
How Will Your Business Operate?

Ben Russell,
Commercial Banking Officer

Hills Bank
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Develop Your Management Team

- The role of the management team
- Management team skill sets
- Building the team
- Training and development of managers
- Professional performance measurement
- Personal performance evaluation and rewards

www.infoentrepreneurs.org

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Choose Your Business Structure

Sole Proprietorship

- Simplest and most common structure chosen
- Unincorporated, owned and run by one individual
- No distinction between business and owner
- No formal action required to form one
- The business is not taxed separately from you

www.sba.gov

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Choose Your Business Structure

Limited Liability Company (LLC)

- Legal structure that provides the tax efficiencies and flexibility of a partnership and the limited liability features of a corporation
- Owners are referred to as “members”
- Not taxed as a separate business entity, but profits and losses are passed on to each member of the LLC (paid through their personal income tax)
- LLCs must file taxes as a corporation, partnership, or sole proprietorship

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Choose Your Business Structure

Cooperative

- A cooperative is owned by and operated for the benefit of those using its services
- Typically, a board of directors and officers run the cooperative and members have voting power
- Common in healthcare, retail, restaurant, art and agriculture
- Taxes
 - Cooperatives operate as corporations and receive a “pass-through” designation from the IRS
 - Do not pay federal income taxes as a business entity

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Corporation

- Independent entity owned by shareholders
- The corporation itself is held legally liable
- Costly administrative fees and complex legal requirements
- Generally suggested for established companies with multiple employees
- Must pay federal, state, and sometimes, local taxes
- May be taxed twice – on profits and when dividends are paid to shareholders on their personal tax returns

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Partnership

- Single business with two or more owners
- All partners contribute to each aspect of the business, and share in the profits and losses
- It's recommended to develop a legal partnership agreement to document how business decisions will be made and how partners will divide profits, change owners, etc.
- Types of partnerships
 - General partnerships
 - Limited partnerships
 - Joint ventures
- Taxes
 - Must file an “annual information return” to report income, deductions, gains and losses
 - The business “passes through” profits and losses to partners

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S Corporation

- Eligible domestic corporations can avoid being taxed twice (once to the corporation, once to the shareholders) by being treated as an S Corporation
- Has the Subchapter S designation from the IRS
- Profits and losses can pass through to personal tax returns (unlike a traditional corporation)
- Only the shareholders are taxed – not the business
- LLCs can request S corporation status

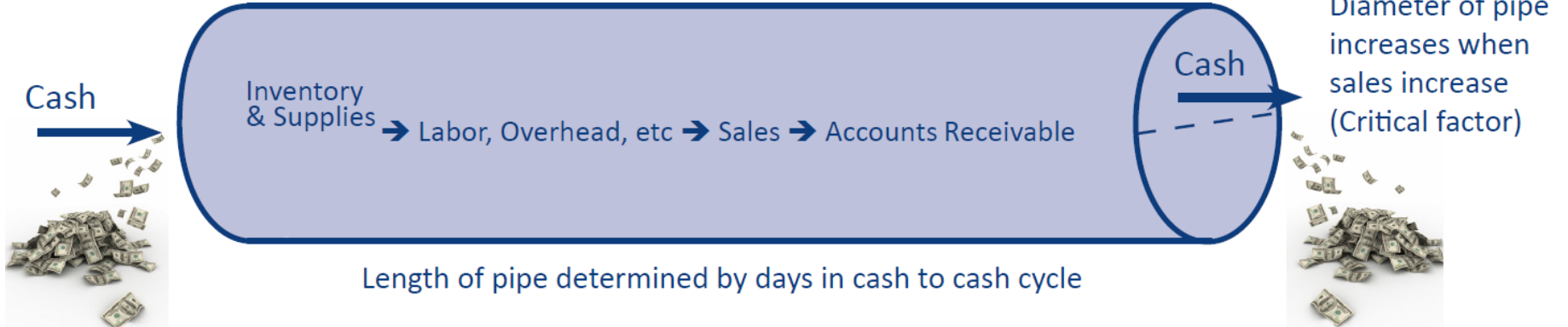
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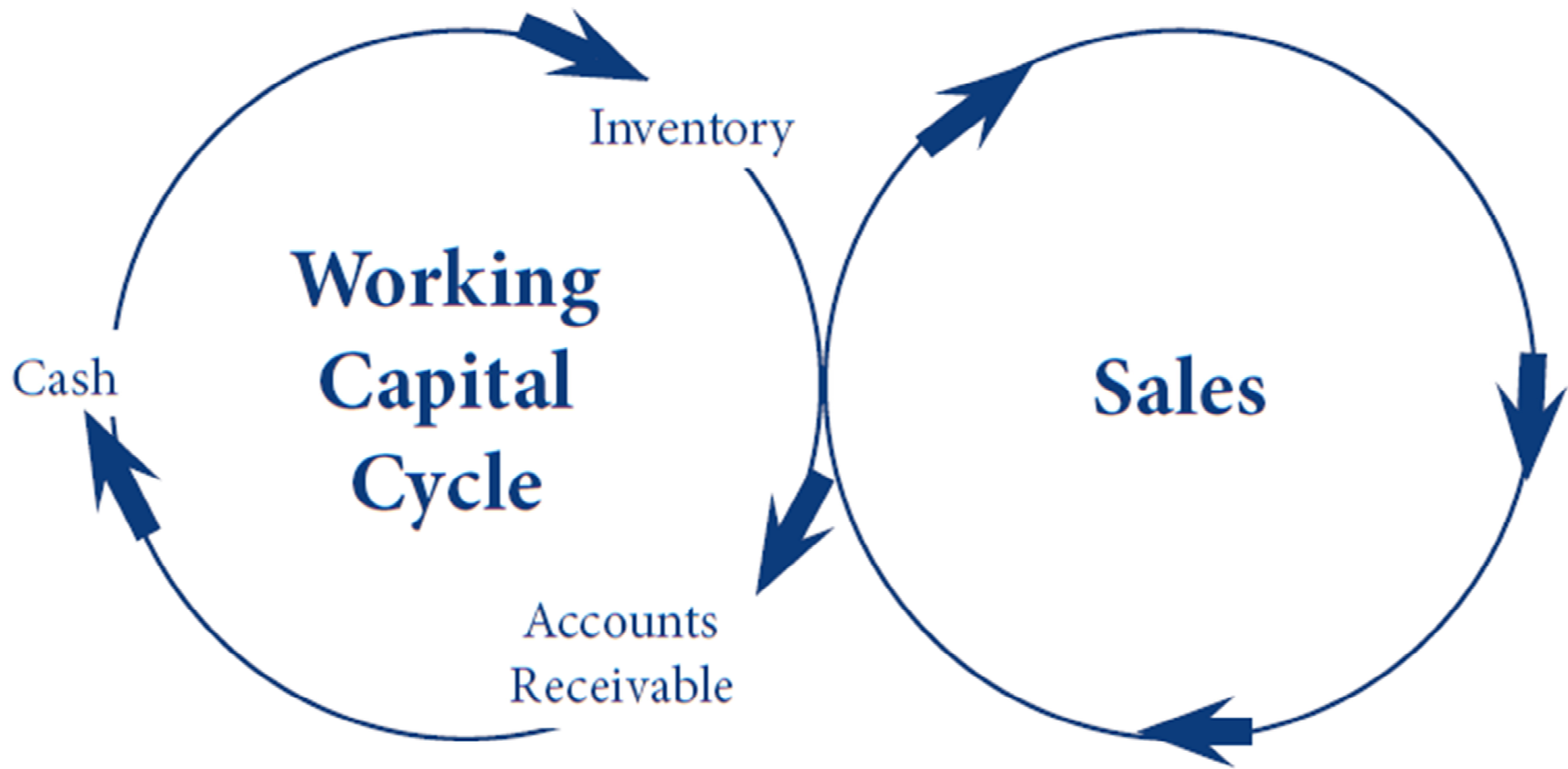
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CASH TO CASH PIPELINE CYCLE



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Financial Position: The Process

1. Financial statements

- Obtain three to five years' financial statements, balance sheets and income statements
- Transfer the figures to a spreadsheet
- Observe and analyze the trends of various accounts

2. Ratio Analysis

- Calculate ratios for each year
- Analyze ratio trends
- Compare ratios against industry averages
- Compare ratios to your objectives

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Financial Position: The Process

3. Financial Impact Analysis

- The seriousness of problems can be determined by conducting a financial impact analysis in dollars

4. Cause and Effect Analysis

- Complete a cause and effect analysis to identify the areas that need attention

5. Problem and Solution Identification

- This is a useful skill in determining and implementing corrective steps to solve a problem

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Balance Sheet

Current Assets

- Cash
- Accounts receivable
- Inventory

Fixed Assets

- Land
- Building
- Equipment
- Furniture & fixtures

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Current Liabilities

- Accounts payable
- Short-term debt

Long-term liabilities

- Long-term debt

Equity

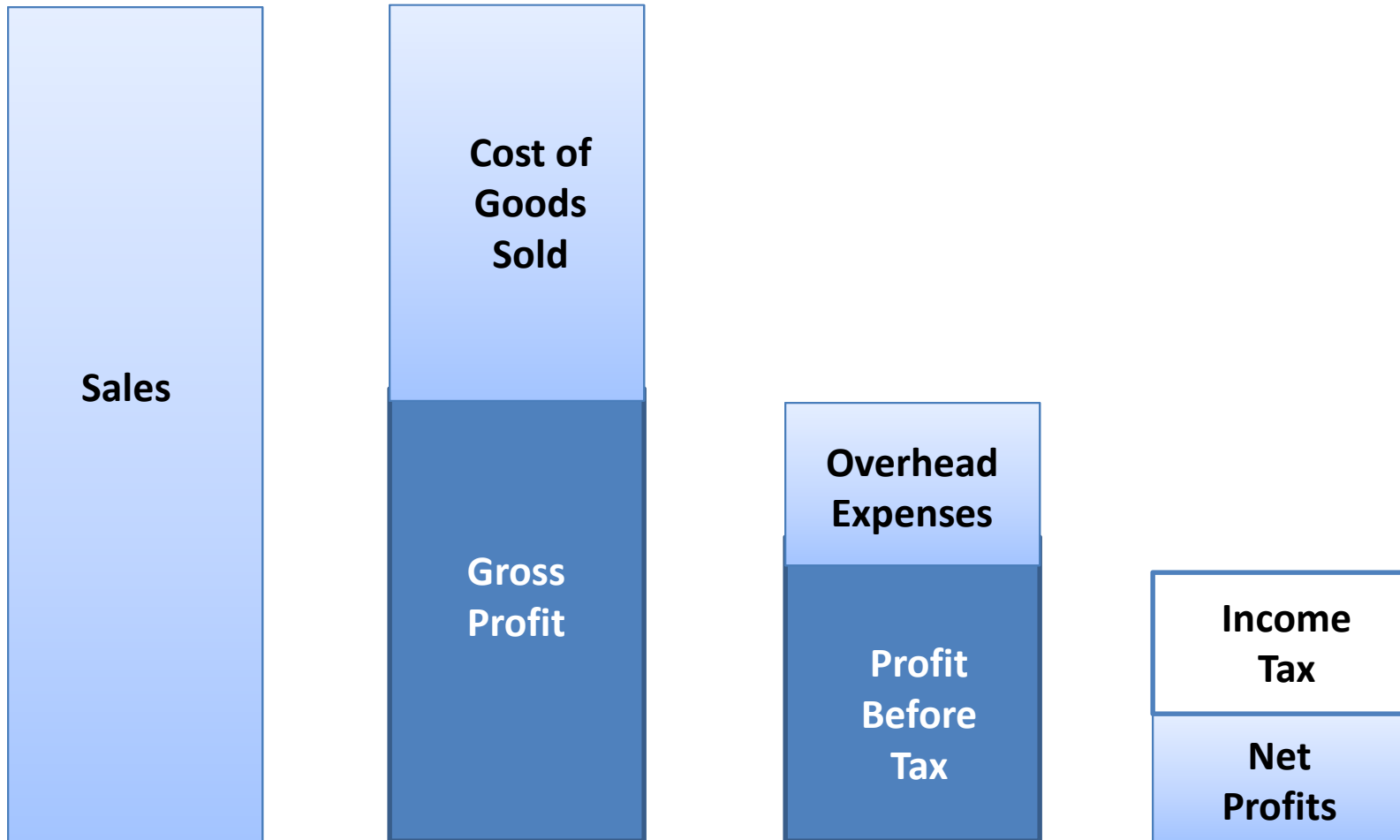
- Retained earnings
- Capital

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Income Statement



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Short-Range Planning

- Example

Questions?

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