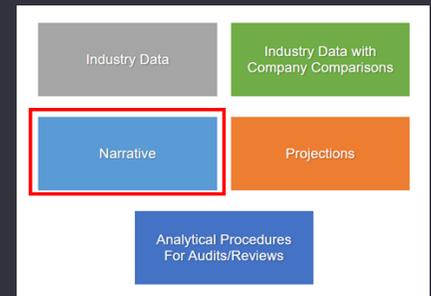
# Instructions: How to Run a Narrative Report

1



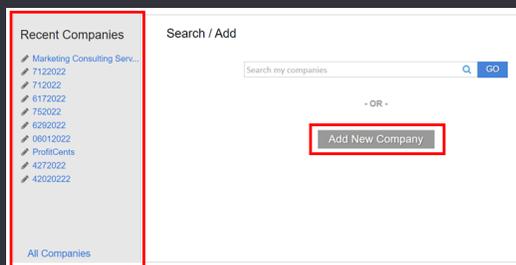
Run Reports

2



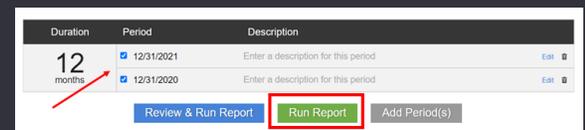
Narrative

3



Select a previously entered  
Recent Company or  
Add New Company

4

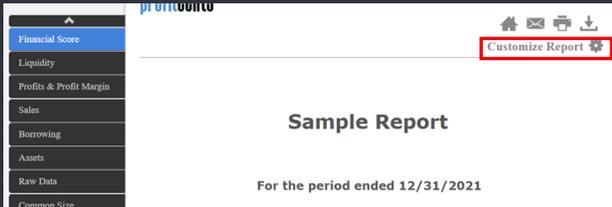


Choose 2-5 periods of data to  
analyze, then Run Report

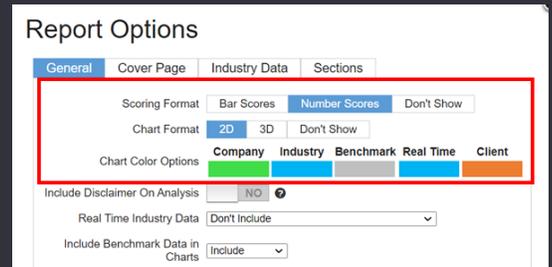


For more details,  
watch ProfitCents: How to Run a Narrative Report

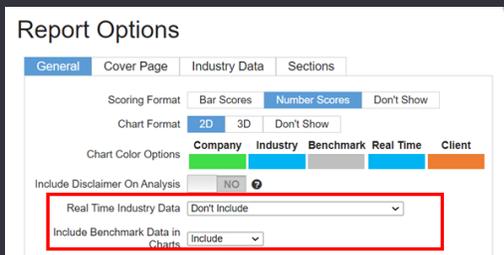
# Instructions: How to Customize a Narrative Report



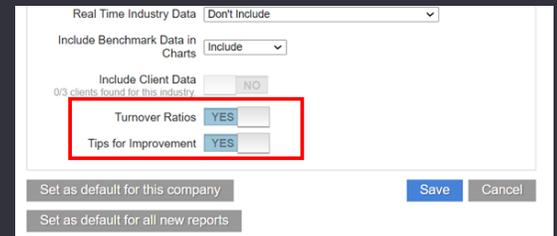
Customize Report



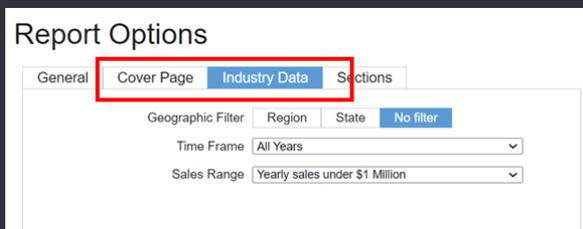
Change Scoring and  
Chart Format



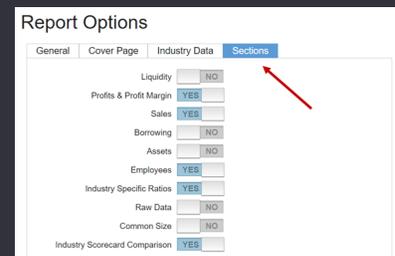
Change the Real Time Industry  
Data or Benchmark Data  
options



Include Turnover Ratios  
and/or Tips for Improvement



Add/change Cover Page and  
filter Industry Data

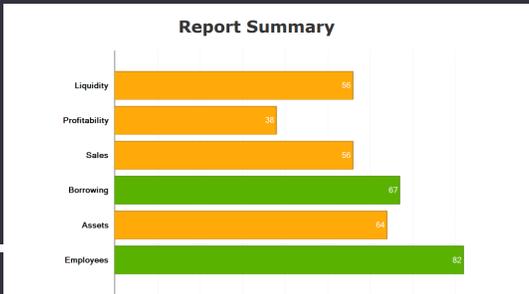


Choose which Sections to  
include in the report



For more details,  
watch ProfitCents: How to Customize a Narrative Report

# Components of a Narrative Report



## Report Summary

Quick, visual highlight of six key areas of performance

**Profits & Profit Margin** 38 out of 100  
 A measure of whether the trends in profit are favorable for the company.

The company has improved all of its profitability indicators this period, and has done so on relatively flat sales, which is particularly impressive. However, the company needed this period's improvements, because its net profit margin is fairly weak, despite the increases. This means that the company's net margin is not strong overall, but also below average relative to the net margins that are being earned by other companies in this industry. This is illustrated in the graph area of the report.

The company's performance in the gross profitability area is particularly impressive. Although sales have not changed much since the previous period, the company's gross profit dollars rose nicely because the company was able to improve its gross profit margin. The gross margin measures the cents of gross profit that the company earns on every dollar it gains in sales; it is a measure of how effectively the company is balancing its revenues and its costs of sales. The company is now spending less of each sales dollar on costs of sales, and has thus been able to increase gross profits with the same amount of revenue. It can be good for a company to do more with approximately the same revenue stream because this greatly helps performance over time. It also means that the company had better "line" management this period than last period.

The company should keep working to improve net profitability at this time. The company is making progress, as its net profit margin and net profit dollars have increased this period, but net profits are still weak, as was previously noted. Perhaps additional sales would help make faster progress (although this is not always the case). It is important not to see the company linger too long with low profitability. Companies need solid profits to fuel long-term growth.

**Tips For Improvement**  
 Given results in this area of the report, managers might consider the following to improve performance over time (if any are feasible and appropriate):

- Have an attractive web presence. This could increase revenue by providing an extra

## Narrative Analysis

Comprehensive written analysis of the client's performance



## Charts with Industry Comparison

Visual representation of the client's historical performance and how it compares to the industry

**Industry Scorecard**

Financial Indicator	Current Period	Industry Range	Distance from Industry
<b>Current Ratio</b> = Total Current Assets / Total Current Liabilities <b>Explanation:</b> Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect benchmark, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.	0.37	1.40 to 2.40	-73.57%
<b>Quick Ratio</b> = (Cash + Accounts Receivable) / Total Current Liabilities <b>Explanation:</b> This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable amount listed in the denominator (current liabilities). The higher the number, the stronger the company.	0.35	0.90 to 1.80	-61.11%

## Industry Scorecard

Additional resource to benchmark and educate the client

# Projections

## Key Features

Quickly perform "what-if" scenario analysis for consulting engagements

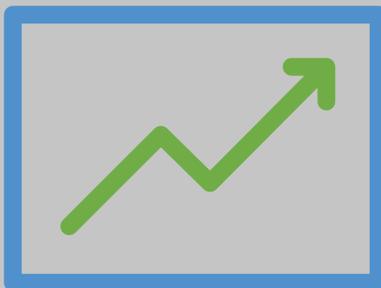
Calculate thumbnail Discounted Cash Flow valuations

Generate a projected, narrative analysis to aid in presentation conversation

Forecast client financials to help plan for the future, obtain financing or evaluate potential business decisions

Produce cash flow analysis resulting from future debt scenarios

## Benefits

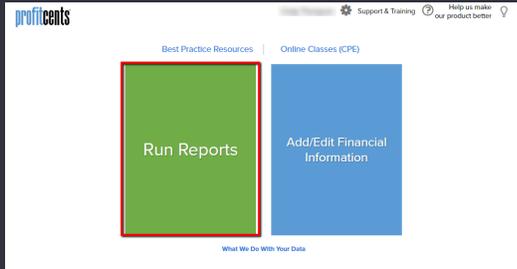


- Provide monthly, quarterly and annual forecasts and projections
- Develop start-up plans, profitability and cost control modeling
- Useful tool for exit/succession planning

*Help clients make changes in their business strategy that can positively impact their financial condition. Projections will identify opportunities for your firm to establish itself as a trusted advisor.*

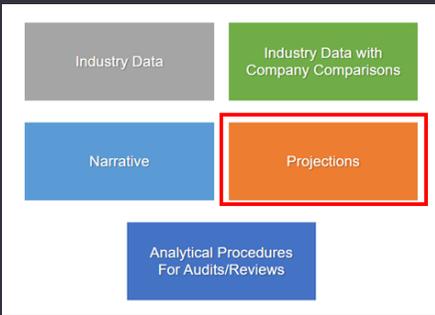
# Instructions: How to Run a Projections Report

1



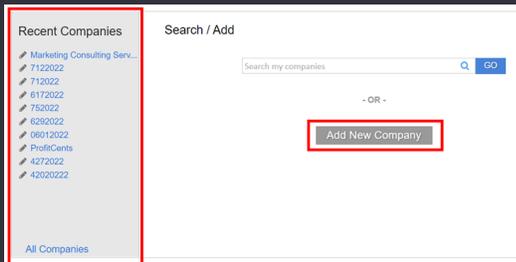
Run Reports

2



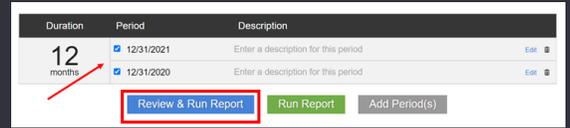
Projections

3



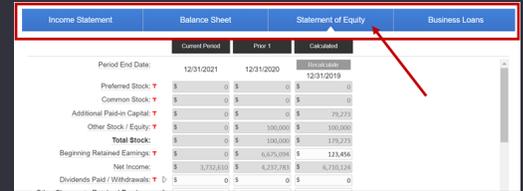
Select a previously entered  
Recent Company or  
Add New Company

4



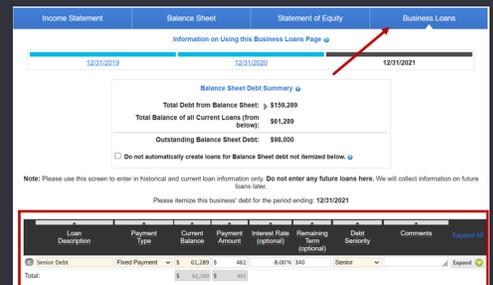
Choose 1-5 periods of data to  
analyze, then Review & Run  
Report

5



In addition to Income Statement  
and Balance Sheet data, make any  
adjustments to the Statement of  
Retained Earnings

6



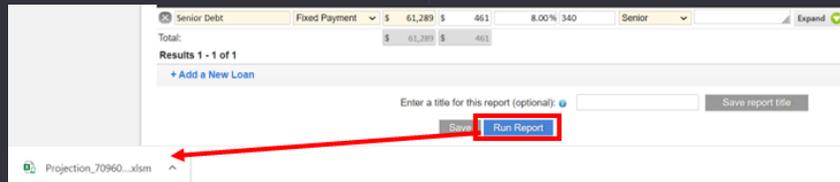
Itemize any current debt in  
Business Loans



For more details,  
watch ProfitCents: How to Run a Projections Report

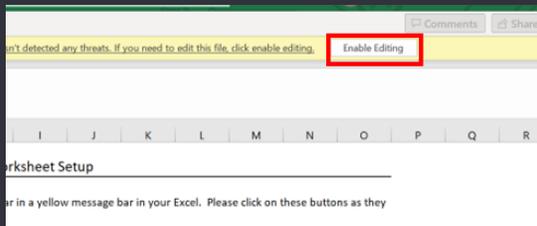
# Instructions: How to Run a Projections Report (cont...)

7



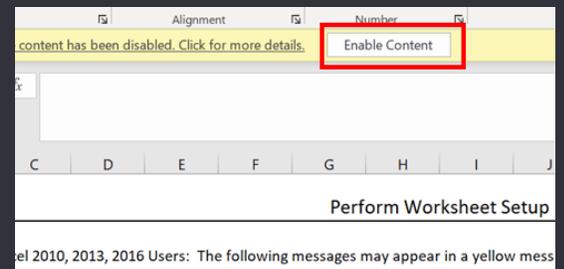
Run Report to download the  
Projection into an Excel file

8



Open the file  
Enable Editing

9



Enable Content

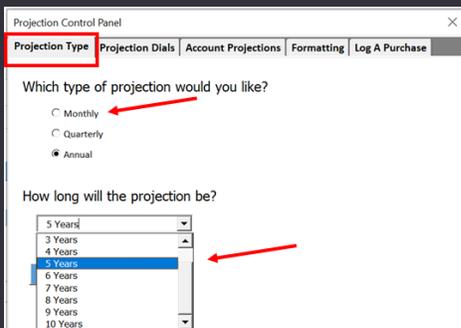
*Note: the Projection report is compatible with  
PC environments. Mac environments require  
running Excel through a Parallel program for  
the report to function*



For more details,  
watch ProfitCents: How to Run a Projections Report

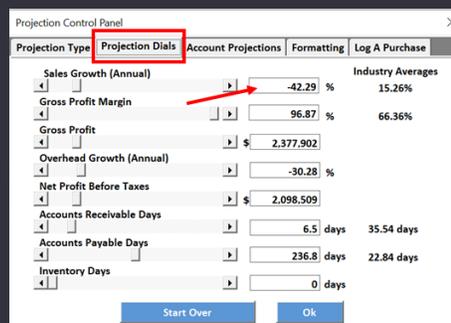
# Projections: Projection Control Panel

Note: The Projection Control Panel can be found in the blue box in cell A1



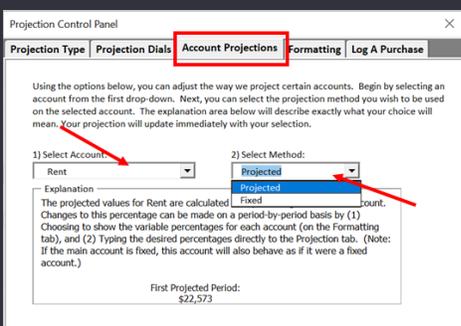
## Projection Type

Change the period type and duration



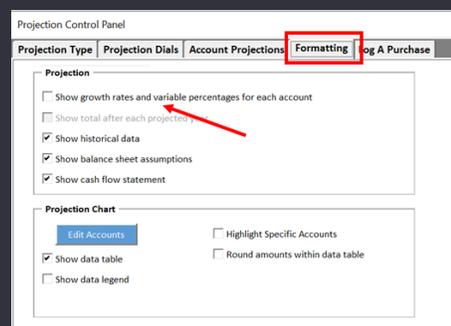
## Projection Dials

Make high-level, static adjustments



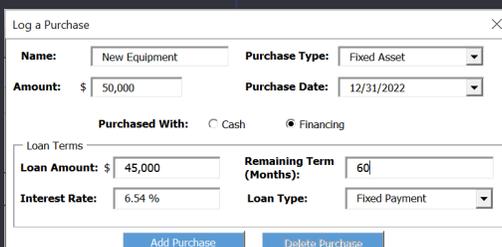
## Account Projections

Fix or Project accounts



## Formatting

Make variable changes to individual subaccounts and periods



## Log A Purchase

Add future assets



For more details,  
watch ProfitCents: Utilizing the Projection Control Panel

# Projections: Loan Analysis

Marketing Consulting Services  
Loans / Debt Structure Summary

For any loans highlighted in red, the system was unable to reconcile the terms of the loan, and had to make some adjustments.

Borrower	Number	Description	Type	Financing	Balance	Payment Amount	Interest Rate
Marketing Consulting		New Equipment Loan	Fixed Payment	Senior Debt	\$45,000.00	\$883.24	6.54%

Update Loan Information  
If you wish to work with refinancing, click "Show All Loans" and then "Refinance Loan(s)".

Calculate Term / Calculate Payment

Name: New Equipment Loan  
Primary Borrower for this Loan: Marketing Consulting Services (Business)  
Loan Type: Fixed Payment  
Financing: Senior Debt  
Amortization Days: Actual 360  
Payment Frequency: Monthly  
Compounding Frequency: << Same as Payment Frequency >>  
Loan Amount: \$45,000  
Remaining Term: 60

Edit terms of existing or proposed loans

Note: Any changes to the loan terms will clear any adjustments you have made to the payment schedule. Market Data from Xignite.  
Please only change columns marked with \*.

To update the payment details of this loan, use the schedule below. Save your changes using the Save Loan button above.  
Please only change columns marked with \*. Data in these columns can be saved using the Save Loan button above.  
Note: Any changes to the loan terms not made in the below payment schedule will clear the payment schedule when the Save Loan button is clicked.

Payment No.	Payment Date	Payment Amount	Additional Payment	Interest	Principal	Balance	Amount Borrowed	Interest Rate
1	12/31/2022	\$883.24	\$0.00	\$253.43	\$629.81	\$45,000.00	\$45,000.00	6.54%
2	1/31/2023	\$883.24	\$0.00	\$249.88	\$633.36	\$44,970.19	\$0.00	6.54%
3	2/28/2023	\$883.24	\$0.00	\$222.47	\$660.77	\$43,076.46	\$0.00	6.54%
4	3/31/2023	\$883.24	\$0.00	\$241.59	\$641.65	\$42,856.41	\$0.00	6.54%
5	4/30/2023	\$883.24	\$0.00	\$231.27	\$651.97	\$41,788.44	\$0.00	6.54%
6	5/31/2023	\$883.24	\$0.00	\$238.31	\$644.93	\$41,135.51	\$0.00	6.54%
7	6/30/2023	\$883.24	\$0.00	\$224.19	\$659.05	\$40,476.46	\$0.00	6.54%

View Payment Schedule and draft adjustments

New Loan Information  
If you wish to work with refinancing, click "Show All Loans" and then "Refinance".

Calculate Term / Calculate Payment

Name: New Loan  
Primary Borrower for this Loan: Marketing Consulting Services (Business)  
Loan Type: Fixed Payment  
Financing: Senior Debt  
Amortization Days: Actual 360  
Payment Frequency: Monthly  
Compounding Frequency: << Same as Payment Frequency >>  
Loan Amount: \$43,750  
Remaining Term: 72  
Interest Rate: 4.56%  
First Payment Date: 1/31/2022  
Payment Amount: \$696.97 (includes Interest)

Prime Interest Rate: 4.75%  
LIBOR Interest Rate (6 mo): 3.90%

Add a New Proposed Loan

Add a New Proposed Loan to exhibit future debt

Refinance Loan(s)

Step 1  
Select the existing loan(s) that you would like to include in this refinancing:

Loan Number	Description	Borrower	Balance	Payment Amount	Interest Rate
<input type="checkbox"/>	Senior Debt	Marketing Consulting Services	\$61,289.00	\$461.00	8.00%

Step 2  
Please choose your method of refinance:  
Use Existing Proposed Loan / Enter New Proposed Loan

Add Another Proposed Loan Related to this Refinance

Select Proposed Loan(s) that you would like to include in the refinancing:

Loan Number	Description	Borrower	Balance	Payment Amount	Interest Rate
<input type="checkbox"/>	New Equipment Loan	Marketing Consulting Services	\$45,000.00	\$883.24	6.54%
<input type="checkbox"/>	New Loan	Marketing Consulting Services	\$43,750.00	\$696.97	4.56%

Refinance Selected Loan(s) / Cancel

Refinance Loan(s) to demonstrate business impact

Key Metrics

See below for a summary of the key metrics; proposed loans are included in the "Proposed" column.  
Note: All numbers in this section are expressed ANNUALLY.

Calculate the debt service for the "Current Period" below based on:  
The "Proposed" column is showing the financial situation as of:  
Display income and debt service values as:  
Values for each group member

Show How Metrics are Calculated / View Historical Debt Service

Key Metrics	Current Period	Proposed
Businesses		
EBITDA:	\$3,735,073	\$3,735,073
Marketing Consulting Services	\$3,735,073	\$3,735,073
Estimated Debt Service:	\$103,532	\$114,131
Marketing Consulting Services	\$103,532	\$114,131
Discretionary Cash Flow:	\$3,631,541	\$3,620,942
Debt Service Coverage Ratio:	36.08	32.73
Marketing Consulting Services	36.08	32.73
Interest Coverage Ratio:	287.52	237.32
Marketing Consulting Services	287.52	237.32
Total Sales (Income):	\$4,253,570	\$4,253,570
Gross Profit:	\$4,116,785	\$4,116,785

Summary of Key Metrics



For more details, watch ProfitCents: Loan Analysis in the Projection Report

# Projections: Valuation

*ProfitCents Projection uses a discounted cash flow method to value a firm. The valuation gives you an approximate value of what the business could be worth today, based on the projected Net Free Cash Flow analysis that has been performed.*

1

Cash Flow					
ProfitCents Projection uses a discounted cash flow method to value a firm. The premise behind this method is that a company should not have a price higher than its intrinsic value -- \$100 today is worth more than \$100 in ten years, or even a year. Below are the cash flows of the company -- you may make changes to these cash flows or the discount rate.					
	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026
EBIT	\$4,066,093	\$4,356,770	\$4,639,559	\$4,917,033	\$5,195,119
Less: Taxes	\$0	\$0	\$0	\$0	\$0
Noncash Expenses	\$0	\$0	\$0	\$0	\$0
Less: Change in Working Capital	\$16,707	(\$568)	(\$847)	(\$613)	(\$647)
Less: Capital Expenditures	\$50,000	\$0	\$0	\$0	\$0
Free Cash Flow	\$3,979,333	\$4,357,326	\$4,640,546	\$4,918,148	\$5,195,846
Present Value of Cash Flows (End of Year)	\$3,538,142	\$3,455,099	\$3,276,648	\$3,092,307	\$2,909,092
Present Value of Cash Flows = Net Free Cash Flow / (1 + Discount Rate)^X where X = Projected Year (1, 2, 3, etc)					
Discount Rate	12.30%	Risk Free Rate	2.30%	Risk Premium	0.00%

Assign a Risk Premium

2

Terminal Value	
The terminal value is a rough estimate of what the company will be worth at the end of the projection. It is usually 5 years, the last projected cash flow is treated as a perpetuity - an endless annual stream of cash flows that will grow at the estimated growth rate.	
Terminal Value =	(Free Cash Flow (Year 5) * (1+G)) / (DR - G) * (1 / (1+DR))^5
Terminal Value =	(\$5,195,846 * (1 + 0.03)) / (0.163 - 0.03) * (1 / (1+0.163))^5
Terminal Value =	\$18,912,254
Calculation Parameters	
Discount Rate:	16.30%
G (Estimated Growth Rate):	3.00%
Free Cash Flow (Year 5):	\$5,195,846
Terminal Value:	\$18,912,254

Determine the Estimated Growth Rate

3

Preliminary Company Value	=	Discounted Cash Flow	+	Terminal Value	+	Cash	+	Long Term Investments	-	Long Term Debt
\$48,433,305	=	\$16,271,288	+	\$32,218,978	+	\$4,328	+	\$0	-	\$61,289
Final Company Value	=	Preliminary Value * (1 - K)								
\$48,433,305	=	\$48,433,305 * (1 - 0)								

Update Cash, Long Term Investments and Long Term Debt

4

Valuation		
In addition to the discounted cash flows and the terminal value, the valuation also accounts for long term investments which will be more highly valued. For example, a company that will neither pay dividends nor have long term investments, the valuation should reflect this. By making these adjustments, a reasonable company value is determined.		
Preliminary Company Value	=	Discounted Cash Flow
\$48,433,305	=	\$16,271,288
Final Company Value	=	Preliminary Value * (1 - K)
\$41,168,310	=	\$48,433,305 * (1 - 0.15)
Calculation Parameters		
K (Marketability Discount):	15.00%	

Determine the Marketability Discount

5

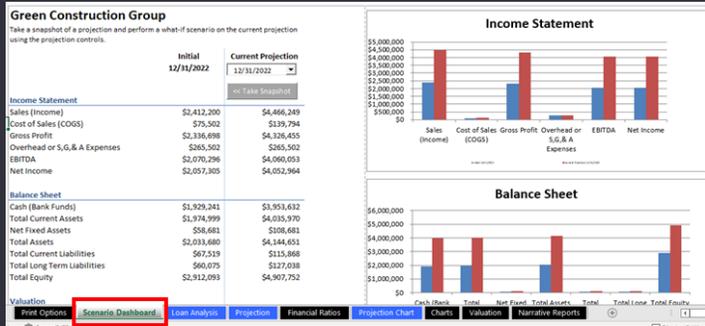
**Company Value: \$41,168,310**

Arrive at Company Value



For more details, watch ProfitCents: DCF Valuation in the Projection Report

# Projections: Additional Resources



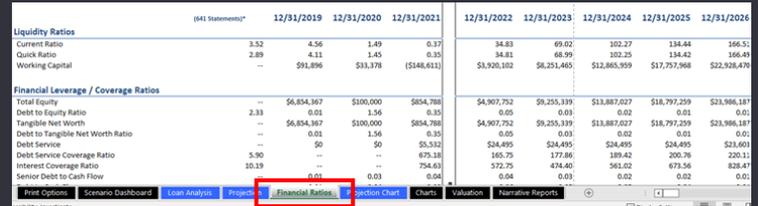
## Scenario Dashboard

Demonstrate causality of modifications



## Projection Chart

Visualization of account interaction



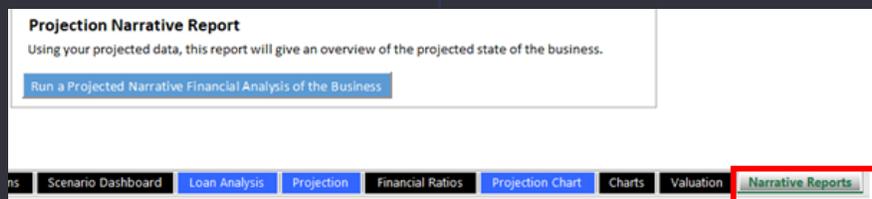
## Financial Ratios

Historical and Projected capitalization analysis



## Charts

Histograms of debt ratios



## Narrative Reports

Generate Projected Narrative for presentation purposes



For more details,  
watch ProfitCents: Additional Resources in the Projection Report

# Analytical Procedures for Audits & Reviews

## Key Features

Streamline audits by automatically generating expected values, threshold analysis, industry comparisons and a narrative report

Identify areas of focus for an audit using structured pre-audit planning and customizable threshold values

Clearly communicate internal audit processes using globally accessible standardized documentation

Quickly comply with audit and review guidelines using automated calculations and field work documentation

Enables analysis of private companies, government entities, nonprofit organizations and financial institutions



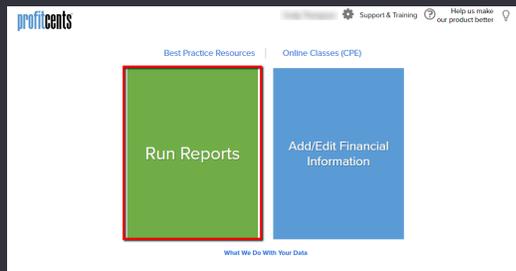
### Benefits

- Enables more time to be spent on analysis and review
- Standardized documentation, fewer opportunities for data errors and compliance with audit and review guidelines
- Clients receive an audit demonstrating a comprehensive understanding of their business

*Expected values are calculated by using a combination of Ordinary Least Squares (OLS) Regression, Simple Exponential Smoothing and Holt-Winters Exponential Smoothing models.*

# Instructions: How to Run an Analytical Procedures Report

1



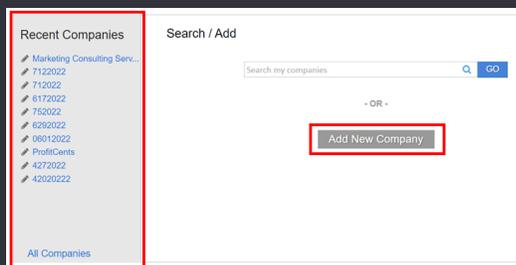
Run Reports

2



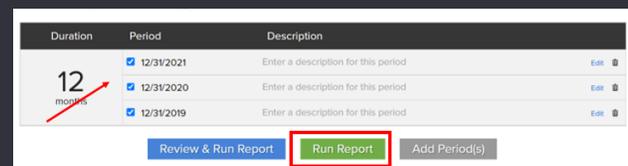
Analytical Procedures  
For Audits/Reviews

3



Select a previously entered  
Recent Company or  
Add New Company

4

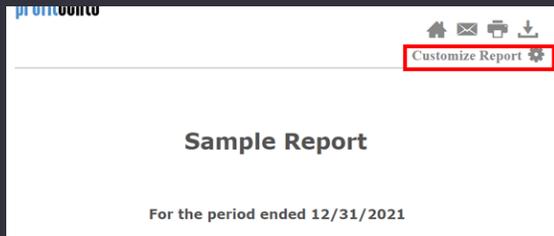


Choose 3-5 periods of data to  
analyze, then Run Report

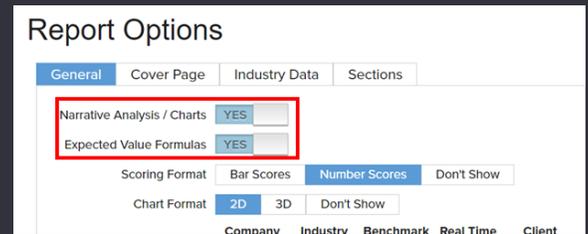


For more details,  
watch ProfitCents: How to Run an Analytical Procedures Report

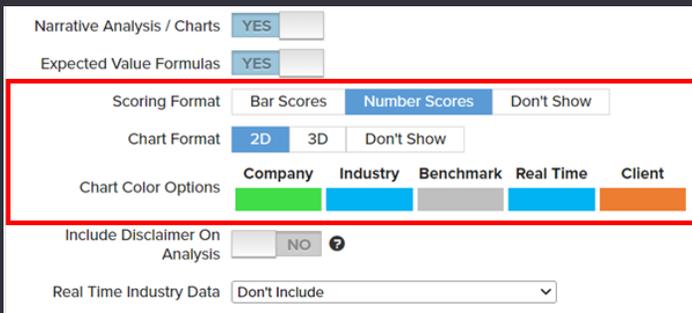
# Instructions: How to Customize an Analytical Procedures Report



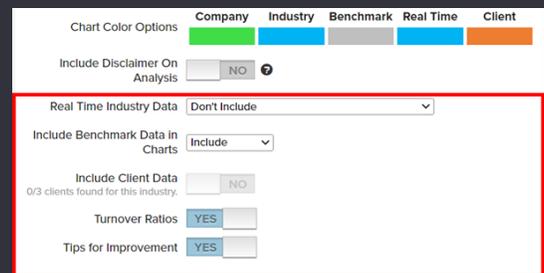
Customize Report



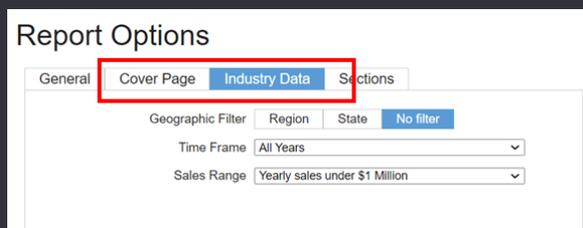
Include Narrative  
Analysis/Charts and/or  
Expected Value Formulas



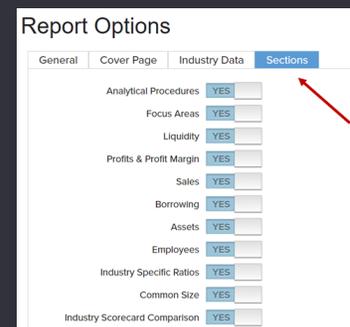
Change the Scoring Format,  
Chart Format and Chart Color  
Options



Change the Real Time Industry Data or  
Benchmark Data options; Include Turnover  
Ratios and/or Tips for Improvement



Add/change Cover Page and  
filter Industry Data



Choose which Sections to  
include in the report



For more details,  
watch ProfitCents: How to Customize an Analytical Procedures Report

# Components of an Analytical Procedures Report

**Analytical Procedure Worksheet**  
Report prepared for: Marketing Consulting Services

Accounts whose current and expected values differ by more than \$15,000 OR 45% are highlighted in red.  
NOTE: To change an EXPECTED value, click on the value.

Export to Excel | Set Threshold Value | Hide Empty Sub Accounts

Income Statement Data	12/31/2019	12/31/2020	12/31/2021	Expected 12/31/2021	% Diff	Notes
Sales (Income)	\$1500,000	\$4,785,063	\$4,263,670	\$2,392,632	79%	
Cost of Sales (COGS)	\$202,335	\$143,234	\$136,785	\$68,496	97%	

## Analytical Procedure Worksheet

View the client's historical financial data alongside the Expected Values for the current period

**Expected Values Calculations**

How were the expected values in the Analytical Procedure Worksheet calculated?

**SECTION 4 DESCRIBE THE ALGORITHMS USED TO CALCULATE EXPECTED VALUES**

Each expected value found in this report is calculated using one of the following methods: Direct Calculation, Exponential Smoothing, or Adjusted Hot Winters Exponential Smoothing. In this section, we will provide a general description and example for each of these algorithms to help the reader understand how the calculations work.

**Expected Value by Direct Calculation**  
Calculated accounts do not need to be predicted separately, because their values are dictated by financial formulas (for example, Gross Profit = Sales - Cost of Sales). For these accounts, we simply determine the expected values for each account in the associated formula, and then compute the result of the formula.

**Expected Value by Exponential Smoothing**  
Exponential smoothing is a forecasting method that relies on a weighted average of historical data values, with the more recent values carrying more weight. The following variables are used in this calculation:

**Variables**  
alpha: weight to place on previously predicted values (0 < alpha < 1)  
beta: weight to place on the most recent actual value  
gamma: forecast at time t for the period t+1

## Expected Values Calculations

Documents how each account is calculated

**Common Size Statements** What is Common Size?

Income Statement Data	12/31/2019	12/31/2020	12/31/2021	Industry (P19)
Sales (Income)	100%	100%	100%	100%
Cost of Sales (COGS)	2%	3%	3%	22%
Depreciation (COGS-related)	0%	0%	0%	—
Direct Labor	0%	0%	0%	24%
Direct Materials	0%	0%	0%	(4)
Gross Profit	97%	97%	97%	78%
Depreciation	0%	0%	0%	0%
Amortization	0%	0%	0%	0%
Overhead or S,G,A Expenses	8%	8%	9%	57%

## Common Size Statements

Ratios used to compare financial statements by displaying items as a percentage of a common base figure

**Liquidity** 12

**Profitability** 64

**Sales** 27

**Borrowing** 37

**Assets** 92

Expand All

**Liquidity** ●●●●● 12 out of 100

A measure of the company's ability to meet obligations as they come due.

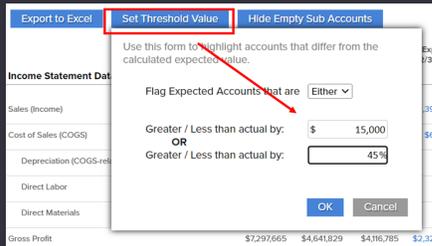
**Operating Cash Flow Results**  
The company has generated good cash flow from operations and is profitable for the period. These may be needed results, as overall liquidity conditions appear quite weak (this will be discussed in more detail below). Cash flow is typically the driver of long-run liquidity for most companies.

## Narrative Report

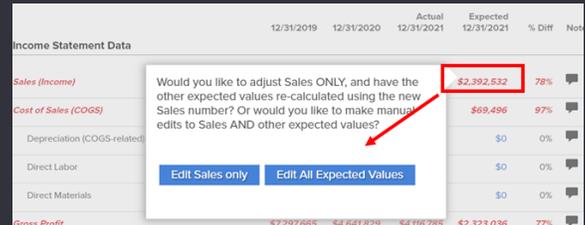
Included to obtain an understanding of how an entity and its environment perform

# Instructions:

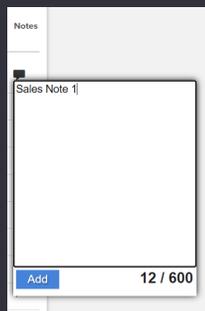
## How to Update the Analytical Procedures Worksheet



Set Threshold Value to flag accounts



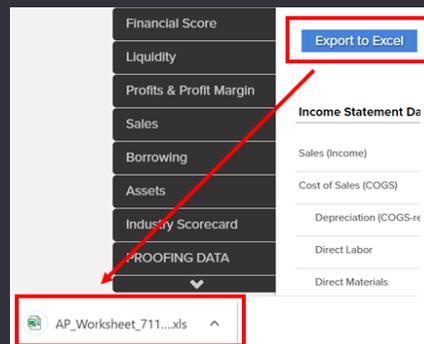
Edit an Expected Value



Add Notes which can be found in the Focus Areas



Hide Empty Sub Accounts where values are zero



Export to Excel



For more details, watch ProfitCents: How to Update the Analytical Procedures Worksheet

# Analytical Procedures for Audits/Reviews: Excel Functionality

*Note: This report can be exported to Excel and includes the features listed below:*

Marketing Consulting Services 541613 - Marketing Consulting Services

>> Notes Threshold << \$ 15000 \* OR % 45 >> Common Size >> Variance >> Budget >> Risk Assessment

AND  
 STRICTLY

Click for help on using comments

Income Statement	12/31/2019	12/31/2020	Actual 12/31/2021	Expected 12/31/2021	Expected % Diff
Sales (Income)	\$7,500,000	\$4,785,063	\$4,253,570	\$2,392,532	77.8%
Cost of Sales (COGS)	\$202,335	\$143,234	\$136,785	\$69,496	96.8%
Depreciation (COGS-related)	\$0	\$0	\$0	\$0	0.0%
Direct Labor	\$0	\$0	\$0	\$0	0.0%
Direct Materials	\$0	\$0	\$0	\$0	0.0%
Gross Profit	\$7,297,665	\$4,641,829	\$4,116,785	\$2,323,036	77.2%
Gross Profit Margin	97.30%	97.01%	96.78%	97.10%	-0.3%
Depreciation	\$2,572	\$0	\$0	\$0	0.0%
Amortization	\$0	\$0	\$0	\$0	0.0%
Overhead or S,G, & A Expenses	\$578,921	\$398,501	\$380,812	\$223,149	70.7%

Any changes made on the website will transfer to the Excel download. Changes to **Notes** and **Threshold** can be made.

*Note: Any subsequent changes to the Excel file will not be saved back to the website.*

Marketing Consulting Services 541613 - Marketing Consulting Services

>> Notes Threshold << \$ 15000 \* OR % 45 >> **Common Size <<** >> Variance >> Budget >> Risk Assessment

AND  
 STRICTLY

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Income Statement	12/31/2019	Common	12/31/2020	Common	Actual 12/31/2021	Common	Industry (1711) Common	Expected 12/31/2021	Common	Expected % Diff
Sales (Income)	\$7,500,000	100%	\$4,785,063	100%	\$4,253,570	100%	100%	\$2,392,532	100%	77.8%
Cost of Sales (COGS)	\$202,335	3%	\$143,234	3%	\$136,785	3%	22%	\$69,496	3%	96.8%
Depreciation (COGS-related)	\$0	0%	\$0	0%	\$0	0%	N/A	\$0	0%	0.0%
Direct Labor	\$0	0%	\$0	0%	\$0	0%	24%	\$0	0%	0.0%
Direct Materials	\$0	0%	\$0	0%	\$0	0%	9%	\$0	0%	0.0%

Select **Common Size** to populate the data for each period, including Industry Data Common Size.

Marketing Consulting Services 541613 - Marketing Consulting Services

>> Notes Threshold << \$ 15000 \* OR % 45 >> Common Size >> **Variance <<** >> Budget >> Risk Assessment

AND  
 STRICTLY

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Income Statement	12/31/2019	12/31/2020	Variance (\$)	Variance (%)	Actual 12/31/2021	Variance (\$)	Variance (%)	Expected 12/31/2021	Variance (\$)	Expected % Diff
Sales (Income)	\$7,500,000	\$4,785,063	(\$2,714,937)	-36.2%	\$4,253,570	(\$531,493)	-11.1%	\$2,392,532	(\$1,861,038)	77.8%
Cost of Sales (COGS)	\$202,335	\$143,234	(\$59,101)	-29.2%	\$136,785	(\$6,449)	-4.5%	\$69,496	(\$67,289)	96.8%
Depreciation (COGS-related)	\$0	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	0.0%
Direct Labor	\$0	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	0.0%
Direct Materials	\$0	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	0.0%
Gross Profit	\$7,297,665	\$4,641,829	(\$2,655,836)	-36.4%	\$4,116,785	(\$525,044)	-11.1%	\$2,323,036	(\$1,793,749)	77.2%
Gross Profit Margin	97.30%	97.01%	-0.30%	-0.3%	96.78%	-0.22%	-0.2%	97.10%	0.31%	-0.3%

Select **Variance** to populate the \$ and % variance between each period, as well as between the Actual and Expected data.



For more details, watch ProfitCents: AP Excel Functionality-Part 1

# Analytical Procedures for Audits/Reviews: Excel Functionality (cont...)

Note: This report can be exported to Excel and includes the features listed below:

Marketing Consulting Services 541613 - Marketing Consulting Services

>> Notes Threshold << \$ 15000 OR % 45 Common Size >> Variance >> << Budget >> Risk Assessment

OR % 45  
AND  
STRICTLY

Click for help on using comments

Income Statement	12/31/2019	12/31/2020	Actual 12/31/2021	Expected 12/31/2021	Budget 12/31/2021	Expected % Diff	Budget Variance (\$)
Sales (Income)	\$7,500,000	\$4,785,063	\$4,253,570	\$2,392,532	\$4,000,000	77.8%	(\$253,570)
Cost of Sales (COGS)	\$202,335	\$143,234	\$136,785	\$69,496	\$150,000	96.8%	\$13,215
Depreciation (COGS-related)	\$0	\$0	\$0	\$0	\$0	0.0%	\$0
Direct Labor	\$0	\$0	\$0	\$0	\$0	0.0%	\$0
Direct Materials	\$0	\$0	\$0	\$0	\$0	0.0%	\$0
Gross Profit	\$7,297,665	\$4,641,829	\$4,116,785	\$2,323,036	\$3,850,000	77.2%	(\$266,785)
Gross Profit Margin	97.30%	97.01%	96.78%	97.10%	96.25%	-0.3%	-0.53%
Depreciation	\$2,572	\$0	\$0	\$0	\$0	0.0%	\$0
Amortization	\$0	\$0	\$0	\$0	\$0	0.0%	\$0
Overhead or S,G, & A Expenses	\$578,921	\$398,501	\$380,812	\$223,149	\$375,000	70.7%	(\$5,812)

Select **Budget** and manually type budgeted amounts to populate Budget Variance.

Marketing Consulting Services 541613 - Marketing Consulting Services

>> Notes Threshold << \$ 15000 OR % 45 Common Size >> Variance >> Budget >> << Risk Assessment >>

OR % 45  
AND  
STRICTLY

Click for help on using comments

Income Statement	12/31/2019	12/31/2020	Actual 12/31/2021	Expected 12/31/2021	Expected % Diff	Is the Line-item Material?
Sales (Income)	\$7,500,000	\$4,785,063	\$4,253,570	\$2,392,532	77.8%	Y
Cost of Sales (COGS)	\$202,335	\$143,234	\$136,785	\$69,496	96.8%	N
Depreciation (COGS-related)	\$0	\$0	\$0	\$0	0.0%	N

Material if account is greater than or equal to: 25 % of Sales dollars or 0 dollars

Select **Risk Assessment** to determine if a line item is material by either a % of Sales or Dollars. This will generate the **Risk Assessment Worksheet**:

Marketing Consulting Services 541613 - Marketing Consulting Services

**TO USE THIS SHEET:** Assign Risk Significance, Select Assertion Risk Levels, and Enter Notes. Please use a number scale of 1-3 to assign risk, with 3 being the greatest risk. This will estimate the overall risk of material misstatement. Then, choose the best audit approach.  
**IMPORTANT:** This sheet is NOT saved when you save your report through the AP Worksheet tab.

Financial Statements	Risk Assessment Notes	Risk Significance	ASSERTIONS												Average Assertion Risk	Audit Approach based upon Risk Assessment
			Existence or Occurrence		Completeness		Rights and Obligations		Valuation and Allocation		Accuracy and Classification		Cutoff			
			Inherent Risk	Control Risk	Inherent Risk	Control Risk	Inherent Risk	Control Risk	Inherent Risk	Control Risk	Inherent Risk	Control Risk	Inherent Risk	Control Risk		
Sales (Income)	Note 1	Low	1	2	3	1	2	3	1	2	3	3	2	2	2.1	Limited
Gross Profit		None	0	0	0	0	0	0	0	0	0	0	0	0	0.0	None

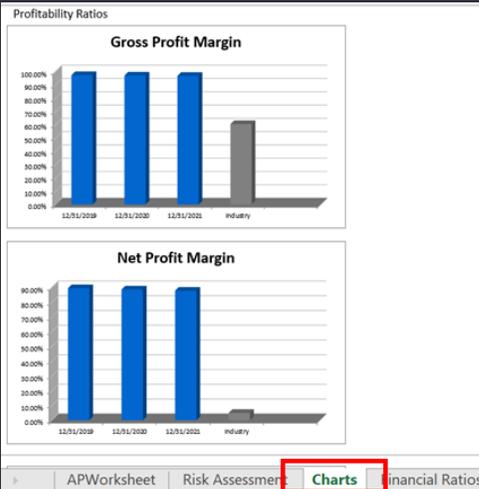
Make any **Risk Assessment Notes**, change the **Risk Significance**, assign **Assertions** on a 1-3 scale, and determine the **Audit Approach**.



For more details, watch ProfitCents: AP Excel Functionality-Part 2

# Analytical Procedures for Audits/Reviews: Excel Functionality (cont...)

*Note: This report can be exported to Excel and includes the features listed below:*



Select **Charts** for a visual representation of the client's year to year performance and how it compares to the industry benchmark.

**Marketing Consulting Services**

	12/31/2019	12/31/2020	12/31/2021	Industry
<b>Liquidity Ratios</b>				
Current Ratio	4.56	1.49	0.37	1.90
Quick Ratio	4.11	1.45	0.35	1.35
<b>Financial Leverage / Coverage Ratios</b>				
Debt-to-Equity Ratio	0.01	1.56	0.35	2.75
Interest Coverage Ratio	1169.64	948.41	1516.47	7.00
Debt Leverage Ratio	0.01	0.04	0.08	
Z-Score	647.55	285.19	189.00	
<b>Profitability Ratios</b>				
Gross Profit Margin	97.30%	97.01%	96.78%	60.50%
Net Profit Margin	89.47%	88.56%	87.75%	5.00%
Return on Equity	97.90%	4237.78%	436.67%	14.00%
Return on Assets	5700.12%	4197.20%	2579.35%	9.00%

Navigation: APWorksheet | Risk Assessment | Charts | **Financial Ratios** | Loan Template

Select **Financial Ratios** to view the client's data alongside the industry information.

**Loan Information**

Calculate Term | **Calculate Payment**

Name: New Loan  
 Loan Type: Fixed Payment  
 Amortization Days: 360 Days  
 Balance: \$35,000  
 Remaining Term (months): 60  
 Interest Rate: 8.00%  
 First Payment Date: 1/1/2020  
 Monthly Payment: \$711.54 (includes interest)

To update the payment details of this loan, use the schedule below. Please only change columns which are red and italicized.

**Amortization Schedule**

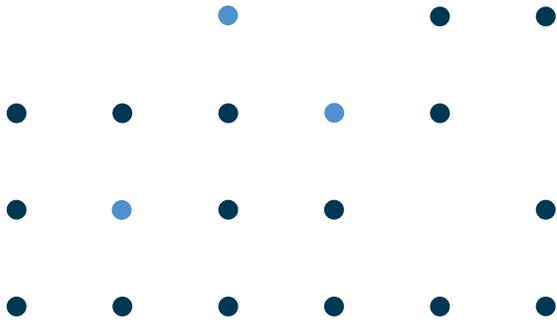
Payment No.	Payment Date	Payment Amount	Additional Payment	Interest	Principal	Balance	Amount Borrowed
1	1/1/2020	\$711.54	0.00	\$294.37	\$417.17	\$34,582.83	\$0.00
2	2/1/2020	\$711.54	0.00	\$293.36	\$418.18	\$34,164.65	\$0.00
3	3/1/2020	\$711.54	0.00	\$292.33	\$419.21	\$33,745.44	\$0.00
4	4/1/2020	\$711.54	0.00	\$291.28	\$420.26	\$33,325.18	\$0.00
5	5/1/2020	\$711.54	0.00	\$290.20	\$421.34	\$32,902.84	\$0.00
6	6/1/2020	\$711.54	0.00	\$289.10	\$422.44	\$32,478.40	\$0.00
7	7/1/2020	\$711.54	0.00	\$287.97	\$423.56	\$32,051.84	\$0.00

Navigation: Risk Assessment | Charts | Financial Ratios | **Loan Template**

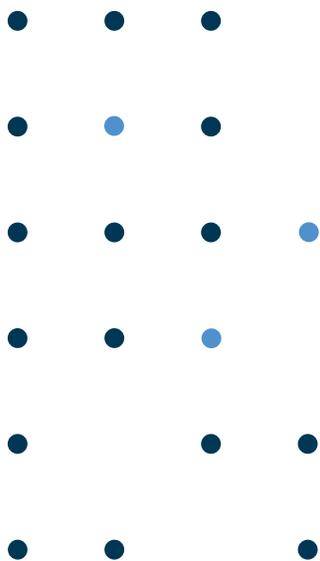
Select **Loan Analysis** to model a loan and view the amortization schedule.



For more details, watch ProfitCents: AP Excel Functionality-Part 3



# Best PRACTICES



# Presenting Tips: Industry Data

Financial professionals leverage the ProfitCents database with automated industry reports to provide insights into the environment a client operates. Use the Industry Data report to help explore a client's industry and reveal key trends.



Open the conversation in prospect meetings- do your research prior to bringing in a client



Build rapport and confidence as their financial professional and start engagement early



Filter the data by region, state, and/or sales range to provide a more granular industry view



Identify pain points in the industry to open a line of dialogue with the client

# Presenting Tips: Industry Data with Company Comparisons

Benchmark the client against industry peers by using the *Industry Data with Company Comparisons* report. Uncover strengths and weaknesses to segue into a more in-depth analysis of the business's health.



Benchmark the client against the industry to identify threats and areas of opportunity



Provide monthly or quarterly reports to show the client's progress



Establish an action plan with measurable results by utilizing industry-specific recommendations



Analyze business health through proportional comparison to common size statement data

# Presenting Tips: Narrative

*The Narrative report is an essential tool for evaluating financial health. It comes equipped with an easy-to-understand financial analysis complete with narrative, graphs, ratios and industry comparisons. Use it for presenting insightful advice to strengthen client relationships.*



Highlight strengths and weaknesses by comparing the client internally and to the industry



Utilize the report as a health check-up to uncover areas of opportunity and set goals for the future



Position the current financial health conversation to promote additional services such as cash flow management



Present tips for improvement to management teams or key decision-makers

# Presenting Tips: Projections

*The Projections report allows you to create hypothetical business strategies that can positively affect financial conditions in your client's future health. Identify opportunity and develop an action plan to create a deeper connection with the client.*



Utilize "what-if" scenarios to demonstrate changes in operation and how change affects cash-flow



Create a start-up plan based on industry trends to help guide new business owners



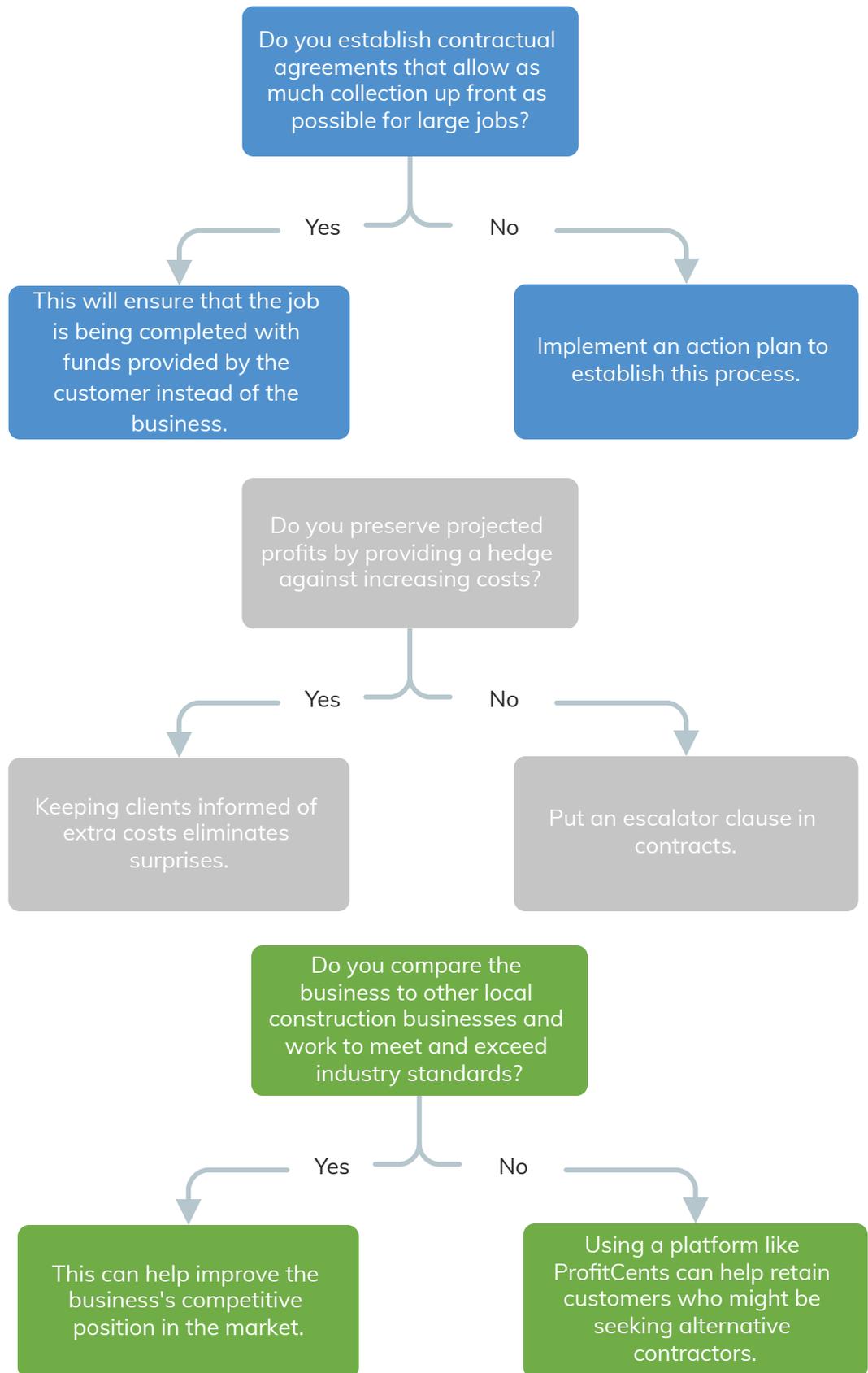
Help the client develop an expanding portfolio by modeling future asset purchases

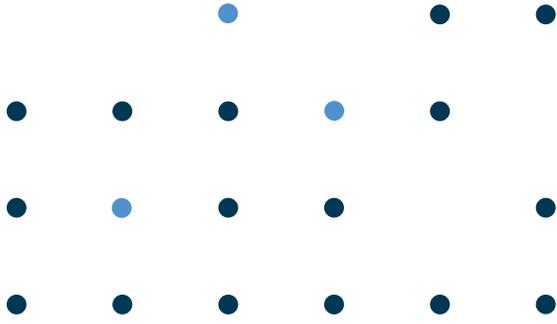


Guide the client into the future by modeling short-term and long-term goals, allowing them to monetize progress

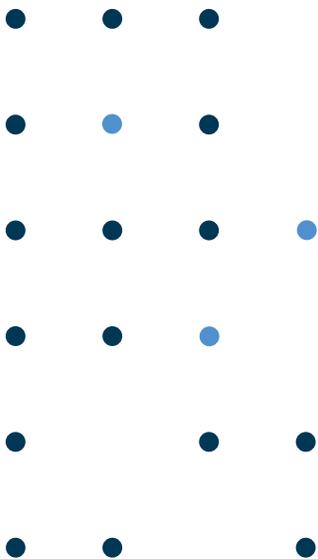
# Using Industry Recommendations as Conversation Starters

The Industry Data and Industry Data with Company Comparisons Reports come equipped with industry-specific recommendations to help guide your client towards progress. Use the recommendations to develop action plans and set progress checkpoints throughout the year. Below you will find examples for Residential Building Construction.





# Additional RESOURCES



Use ProfitCents to develop a tiered approach to advisory engagements. Each report offers components that can help frame conversations and be used to generate a financial plan. This guide can help you decide which reports to use and when.

Industry Data  
& Company  
Comparisons

Narrative

Projections

	Report Components	Client Service Applications
Industry Data & Company Comparisons	<ul style="list-style-type: none"> <li>• Real-time industry data</li> <li>• Multi-period industry trends</li> <li>• Industry Intelligence (KPIs)</li> <li>• Industry-specific recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Industry research/client meeting preparation</li> <li>• Prospect meetings</li> <li>• Marketing collateral</li> <li>• Industry newsletters</li> <li>• Proactive SWOT analysis</li> <li>• Creating cross-selling opportunities</li> </ul>
Narrative	<ul style="list-style-type: none"> <li>• Comprehensive written analysis</li> <li>• Ratio, trend and common-size analysis</li> <li>• Client-to-industry and client-to-client comparison</li> <li>• Charts provide visual performance representation</li> </ul>	<ul style="list-style-type: none"> <li>• Exit conferences and closing meetings</li> <li>• Year-end reviews</li> <li>• Interim client meetings</li> <li>• Management presentations</li> <li>• Delivery of financial statements</li> </ul>
Projections	<ul style="list-style-type: none"> <li>• Monthly, quarterly and annual financial forecasts</li> <li>• Cash-flow projections</li> <li>• Loan analysis</li> <li>• DCF Valuation</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Profitability modeling</li> <li>• Start-up plans</li> <li>• Cash-flow management</li> <li>• Financing Proposals</li> <li>• Exit strategy/succession planning</li> </ul>

# ProfitCents for Business Advisors

# Checklist for Client Meetings

*Building relationships with clients requires trust, rapport, and an atmosphere for open dialogue. Use the questionnaire on the following two pages to engage your advisory clients and uncover areas of opportunity.*

1

## Liquidity

Do you currently have the resources to grow your business without experiencing cash shortages? Do you annually budget for your expected cash requirements?

2

## Profits & Profit Margin

Do you know your Gross Margin and its comparative to your peers? Does your compensation system encourage increased productivity, revenue and gross profit?

3

## Sales

What are your sales goals for next year? Can you describe your ideal customer?

4

## Borrowing

Are there any debt covenants or other issues you have a hard time fulfilling? Are you able to obtain reasonable terms from suppliers?

5

## Asset Management

Do you currently estimate the return on investment and set targets before purchasing new equipment, hiring new employees or adding new business lines?

6

## Employees

Could you increase production without drastically altering your workforce? Do you have a profile for an ideal candidate for each role in the company?

*Our Analytical Procedures Report for Audits/Reviews complies with a number of SAS guidelines to help streamline the preliminary analytic process. See the table below to see which guideline is followed, where it can be found, and how ProfitCents helps.*

SAS Guideline	Definition	Where	How ProfitCents Helps
56	What method was used for analytical procedures?	Analytical Procedures Report	Ratio analysis, Industry Comparisons, Non-Financial Information, Financial Data
56	What is the acceptable difference between expected values and actual?	Analytical Procedures Report, Analytical Procedures Worksheet	Threshold Analysis
56	Non-financial data → financial (such as employees; non-financial KPIs)	Analytical Procedures Worksheet; Narrative Report; Industry Data Report with KPIs	Employee section; Industry Data provides KPIs for comparing non-financial metrics
59	Going concern (will the company stay in business)	Analytical Procedures Worksheet; Narrative Report; Industry Data Report	Z-Score: likelihood of bankruptcy
103	Documents analytical procedures	Entire Analytical Procedures Report and Worksheet	Report and Worksheet provide standardized audit documentation improving overall audit quality
104-111	<ul style="list-style-type: none"> <li>• Demonstrate understanding of the entity and its environment; requires quality outside information</li> <li>• States responsibility for risk assessment</li> <li>• Describes the risk assessment procedures that auditors must perform</li> <li>• Understand the entity and its environment</li> <li>• Develop expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Analytical Procedures Worksheet; Narrative Report, Industry Data Report</li> <li>• Risk Assessment Worksheet</li> <li>• Analytical Procedures Worksheet; Industry Scorecard</li> <li>• Narrative Report</li> <li>• Analytical Procedures Worksheet, Industry Scorecard</li> </ul>	<ul style="list-style-type: none"> <li>• Automated industry comparisons and statistical trends; Narrative report analyzes the business; Industry Data provides overview of the client's industry</li> <li>• Provides method of linking analytical procedures through to audit plan via risk assessment worksheet</li> <li>• Provides variance analysis (period to period comparisons), industry comparisons, trend analysis and budget-to-actual</li> <li>• Written analysis of the company compared to its industry</li> <li>• Calculates the statistical trend and regression analysis, provides expected industry range (benchmarks)</li> </ul>
115	Exit/management letter	Narrative Report; Industry Data Report	Provides tips for improvement and comprehensive written analysis of the company's performance

## Client Key Performance Indicators

### **Liquidity**

	<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>N/A</b>
1. Do you currently have the resources to grow your business without experiencing cash shortages?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you annually budget for your expected cash requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you have a formalized process for new customer credit approval?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you manage your accounts payable disbursement practices to maintain good vendor relationships, vendor pricing, and your credit rating, while still delaying cash outlays as long as possible?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### **Profits & Profit Margin**

	<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>N/A</b>
1. Do you know your Gross Margin, and is it comparable to your industry peers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. What are your fixed costs per month? Do you need to add additional fixed costs to operate more effectively?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you have a comprehensively designed marketing plan, and has it increased the effectiveness of your overall marketing efforts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does your compensation system effectively encourage increased productivity, revenues, and gross profit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### **Sales**

	<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>N/A</b>
1. Have you established sales goals for next year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Can you describe your ideal customer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you formally track customer satisfaction to determine if you meet or exceed your customer's expectations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Does your sales person compensation system effectively encourage increased revenues and profits?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Borrowing**

	<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>N/A</b>
1. In regards to your relationship with your bank, are there any debt covenants or other issues that you have a hard time fulfilling?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Are you able to obtain reasonable terms from suppliers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Asset Management**

	<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>N/A</b>
1. Do you currently utilize over 80% of your company's operating capacity during peak times?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you currently estimate the return on investment and set targets before purchasing new equipment, hiring new employees, or adding new business lines?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Employees**

	<b>Yes</b>	<b>No</b>	<b>Not Sure</b>	<b>N/A</b>
1. Do you have a profile for an ideal candidate for each job in your company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you currently have job descriptions and policies and procedures in place for each position that adequately explain "How we do it here"?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Could you increase production without dramatically altering your workforce?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you actively solicit ideas and suggestions from your employees in an attempt to improve productivity?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# Case Study: Acquiring Clients with ProfitCents

## PROFITCENTS ENABLES SMARTER FINANCIAL MANAGEMENT

Despite the benefits of the Foresight CFO's Strategic Financial Management Value Builder method, CFO Kirk McLaren felt stuck. "We couldn't be as strategic as we wanted to be. I spent most of my time on the basics. Financial modeling was time consuming, and we had no hope of benchmarking performance to industry peers. I would intuitively notice when a client's key metric was too high or too low, but I didn't have any way to show the client exactly how the business compared to industry peers. ProfitCents helped me execute on the best practices—like benchmarking—that I had known about but was never able to do because they would have been too labor intensive." Once McLaren became a ProfitCents customer, it didn't take him long to perform a strategic financial analysis of his prospects and clients. "ProfitCents helped me transform basic financial management into Strategic Financial Management. The peer benchmarking, valuation and multi-year forecast fit squarely in our mission to help business owners and their employees thrive by being in the top percentile of their industry. I broke even on the investment in ProfitCents in the first 26 days"

## CLIENT PROSPECTING WITH INDUSTRY DATA

McLaren was able to create a return on his technology investment with ProfitCents by identifying a prospect in another state who had inventory that was almost three times the industry average. "I typically work with small, privately held companies that earn revenue between \$1 million and \$55 million. One of the small businesses that I had been prospecting was a wholesale salt distributor—he had A LOT of salt inventory and was hurting for cash." McLaren spent two to three hours looking at the prospect's websites, his financials and the ProfitCents reports before contacting the business owner. "The Sageworks Industry Data reports and Benchmarking allowed me to find his pain points in Inventory Turn and Accounts Receivable and then, through discovery, to show him how I could tangibly help him improve his business, specifically cash," says McLaren. "He was struggling to get the cash flow he needed—looking for loans and trying to scale up his business. As his advisor, I was able to use ProfitCents to show him that if we brought his inventory days down to the industry average, we could free up \$498,000 in cash from inventory alone plus \$268,000 from accounts receivables. This made his business cash positive instead of giving away his profit by taking out loans. I offered him a life change so that he can sleep at night and enjoy his business by building one that thrives."

By providing this insight McLaren won the client. "The business owner now wants me to manage his day-today accounting and be his advisor. ProfitCents helped me win a \$48,000-a-year client of recurring revenue." Additionally, since McLaren purchased ProfitCents, three of the six prospects that he has reached out to have sat down with him to learn more about his services. "That's 50 percent! That number used to be 15 to 20 percent. Now that I can attach ProfitCents reports to my initial emails, I am able to provide a hard number to the benefits I can bring in addressing a prospect's pain points. That's what helps me differentiate my services on the front-end."

“ As his advisor, I was able to use ProfitCents to show him that if we brought his inventory days down to the industry average, we could free up \$498,000 in cash from inventory...ProfitCents helped me win a \$48,000-a-year client of recurring revenue. ”

————— *Kirk W. McLaren, CFO, MBA, CPA* —————



———— ProfitCents Support ————

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Contact Information