



# Business Smarts for HR Professionals

Peter Frampton

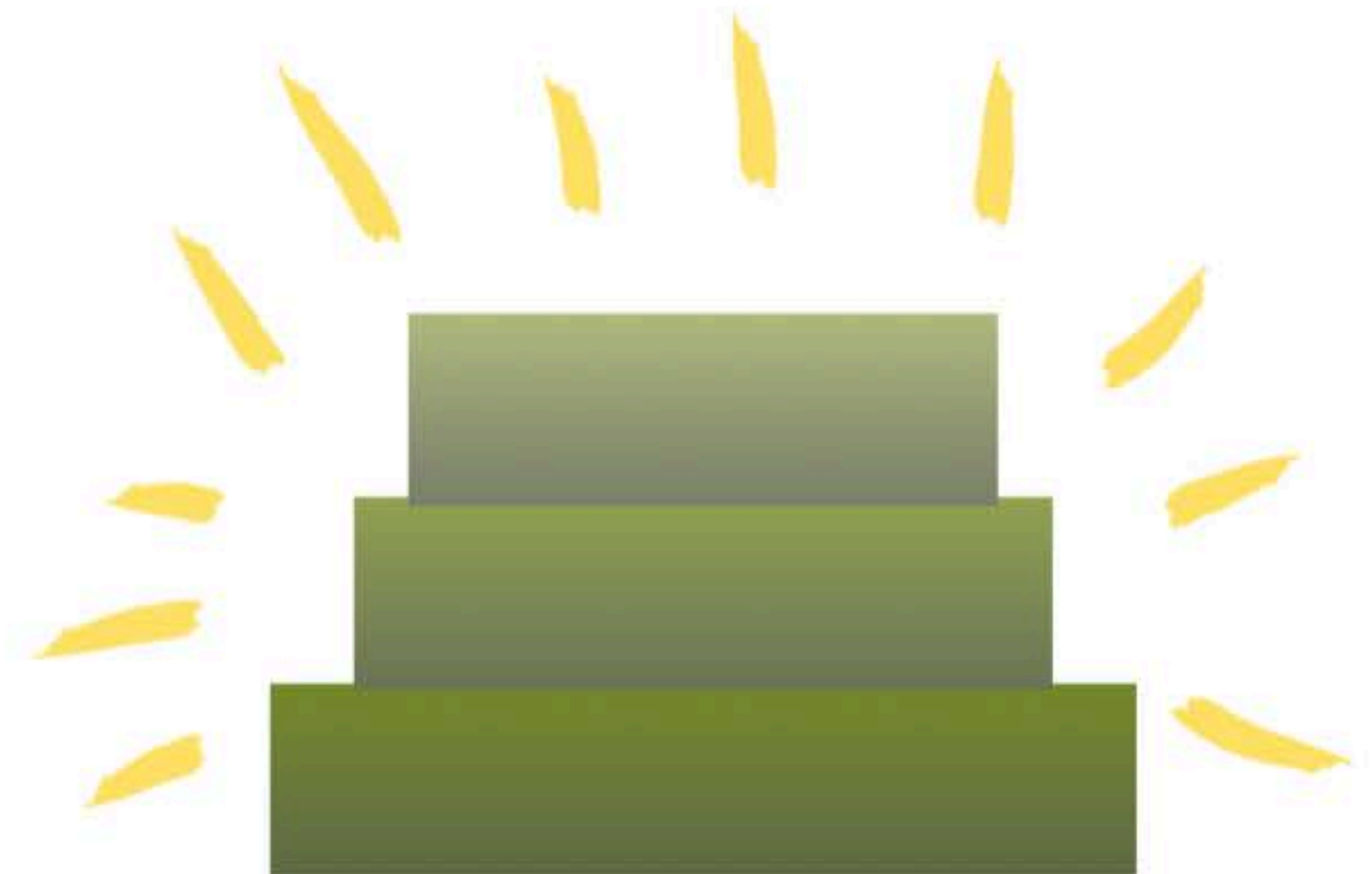
WEDNESDAY MAY 17<sup>th</sup>, 2017 8:30 AM  
Birmingham-Jeferson Convention Complex



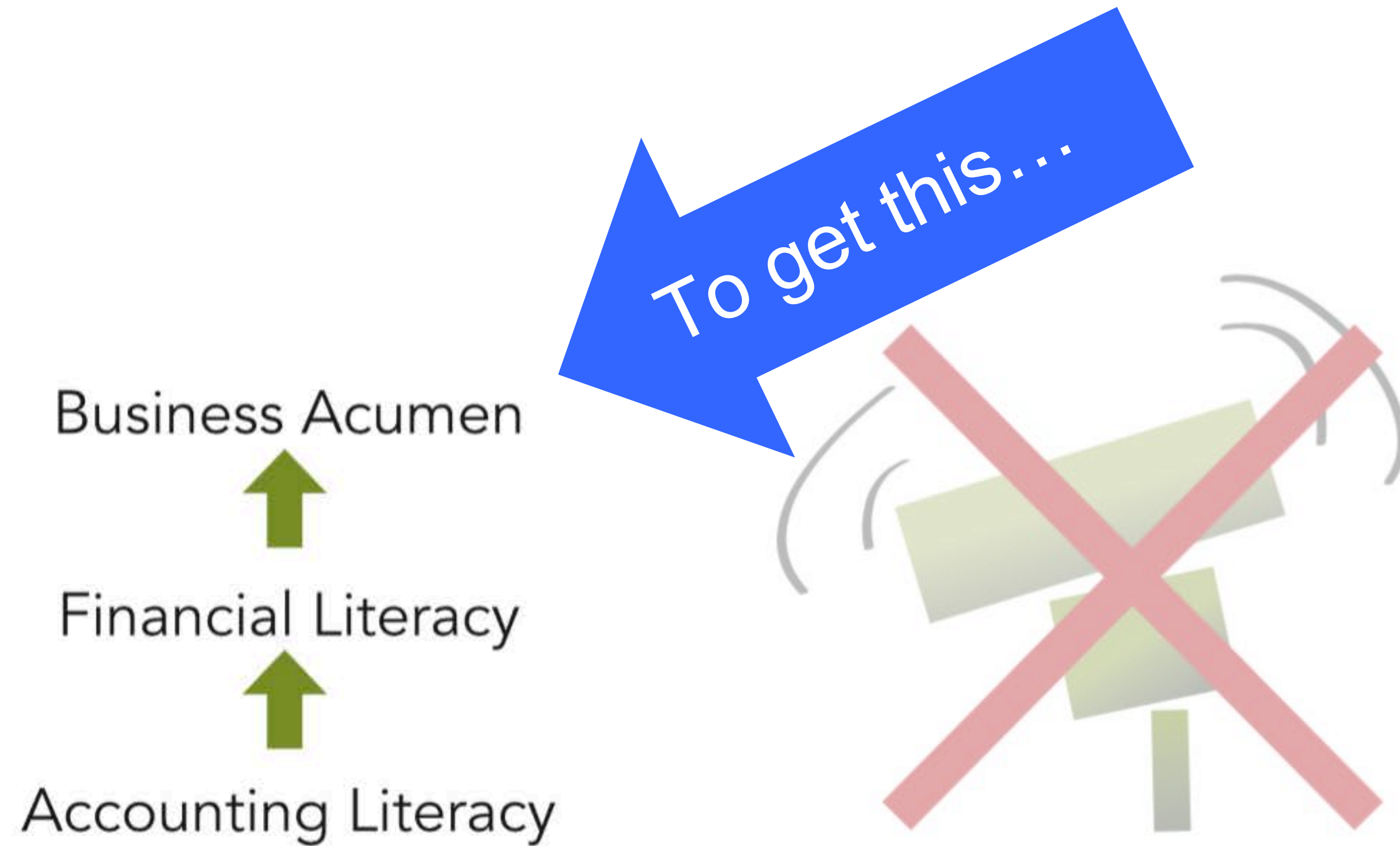
# Today let's...

1. Discover a profound **model for thinking** about business
2. Powerfully position **your people as assets** within your business
3. Leave with a new leadership and personal finance **tool**

# Wax on. Wax off.



# Wax on. Wax off.

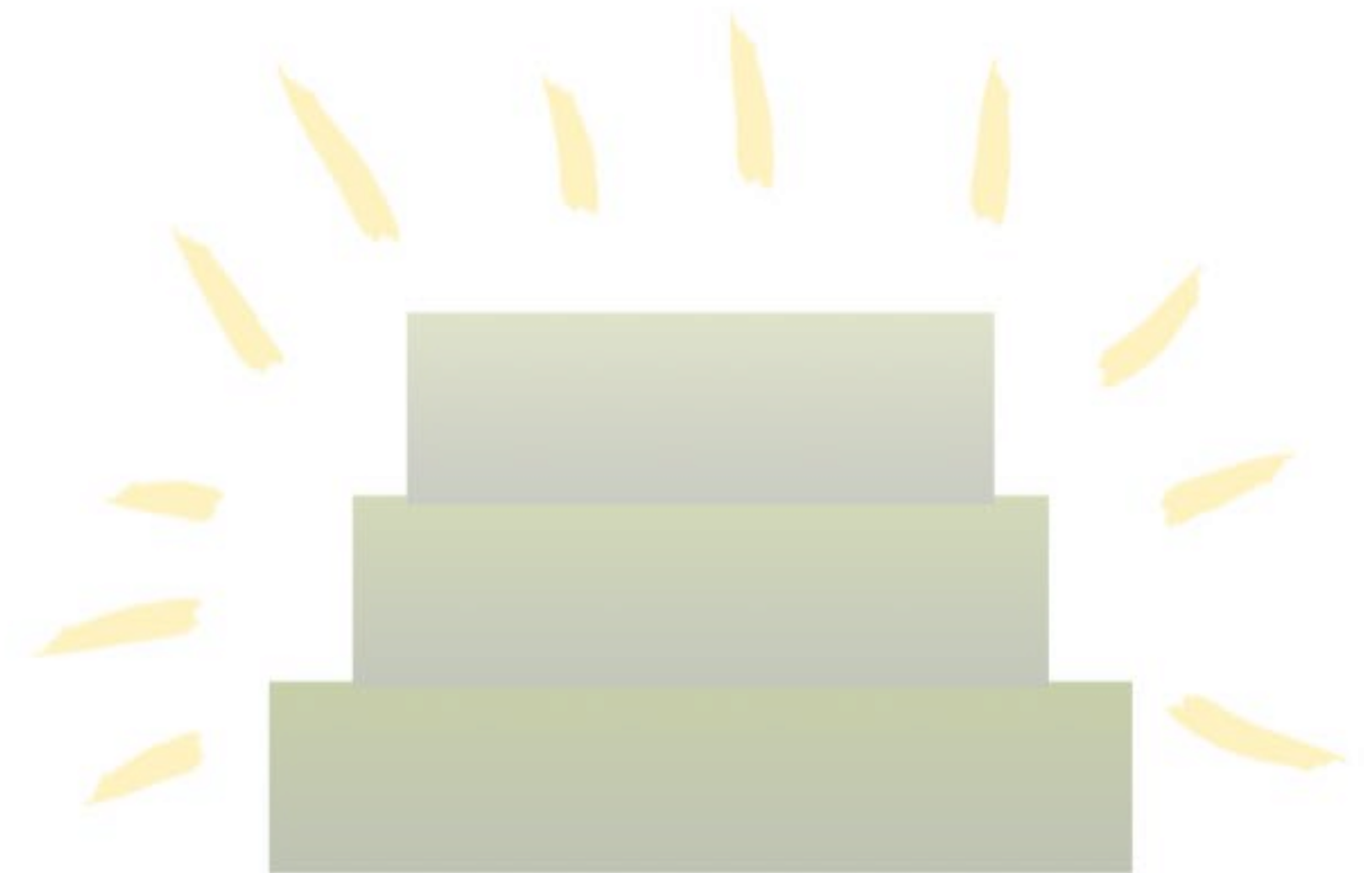




# Wax on. Wax off.



*we must get this*



# It's not you



# Financial language is a mess




This may surprise you...

*Income doesn't come in*



# This may surprise you...

income 

[in-kuhm]

[Synonyms](#)   [Examples](#)   [Word Origin](#)

[See more synonyms on Thesaurus.com](#)

noun

1. the monetary payment received for goods or services, or from other sources, as rents or investments.

## Strictly speaking, the dictionary is wrong.

This may surprise you...

*We accountants don't agree  
on whether “income” means  
**‘revenue’ or ‘profit’***

This may surprise you...

*Income isn't valuable*

This may surprise you...

*Most accountants  
can't explain  
what an expense is*



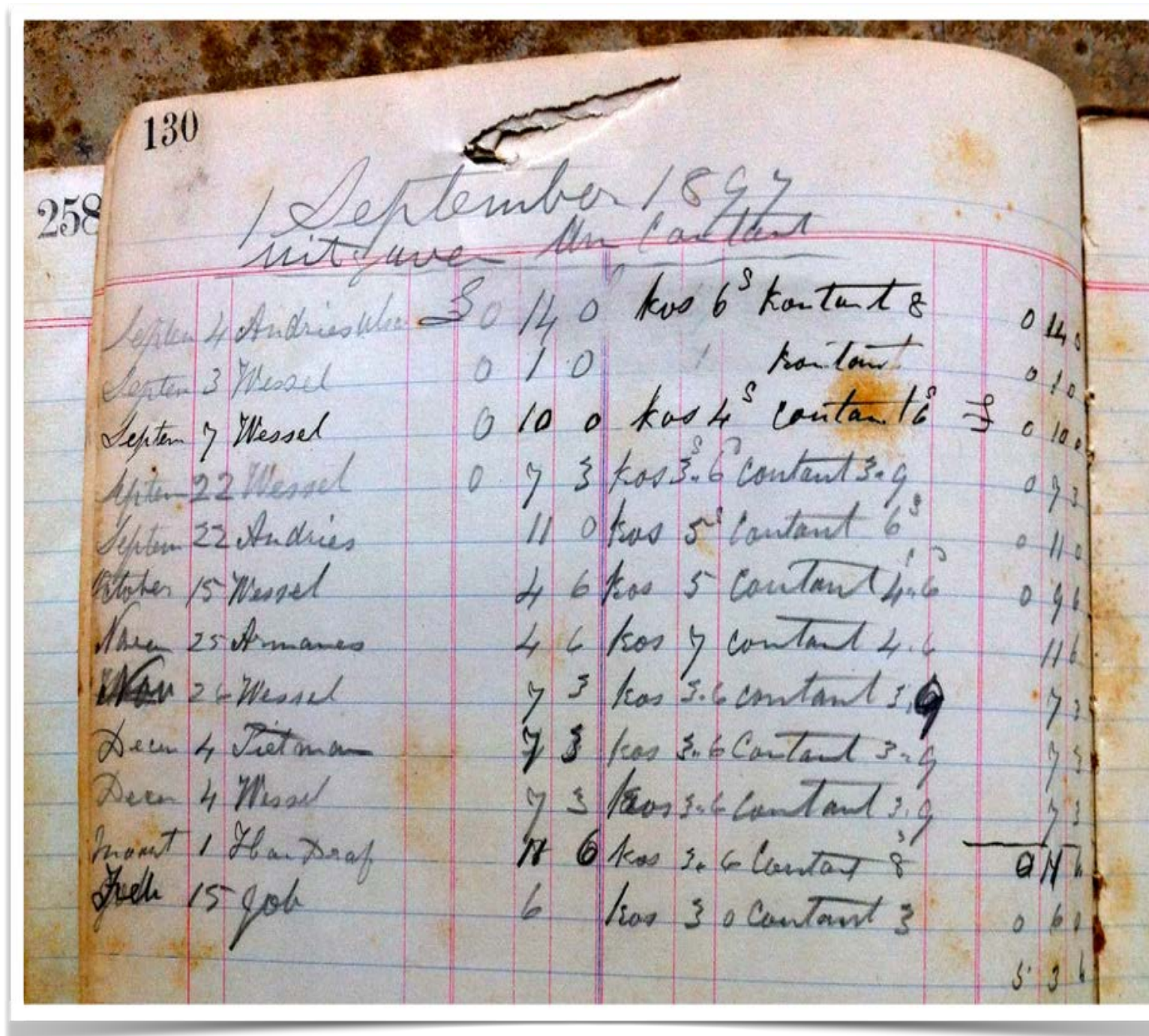
This may surprise you...

*Prepaid Expenses aren't expenses.*

*Deferred Revenue isn't revenue.*

*Net Assets aren't assets.*

# Accounting is now easy.



Hard



Easy

Not math

$$660 - 140 = ?$$



# Financial Statements

## Balance Sheet

	2018	2017
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and short term deposits	46,083	291,383
Accounts Receivable	128,178	24,763
Inventories	238,885	97,517
Total Current Assets	<u>413,146</u>	<u>413,663</u>
<i>Non-Current Assets</i>		
Land & buildings	502,425	461,000
Equipment, fixtures & fittings	176,273	83,973
Investments in other companies	1,584	1,584
Total Non-Current Assets	<u>680,282</u>	<u>546,557</u>
<b>TOTAL ASSETS</b>	<u><b>1,093,428</b></u>	<u><b>960,220</b></u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Borrowings	63,566	34,360
Payables	182,475	62,130
Provisions	29,593	16,048
Total Current Liabilities	<u>275,634</u>	<u>112,538</u>
<i>Non-Current Liabilities</i>		
Borrowings	548,765	612,331
Total Non-Current Liabilities	<u>548,765</u>	<u>612,331</u>
<b>TOTAL LIABILITIES</b>	<u><b>824,399</b></u>	<u><b>724,869</b></u>
<b>NET ASSETS</b>	<u><b>269,029</b></u>	<u><b>235,351</b></u>
<b>EQUITY</b>		
Issued capital – 192,160 ordinary shares of \$1	192,160	192,160
Retained earnings	<u>*76,869</u>	<u>43,191</u>
<b>TOTAL LIABILITIES</b>	<u><b>269,029</b></u>	<u><b>235,351</b></u>

## Income Statement

	2018	2017
<b>SALES</b>	<b>1,456,560</b>	<b>904,928</b>
<b>Less: Cost of Sales</b> (direct expenses)		
Products	1,071,931	684,126
Commissions on sales	64,443	-
Total – Cost Of Sales (COS)	<u>*1,136,374</u>	<u>684,126</u>
Gross Profit	<u>320,186</u>	<u>220,802</u>
<b>Less: Other Expenses</b> (indirect / overheads)		
Accounting and book-keeping fees	8,256	6,330
Advertising	5,858	1,664
Bank charges	2,951	2,085
Depreciation	29,282	18,656
Employment expenses	145,434	81,728
Insurances	28,047	24,520
Interest expense	15,089	11,733
Rental - office equipment	1,756	-
Sponsorships & community support	2,611	2,022
Telephone & utilities	8,635	7,307
Other	<u>17,461</u>	<u>15,954</u>
	<u>*265,580</u>	<u>171,999</u>
<b>Net Profit - before tax</b>	<b>54,606</b>	<b>48,803</b>
Less: Income Tax Expense	<u>*16,928</u>	<u>15,129</u>
<b>Net Profit - after tax</b>	<u><b>37,678</b></u>	<u><b>33,674</b></u>
Add: Retained Earnings – Start of Year balance	<u>43,191</u>	<u>9,517</u>
	80,869	43,191
Less: Dividends paid	4,000	-
<b>Retained Earnings (Profits)</b>	<u><b>*76,869</b></u>	<u><b>43,191</b></u>



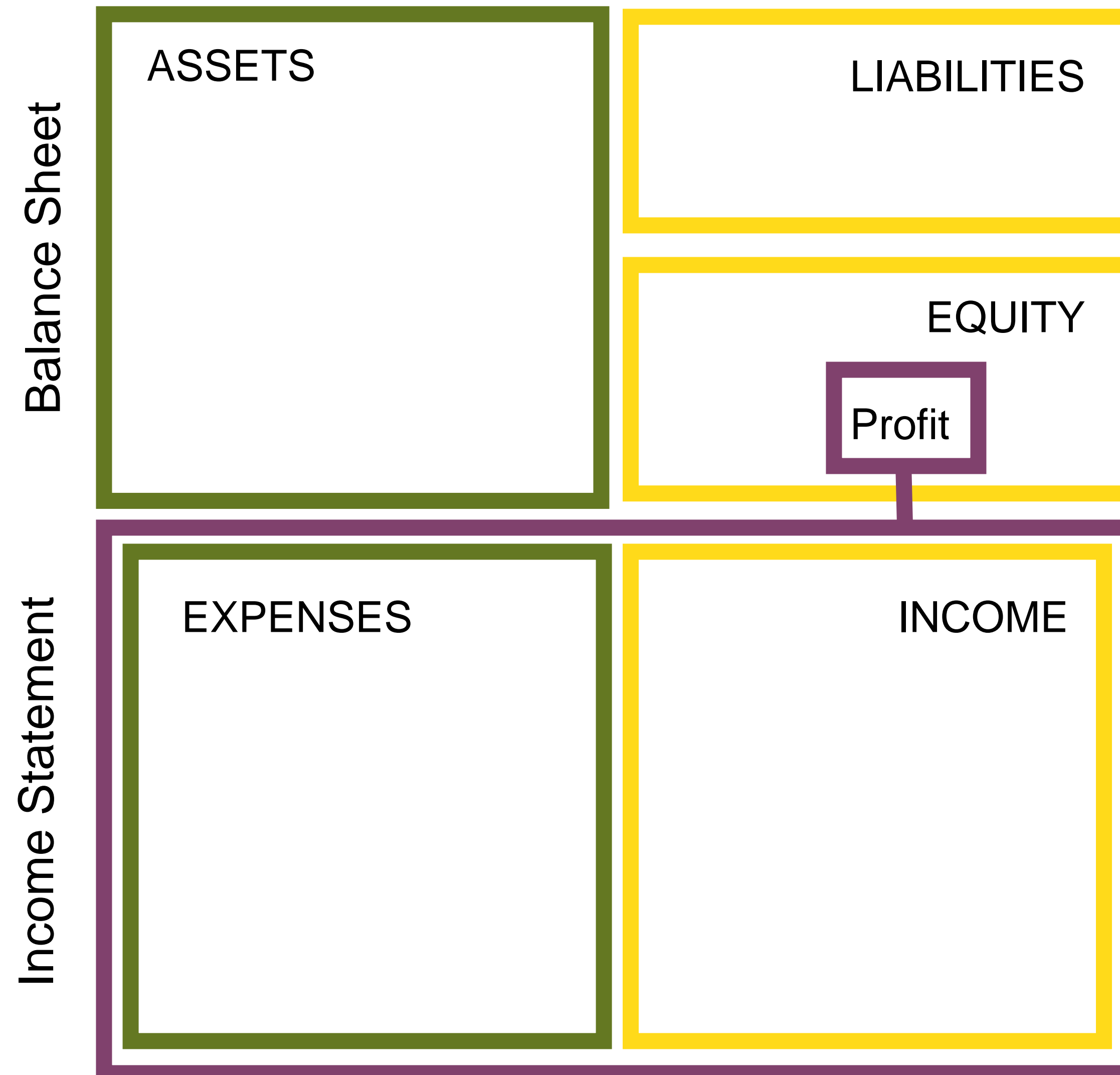
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Total Non-Current Liabilities	548,765	612,331
<b>TOTAL LIABILITIES</b>	<b>824,399</b>	<b>724,869</b>
<b>EQUITY</b>		
Issued capital – 192,160 ordinary shares of \$1	192,160	192,160
Retained earnings	*76,869	43,191
<b>TOTAL LIABILITIES</b>	<b>209,929</b>	<b>235,351</b>

# Income Statement

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Less: Dividends paid	4,000	-
Retained Earnings (Profit)	76,869	43,191

# BaSIS Framework™



# Everything is inside a duality

Global Retail, Inc.



# Everything is inside a duality

Global Retail, Inc.

Assets  
\$50 000





# Everything is inside a duality


Global Retail, Inc.

Assets  
\$50 000



# Everything is inside a duality

## Global Retail, Inc.



Assets  
\$50 000



Liabilities  
\$30 000

---

Equity  
\$20 000

# Everything is inside a duality

Global Retail, Inc.

Assets  
\$50 000

Liabilities  
\$30 000

Equity  
\$20 000

Valuable

Obligations

# Everything is inside a duality

Global Retail, Inc.

Valuable

Assets  
\$50 000

=

Liabilities  
\$30 000

+

Equity  
\$20 000

Obligations



# Everything is inside a duality

Valuable

## Uses of Funds



Assets  
\$50 000

Global Retail, Inc.

=

## Uses of Funds



Liabilities  
\$30 000

+

Equity  
\$20 000

Obligations



# Dollars vs. Dollarization

Valuable

Uses of Funds



\$50 000

Global Retail, Inc.

=

Uses of Funds

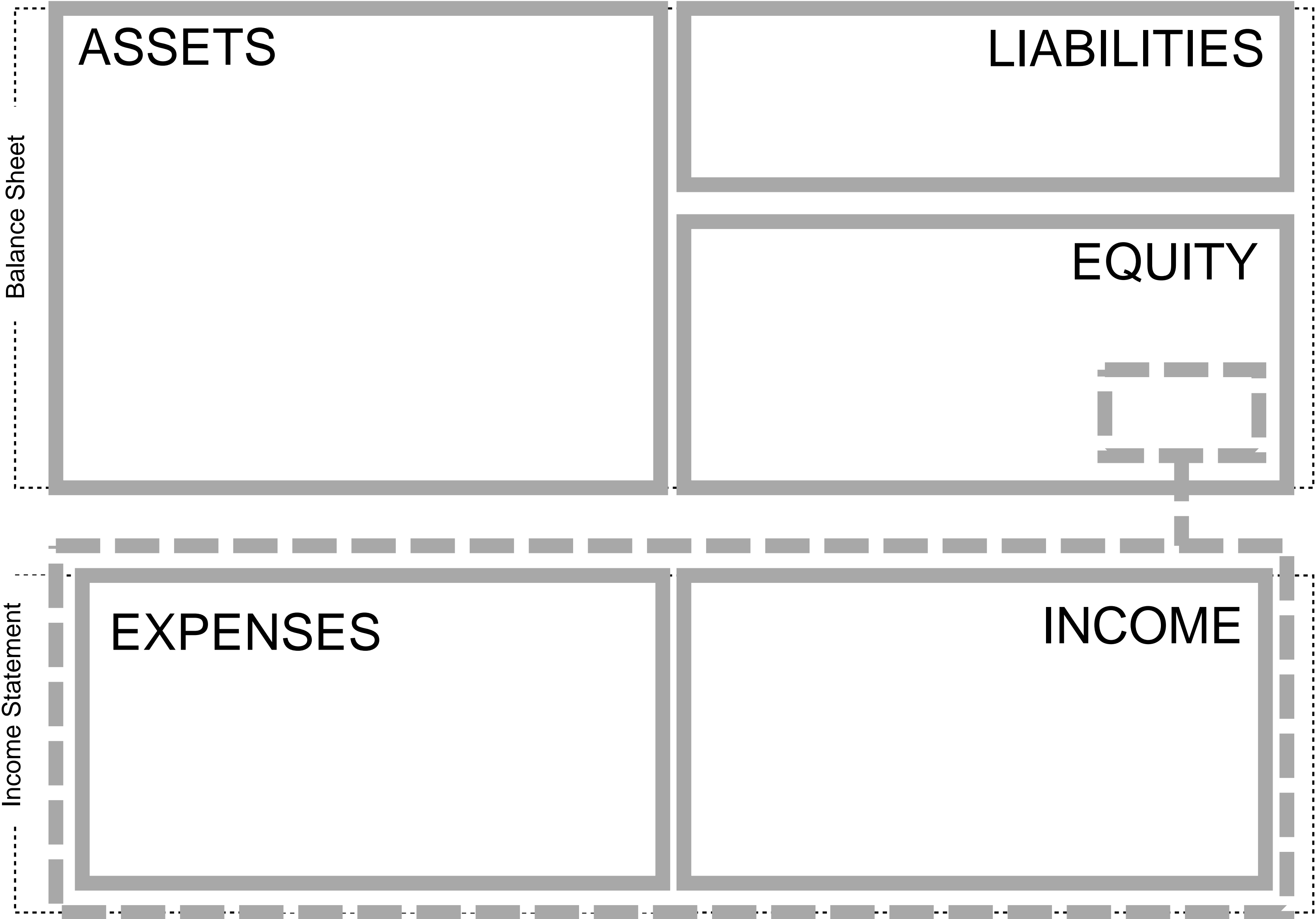
Liabilities	
\$	30 000
+	
Equity	
\$	20 000

Obligations

Your Organization, Inc.

Uses Of Funds

Sources Of Funds



Your Organization, Inc.

Uses Of Funds

Sources Of Funds

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

ASSETS

LIABILITIES

EQUITY



Income Statement

EXPENSES

INCOME



Your Organization, Inc.

Uses Of Funds

Sources Of Funds

ASSETS

LIABILITIES

Obligation  
to lenders

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

EQUITY



EXPENSES

INCOME

Income Statement

Your Organization, Inc.

Uses Of Funds

Sources Of Funds

ASSETS

LIABILITIES

EQUITY

EXPENSES

INCOME

Obligation  
to lenders

Obligation  
to owners

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

Income Statement

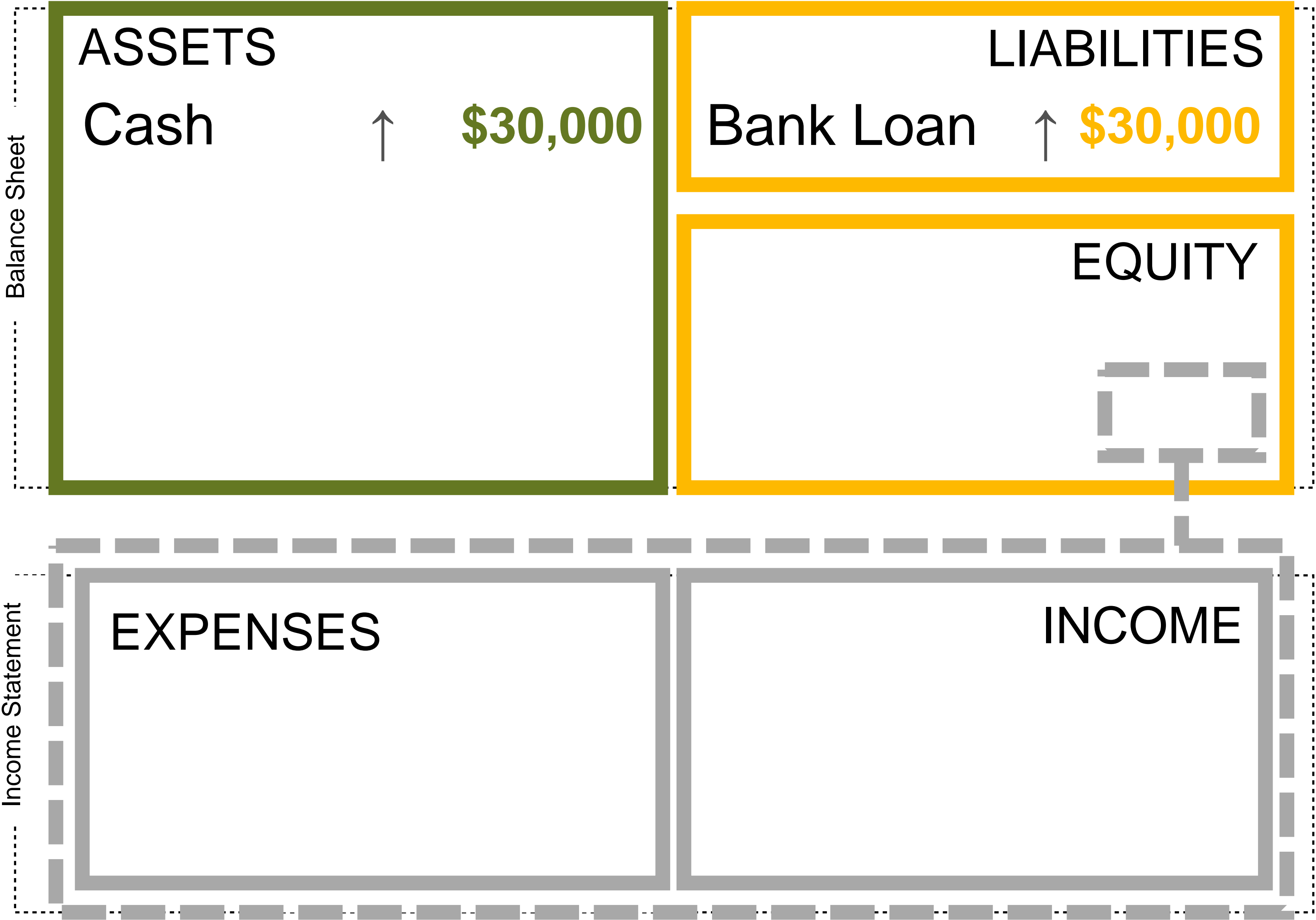




Your Organization, Inc.

Uses Of Funds

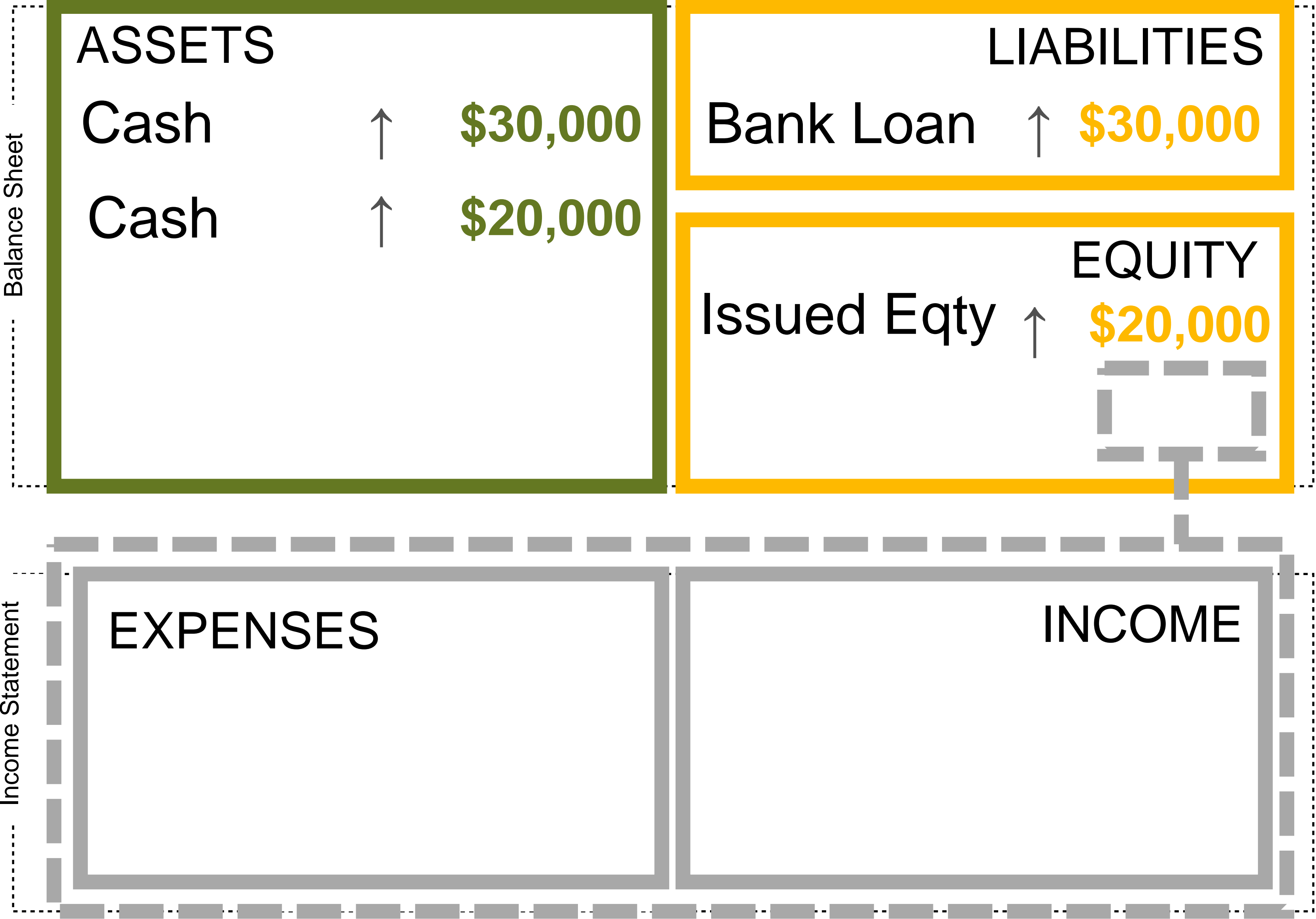
Sources Of Funds



Your Organization, Inc.

Uses Of Funds

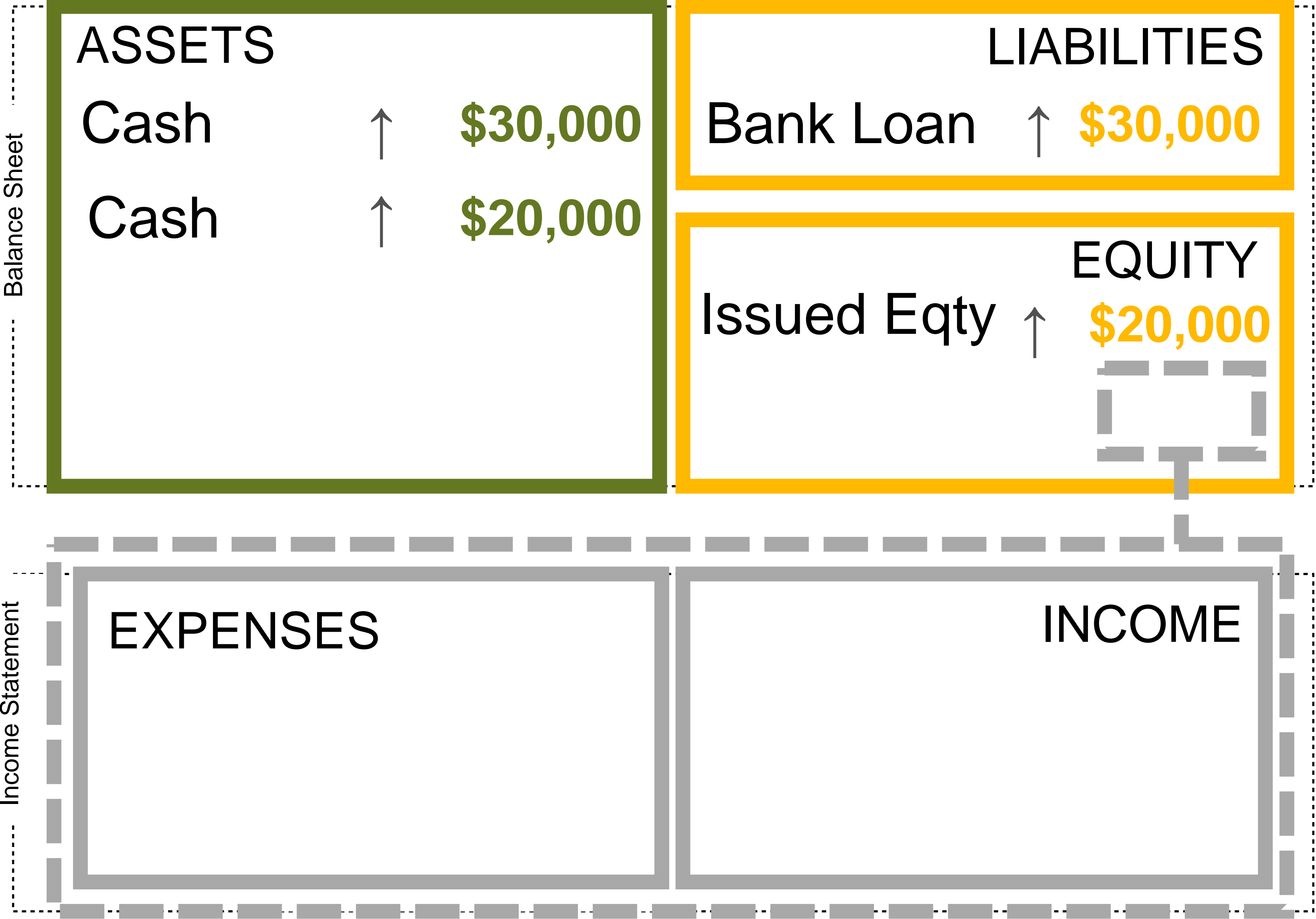
Sources Of Funds



Your Organization, Inc.

Uses Of Funds

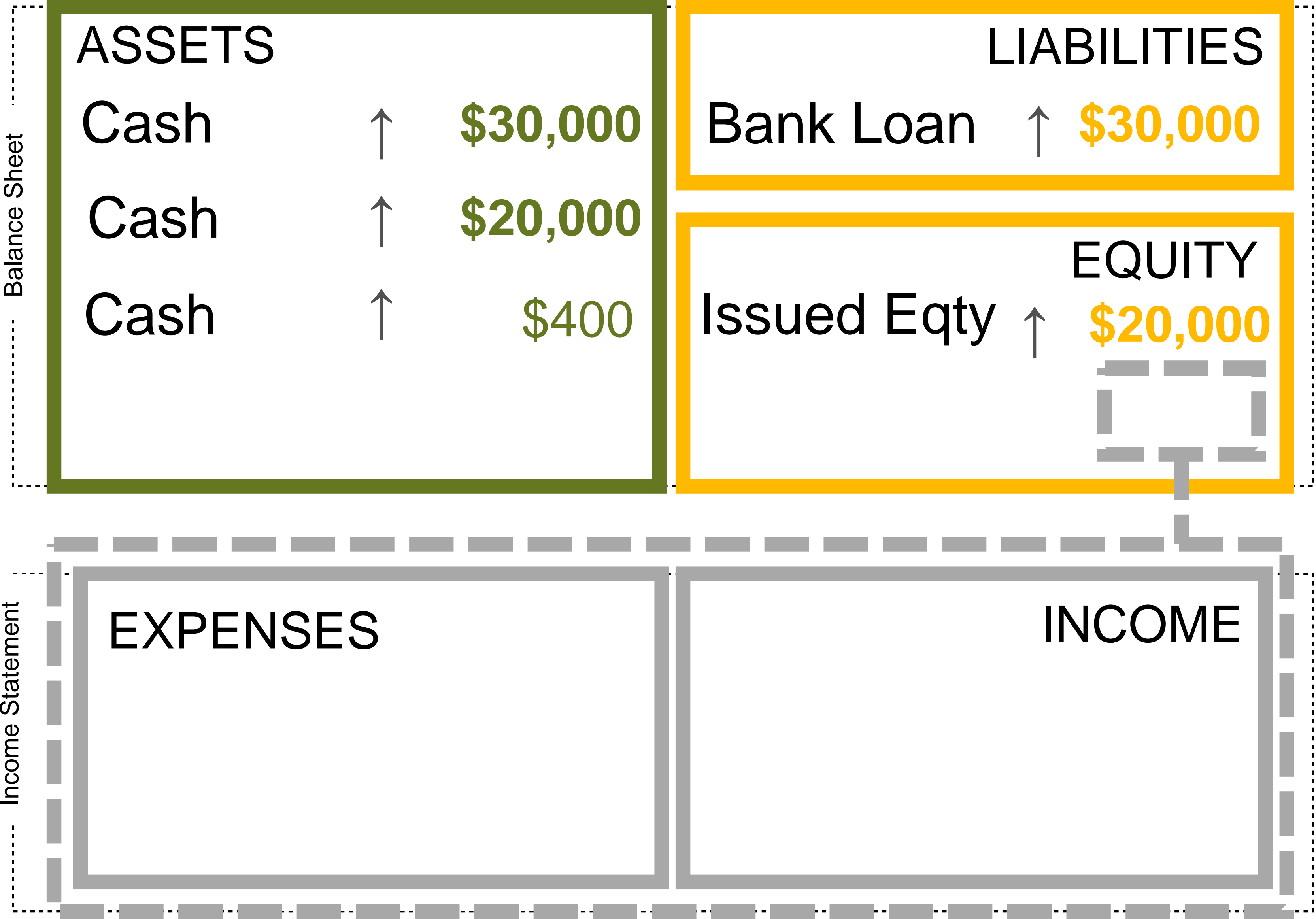
Sources Of Funds



Your Organization, Inc.

Uses Of Funds

Sources Of Funds



Don't write yet!

Your Organization, Inc.

## Uses Of Funds

## Sources Of Funds

# Balance Sheet

# ASSETS

Cash      ↑      \$30,000

Cash      ↑      \$20,000

Cash      ↑      \$400

# LIABILITIES

Bank Loan    ↑    \$30,000

# EQUITY

Issued Eqty ↑ \$20,000

Generated Eqty \$400

## EXPENSES

# INCOME

# Income Statement

Don't write yet!

Your Organization, Inc.

Uses Of Funds

Sources Of Funds

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

ASSETS		
Cash	↑	\$30,000
Cash	↑	\$20,000
Cash	↑	

LIABILITIES		
Bank Loan	↑	\$30,000

EQUITY		
Issued Eqty	↑	\$20,000
Generated Eqty		

Obligation  
to lenders

Obligation  
to owners

Income Statement

EXPENSES		INCOME	



Your Organization, Inc.

Uses Of Funds

Sources Of Funds

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

ASSETS		
Cash	↑	\$30,000
Cash	↑	\$20,000
Cash	↑	

LIABILITIES		
Bank Loan	↑	\$30,000

EQUITY		
Issued Eqty	↑	\$20,000
Generated Eqty		

Obligation  
to lenders

Obligation  
to owners

Income Statement

EXPENSES		INCOME	

Value Generating  
Activity  
Verb concept  
Sales/Revenue/Income  
**VGA**

Your Organization, Inc.

Uses Of Funds

Sources Of Funds

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

ASSETS

Cash ↑ \$30,000

Cash ↑ \$20,000

Cash ↑

LIABILITIES

Bank Loan ↑ \$30,000

EQUITY

Issued Eqty ↑ \$20,000

Generated Eqty

Obligation  
to lenders

Obligation  
to owners

Value Sacrificing  
Activity  
Very concept  
**VSA**

Income Statement

EXPENSES

INCOME

Value Generating  
Activity  
Verb concept  
Sales/Revenue/Income  
**VGA**

Your Organization, Inc.

Uses Of Funds

Sources Of Funds

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

ASSETS

Cash ↑ \$30,000

Cash ↑ \$20,000

Cash ↑ \$700

LIABILITIES

Bank Loan ↑ \$30,000

EQUITY

Issued Eqty ↑ \$20,000

Generated Eqty

Obligation  
to lenders

Obligation  
to owners

Value Sacrificing  
Activity  
**VSA**

Income Statement

EXPENSES

INCOME

Consulting \$700

Value Generating  
Activity  
**VGA**



Your Organization, Inc.

Uses Of Funds

Sources Of Funds

Valuable  
Tangible/Intangible  
Measurable

Balance Sheet

ASSETS			LIABILITIES		
Cash	↑	\$30,000	Bank Loan	↑	\$30,000
Cash	↑	\$20,000			
Cash/AR	↑	\$700			
Cash	↓	\$300			

EQUITY		
Issued Eqty	↑	\$20,000
Generated Eqty		400

Obligation  
to lenders

Obligation  
to owners

Value Sacrificing  
Activity  
**VSA**

Income Statement

EXPENSES			INCOME		
Travel	↑	\$300	Consulting	↑	\$700

Value Generating  
Activity  
**VGA**

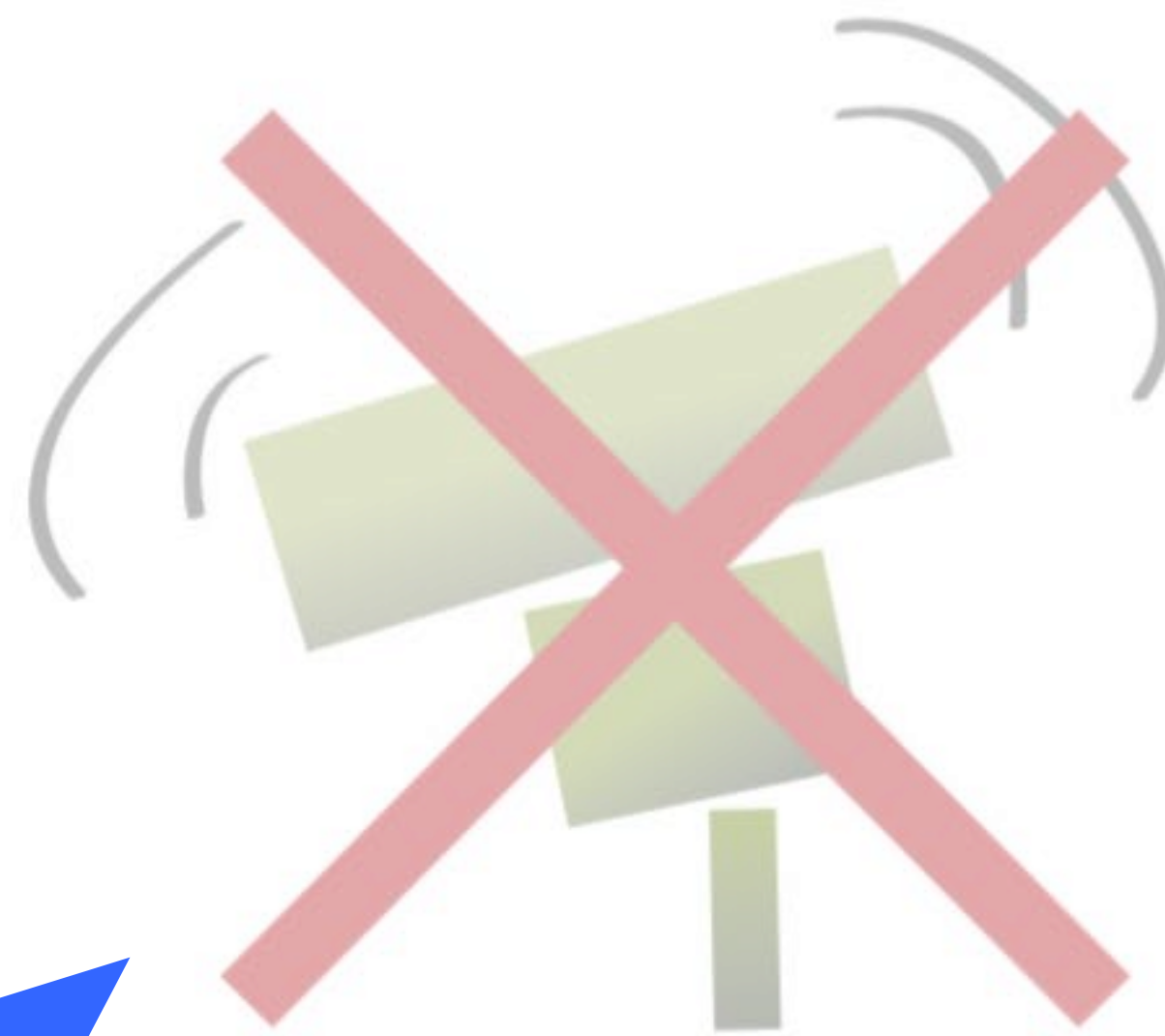
# Only five boxes.



Practice?

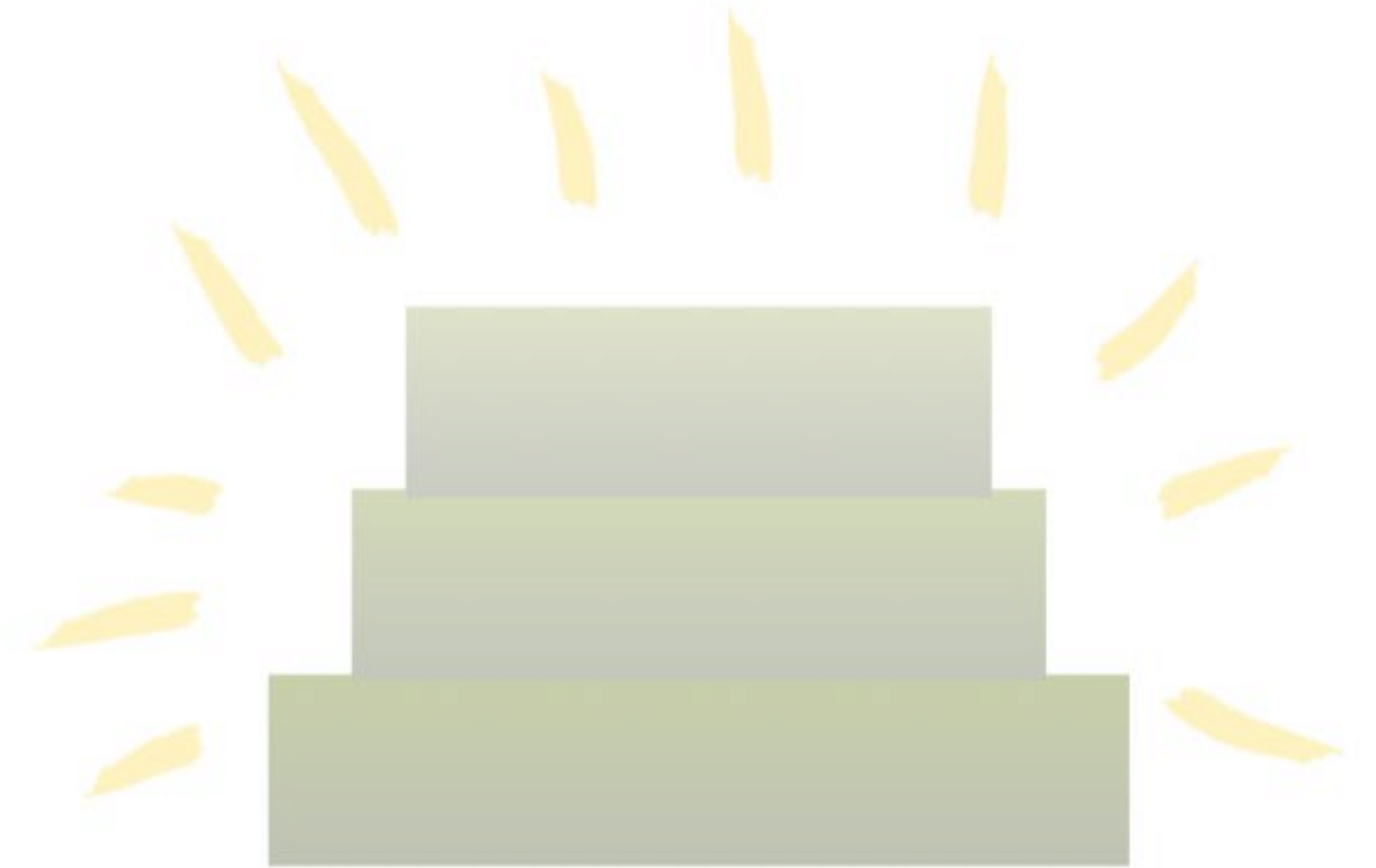
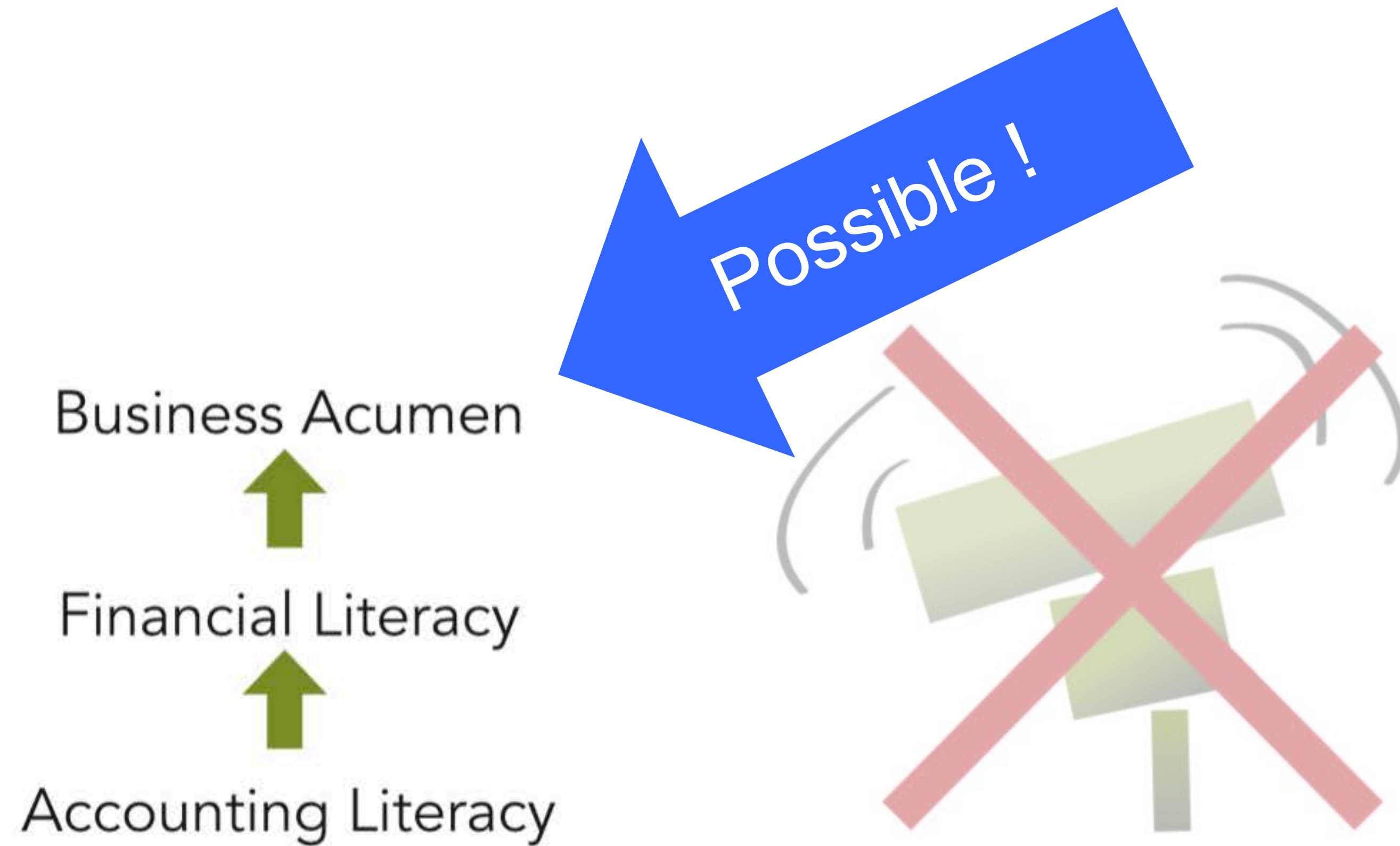
# Put a foundation in place...

Business Acumen  
↑  
Financial Literacy  
↑  
Accounting Literacy



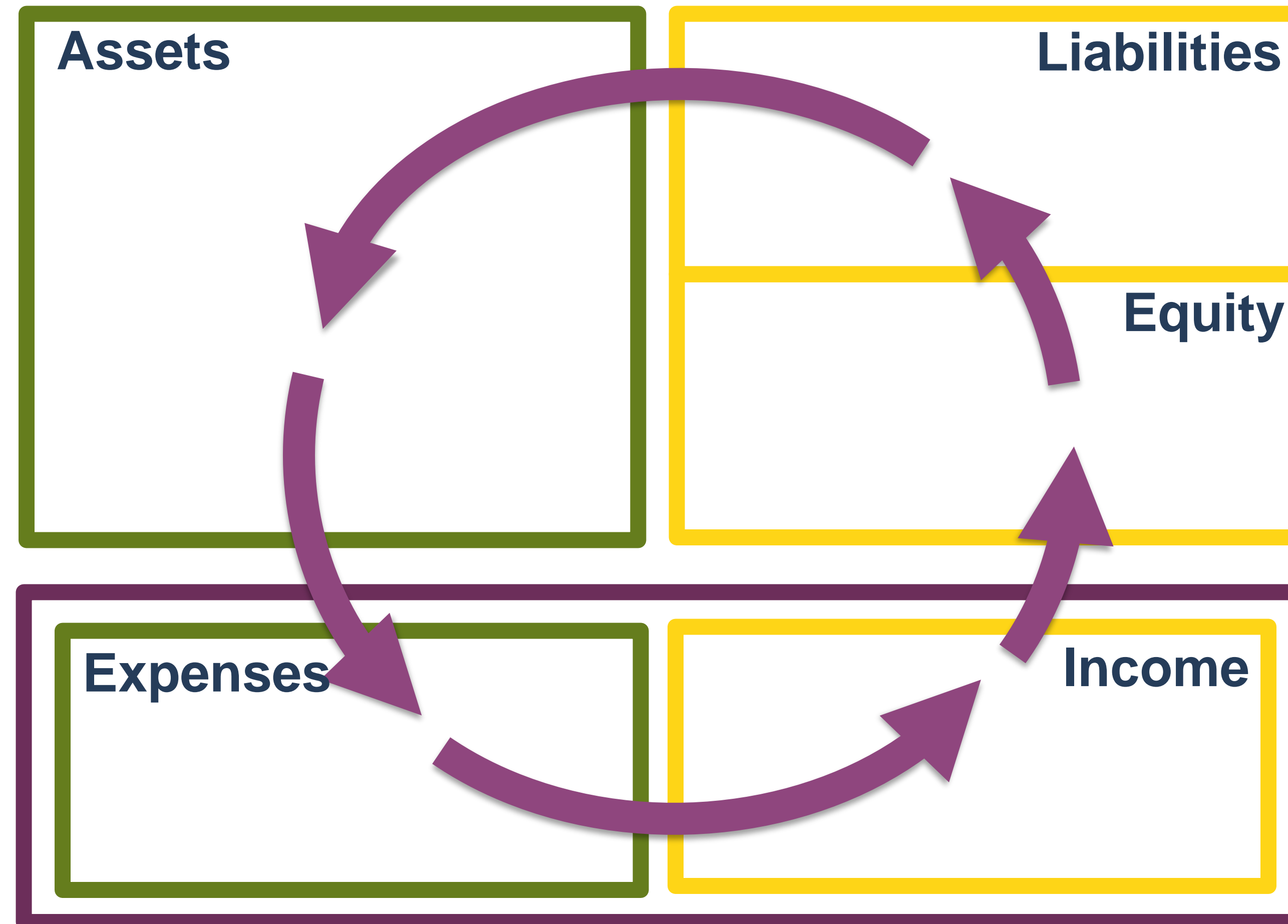


# ... to build a solid building

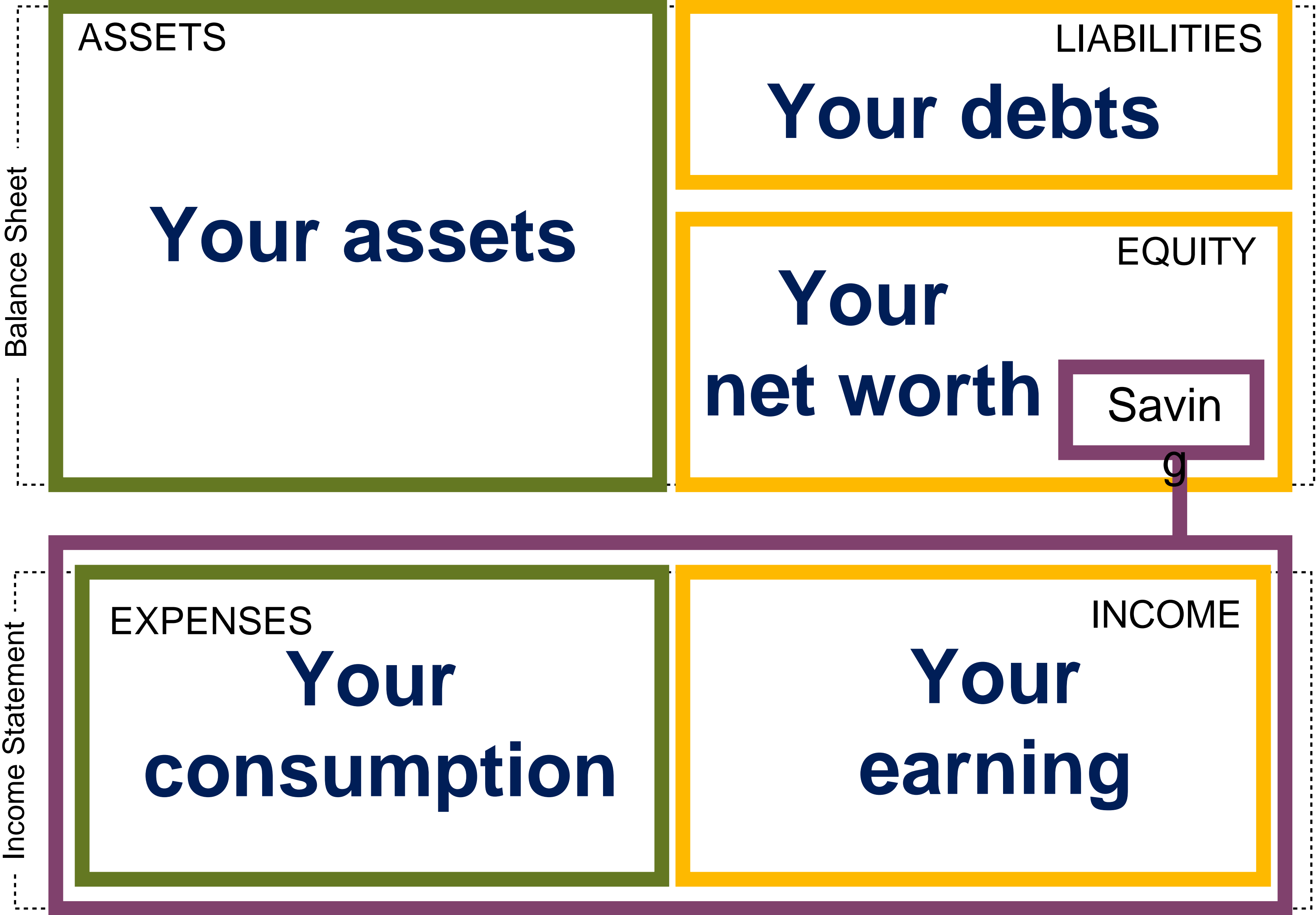


# The Value Cycle of business

Turn over



# Your personal finances



Valuable

<b>■ ASSETS</b>	
<i>Non-Current Assets</i>	
Land & buildings	502,425
Equipment, fixtures & fittings	176,273
Investment in other companies	<u>1,584</u>
Total Non-Current Assets	<u>680,282</u>
<i>Current Assets</i>	
Inventories	238,885
Accounts Receivable	128,178
Cash and Deposits	<u>46,083</u>
Total Current Assets	<u>413,146</u>
<b>TOTAL ASSETS</b>	<b><u>1,093,428</u></b>

1

Obligations to creditors

<b>■ LIABILITIES</b>	
<i>Non-Current Liabilities</i>	
Borrowings	<u>548,765</u>
Total Non-Current Liabilities	<u>548,765</u>
<i>Current Liabilities</i>	
Borrowings	63,566
Accounts payable	182,475
Accrued expenses & deferred income	<u>29,593</u>
Total Current Liabilities	<u>275,634</u>
<b>TOTAL LIABILITIES</b>	<b><u>824,399</u></b>

2

Obligations to owners

<b>■ EQUITY</b>	
Issued capital – 192,160 shares	192,160
Retained earnings	<u>76,869</u>
<b>TOTAL EQUITY</b>	<b><u>269,029</u></b>

3



Value Generation Activity

VSA to make sales

VSA to run the operation

VSA to finance the business

VSA to run the country

Net VGA during period

Cumulative value retained

<b>SALES</b>		<b>1,456,560</b>
<b>Less: Cost of Sales</b>		
Purchases - Products Used		1,071,931
Sales commissions		64,443
<i>Total Cost Of Sales (COS)</i>		<i>*1,136,374</i>
<b>Gross Profit</b>		<b>320,186</b>
<b>Less: Operating Expenses</b>		
Accounting and book-keeping fees		8,256
Advertising		5,858
Bank charges		2,951
Depreciation		29,282
Employment expenses		145,434
Insurance		28,047
Rental of office equipment		1,756
Sponsorships		2,611
Telephone & utilities		8,835
Other		17,461
<i>Total Operating Expenses</i>		<i>*250,491</i>
<b>Operating Profit</b>		<b>69,695</b>
<b>Less: Interest Expense</b>		<b>*15,089</b>
<b>Profit before tax</b>		<b>54,606</b>
<b>Less: Income Tax Expense</b>		<b>*16,928</b>
<b>Profit for the period</b>		<b>37,678</b>
Opening retained earnings		39,1919
Closing retained earnings		<b>76,869</b>

4

5

1,418,882

6

# Business Narrative

At December 31st 2018, Global had assets totaling (1) **\$1,093,428** in use for the purpose of generating a return for the owners.

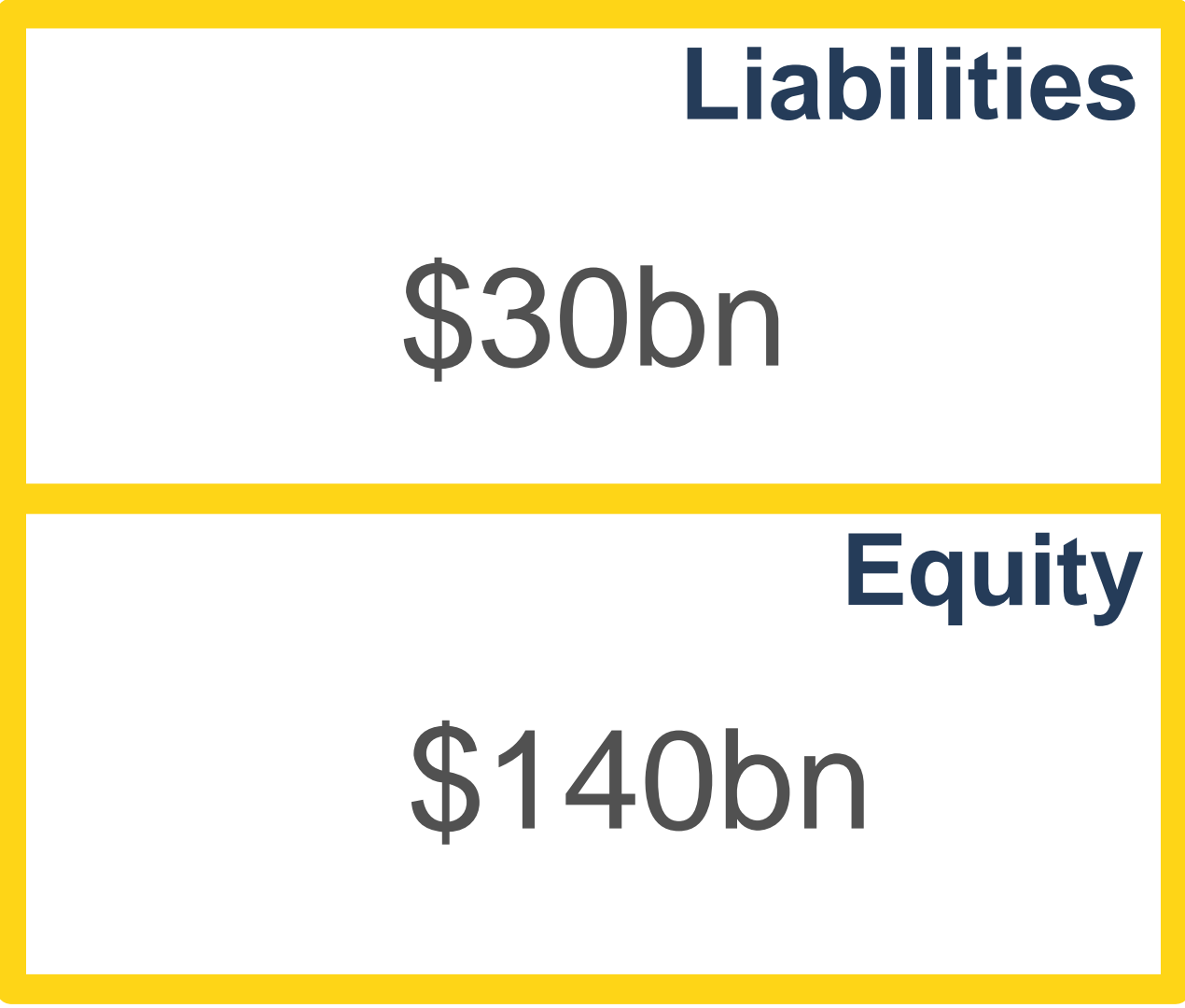
Global partially funded those assets with (2) **\$824,399** of debt.

The remaining portion of the assets in the amount of (3) **\$269,029** was funded by Global's shareholders. In 2018, Global generated value for its shareholders by generating (4) **\$1,456,560** in sales revenue. In order to deliver those sales, Global consumed value by utilizing (5) **\$1,418,882** of resources as expenses ...resulting in net value generated of (6) **\$37,678**.

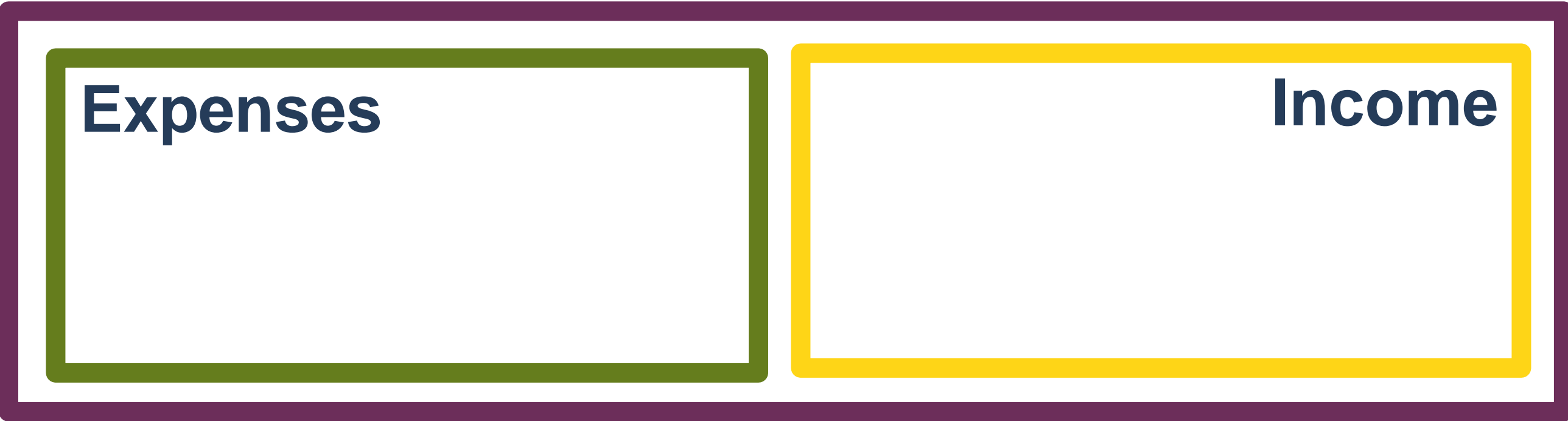
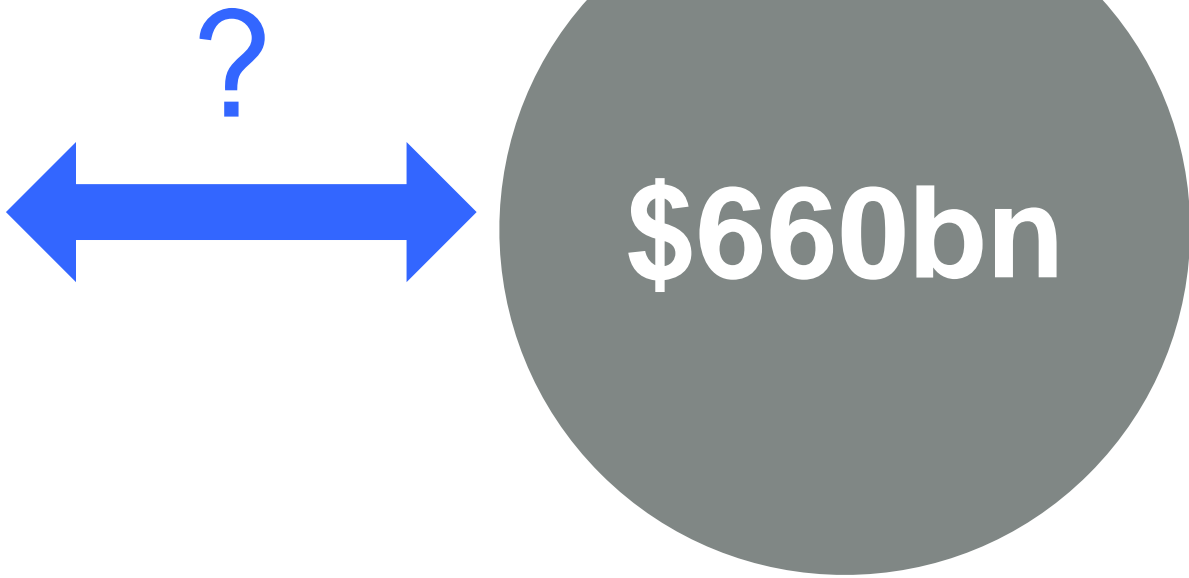


# Google's Missing Assets

Google, Inc.



Market  
Capitalization






Measured  
assets only

# We set out to...

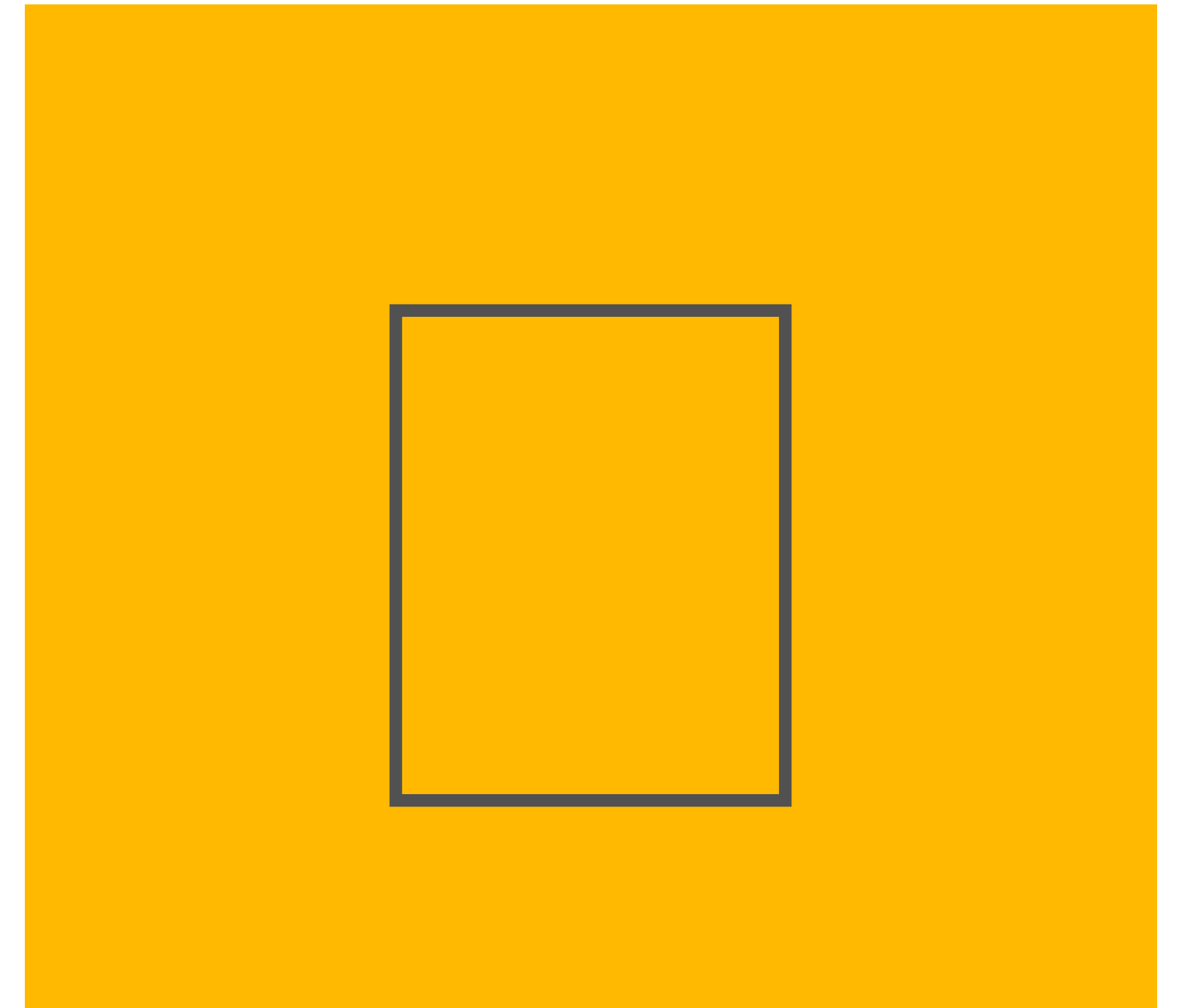
1. Discover a profound **model for thinking** about business  
*“There are just two things happening in a business: value is being generated, and value is being destroyed”*
2. Powerfully position **your people as assets** within your business  
*“Part of the missing \$520bn”*
3. Leave with a new leadership (and personal finance) **tool**  
*BaSIS Framework communication model + download*

# Thank you for being great !!

- 1 Questions?  @coloraccounting  
 peter@coloraccounting.com  
 (202) 413 7227
- 2 Text '**ALSHRM**' to **82888** for an Excel Personal Finance BaSIS Framework
- 3 Recycle highlighters

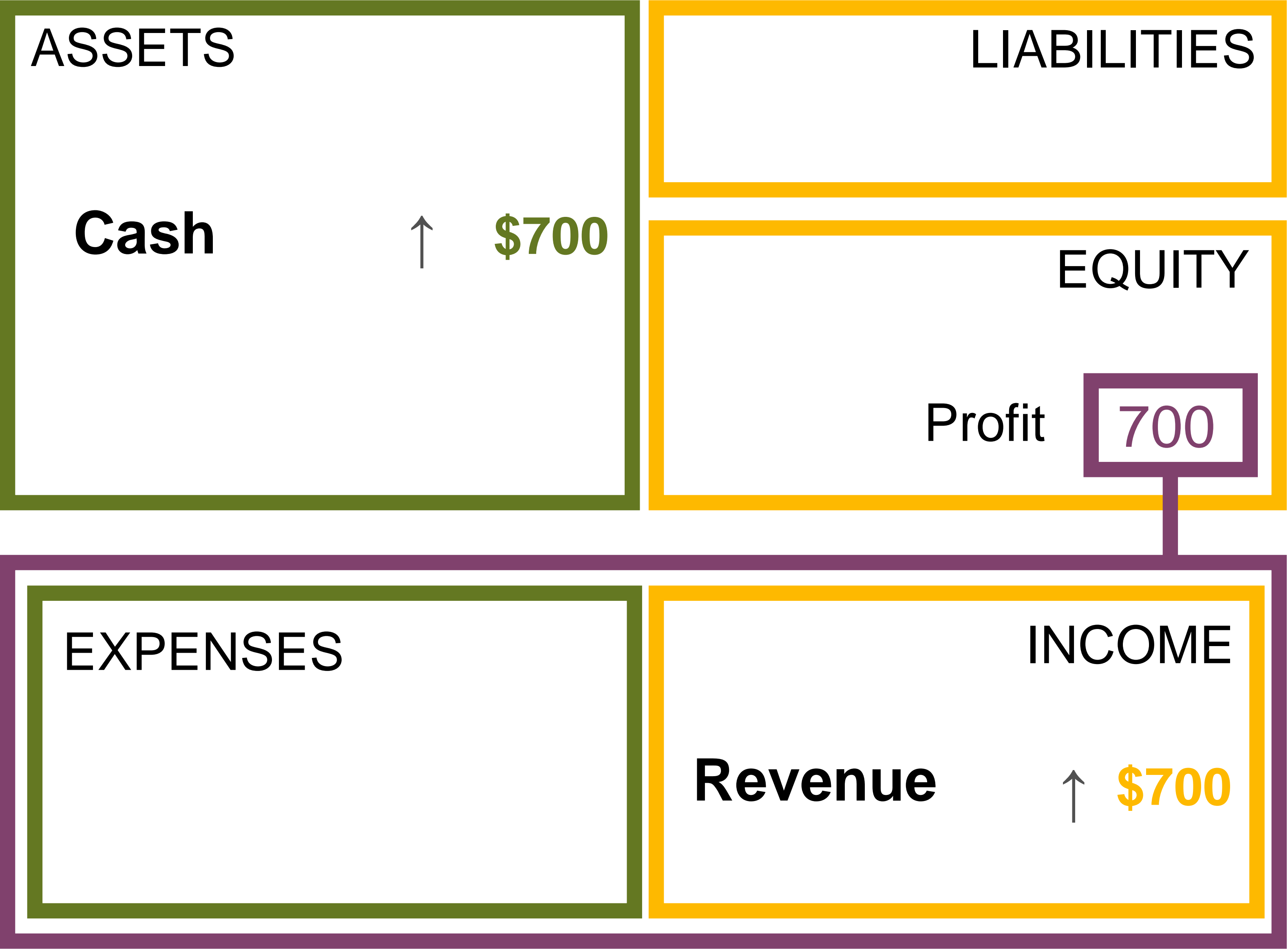
# Three timing scenarios - EARNING

1. Receipt before
2. Same time receipt
3. Receipt later



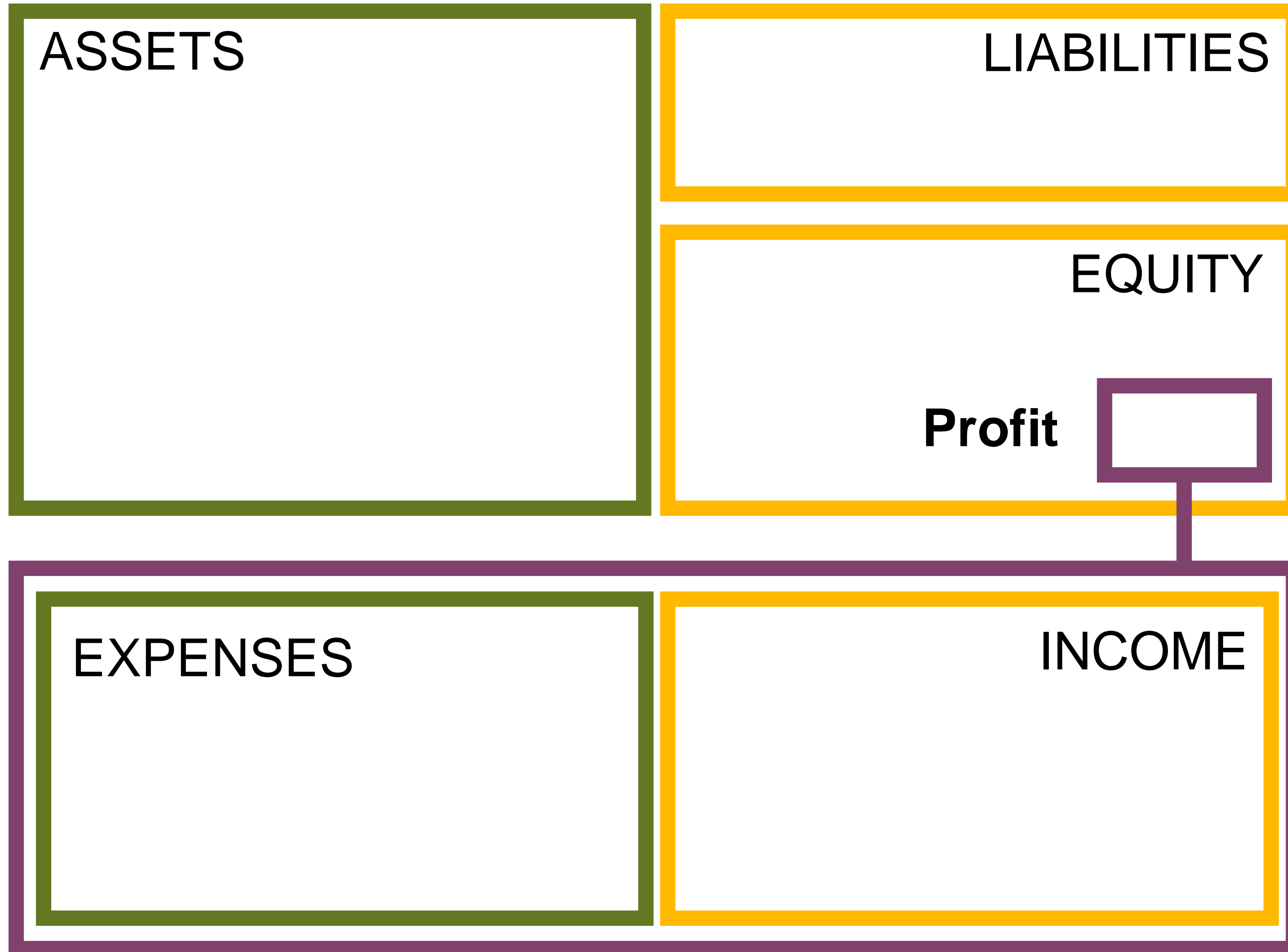
# Same time receipt

Your Organization, Inc.



# Receipt later?

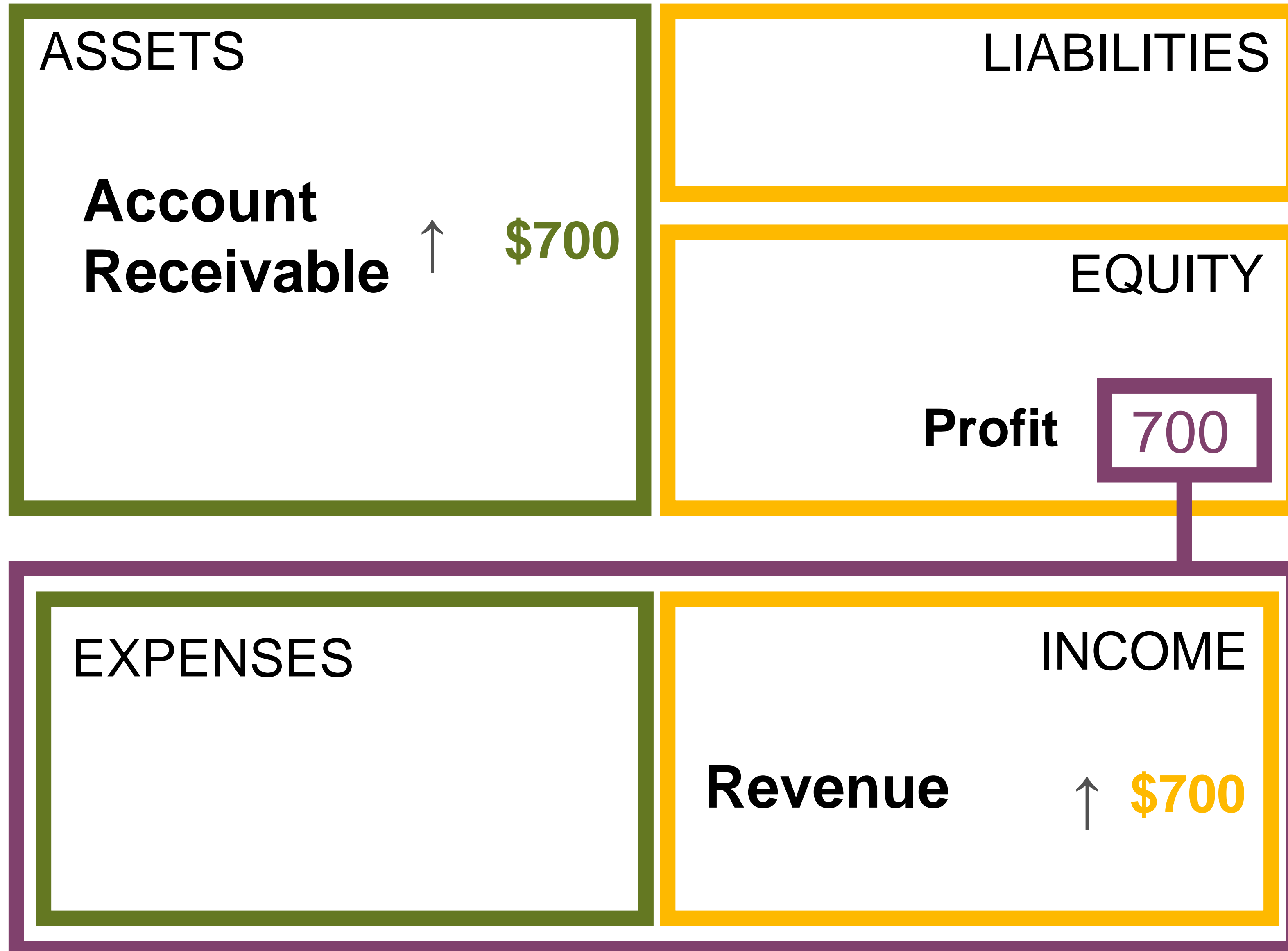
Your Organization, Inc.





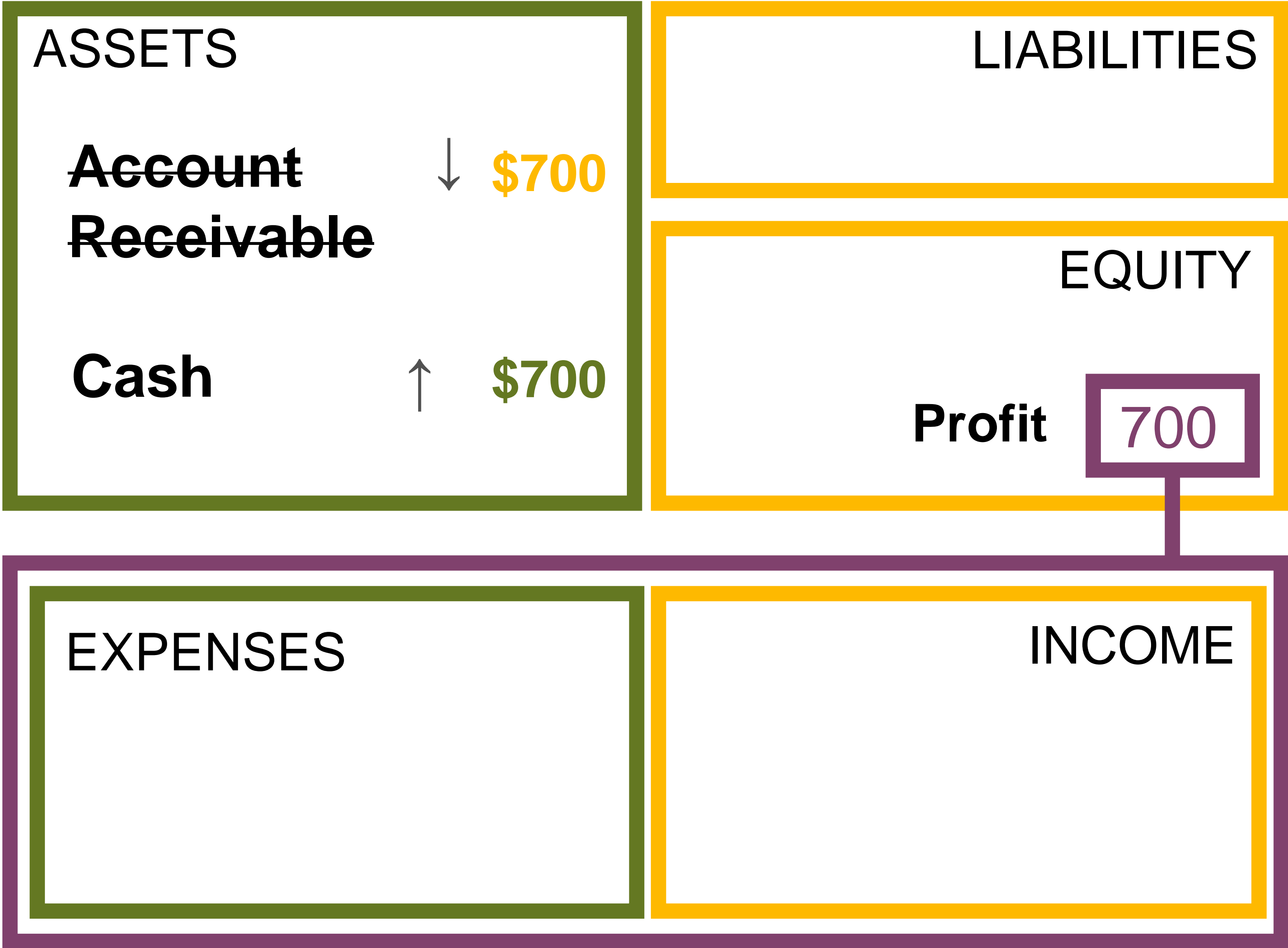
# Receipt later - earning

Your Organization, Inc.



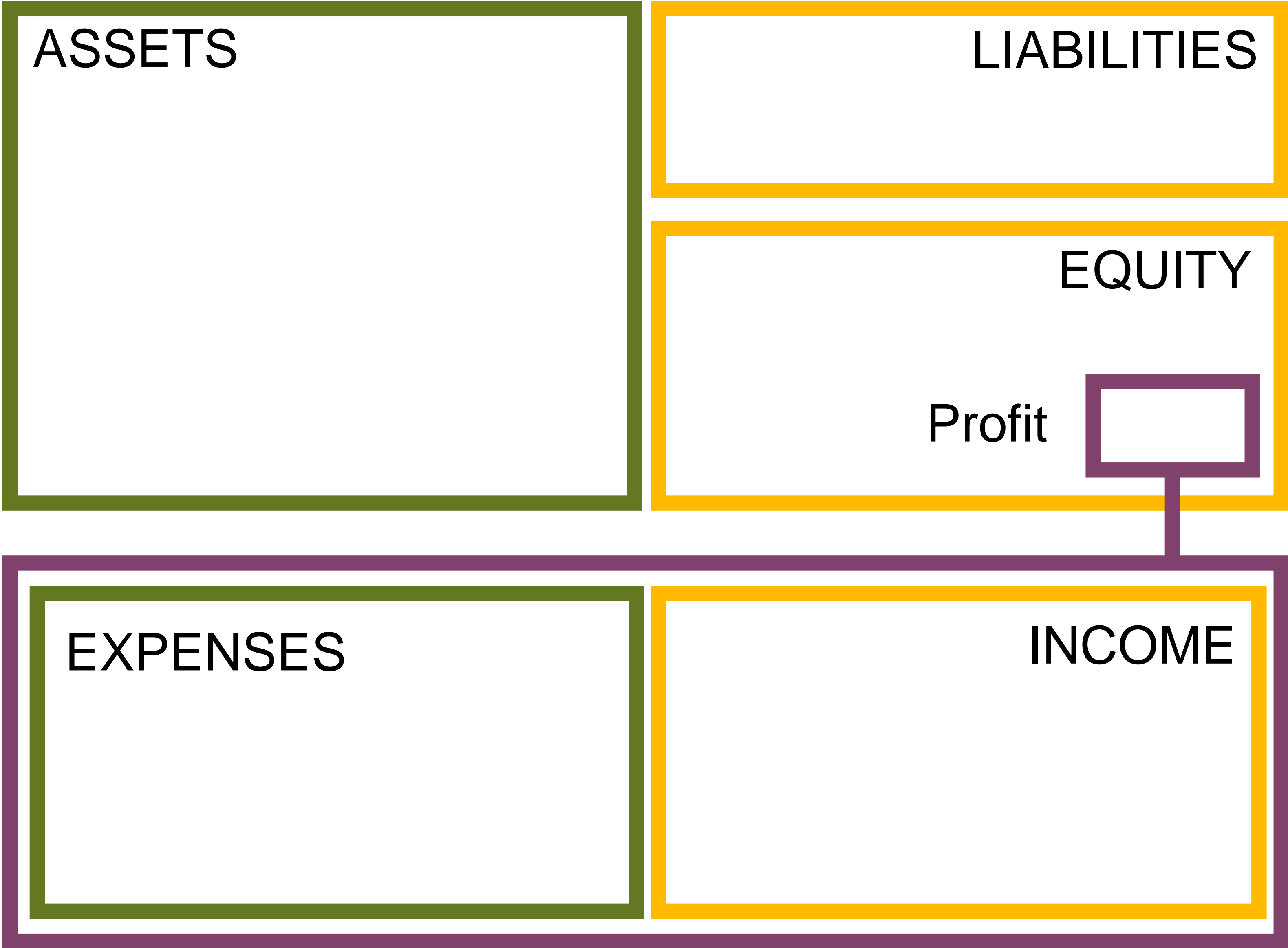
# Receipt later – cash received

Your Organization, Inc.



# Receipt before?

Your Organization, Inc.

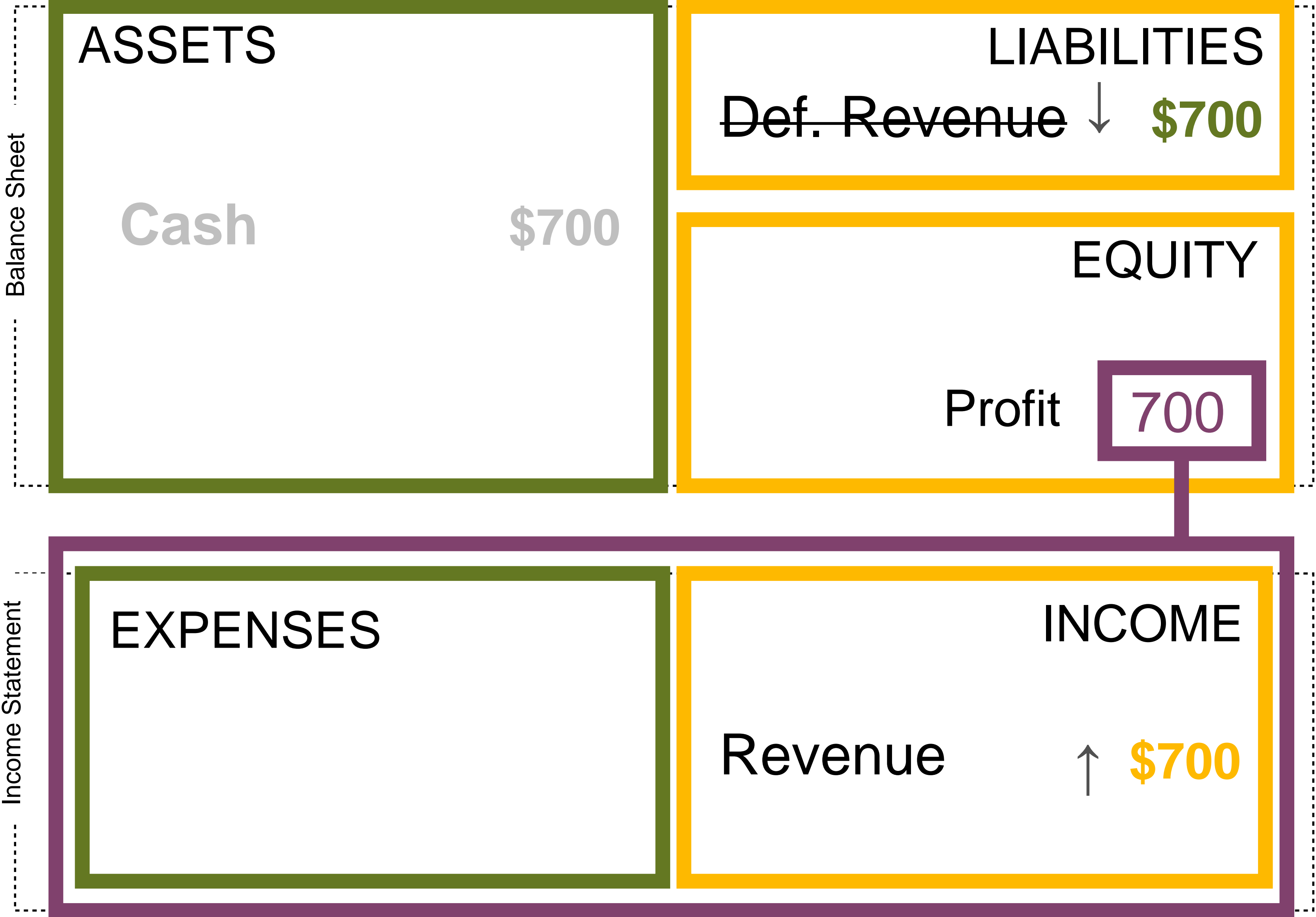


# Receipt before

Your Organization, Inc.

ASSETS		LIABILITIES	
Cash ↑ \$700		Def. Revenue ↑ \$700	
		EQUITY	
		Profit	0
EXPENSES		INCOME	

# Receipt before – earning

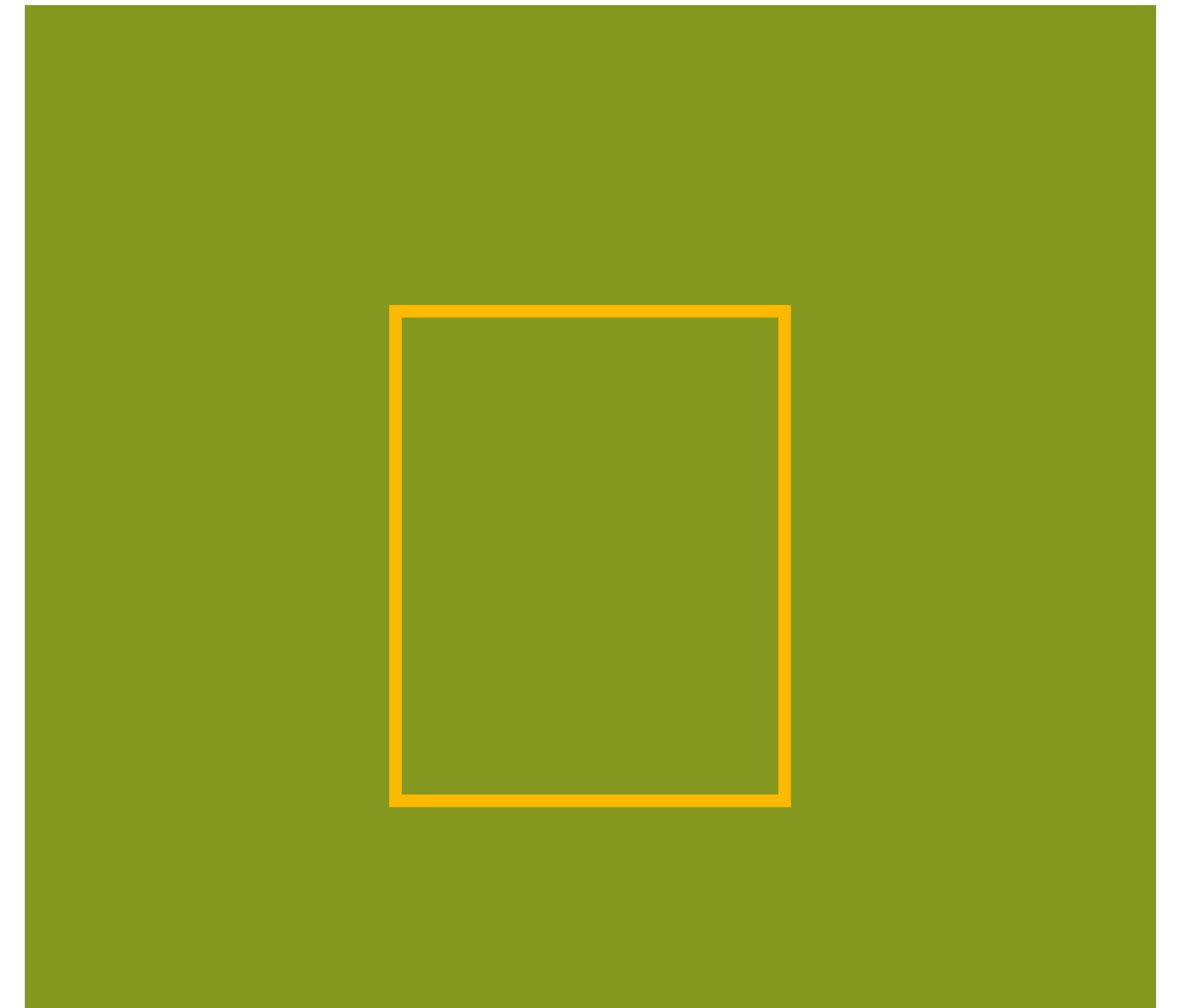


# Three timing scenarios - EXPENSE

1.Pre-payment

2.Same time payment

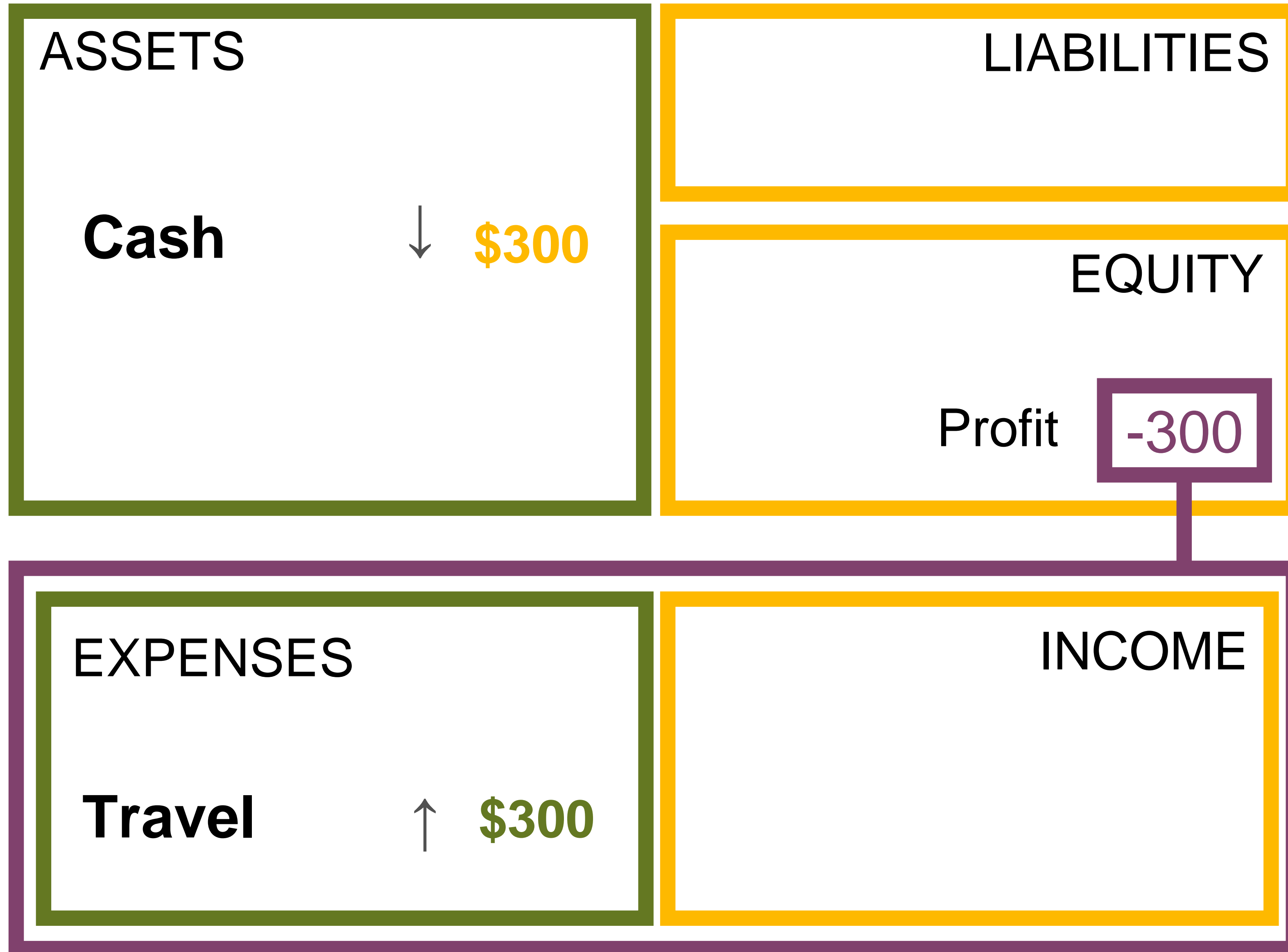
3.Post-payment





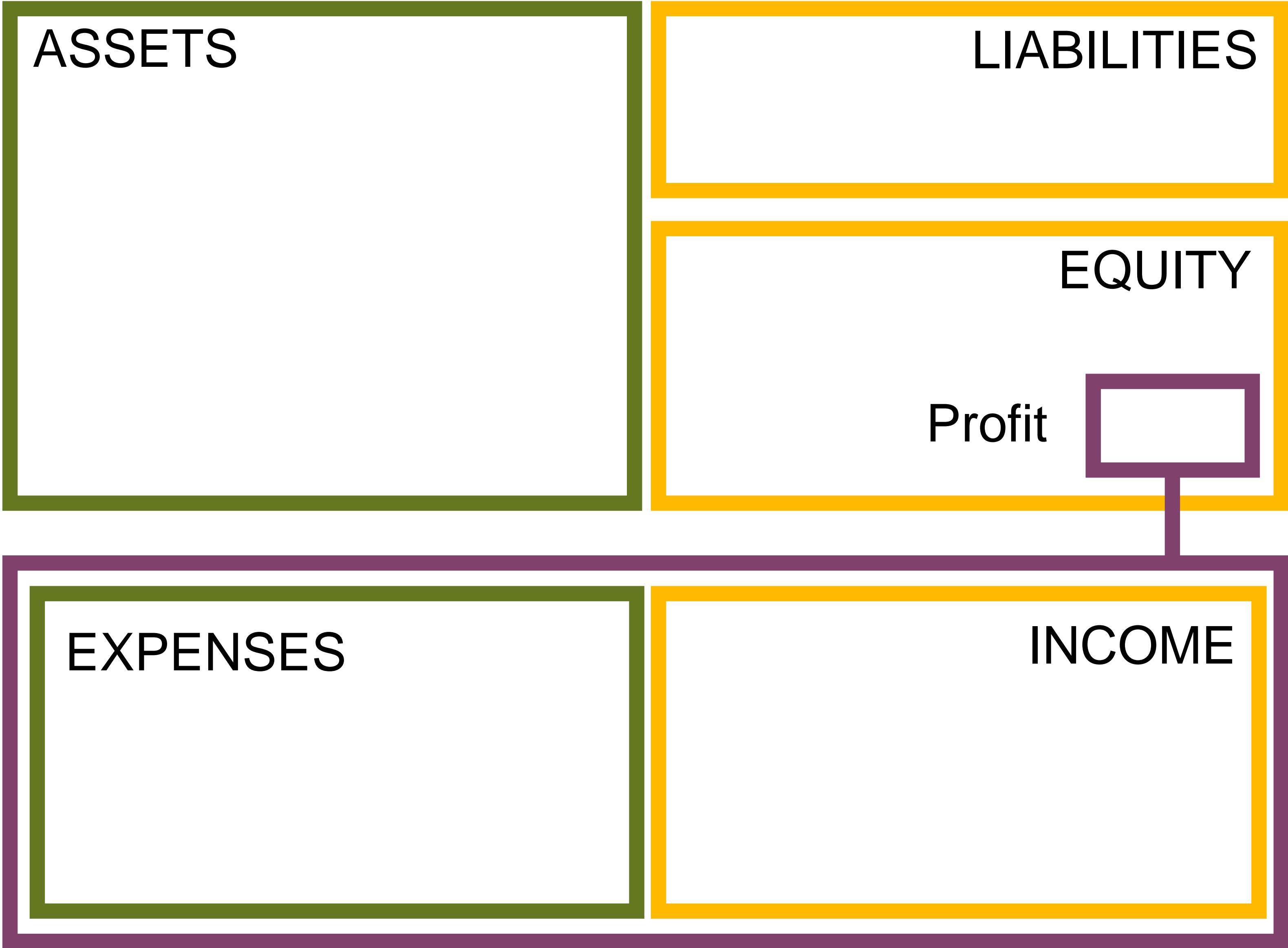
# Same time expense

Your Organization, Inc.



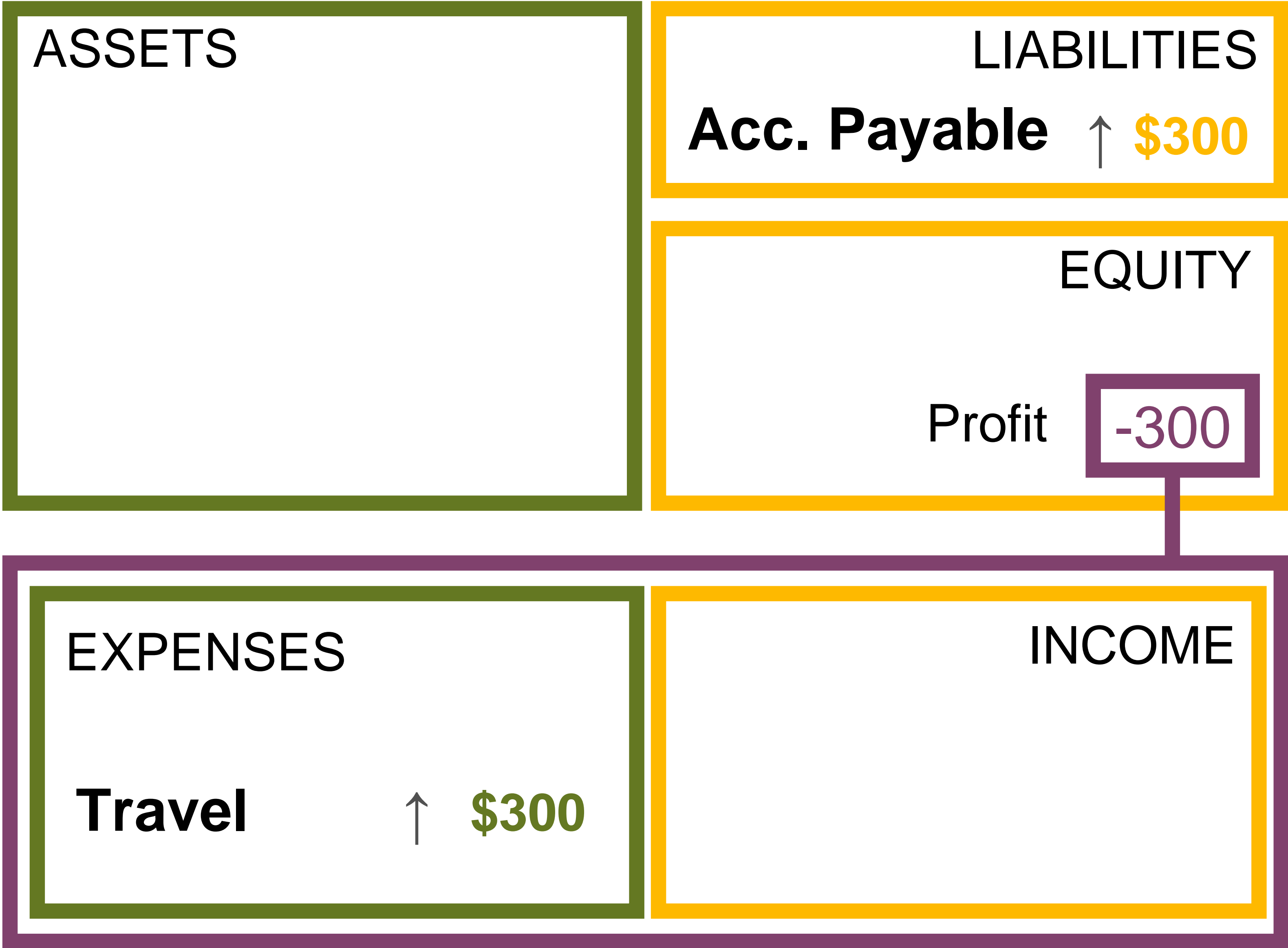
# Payment later?

Your Organization, Inc.



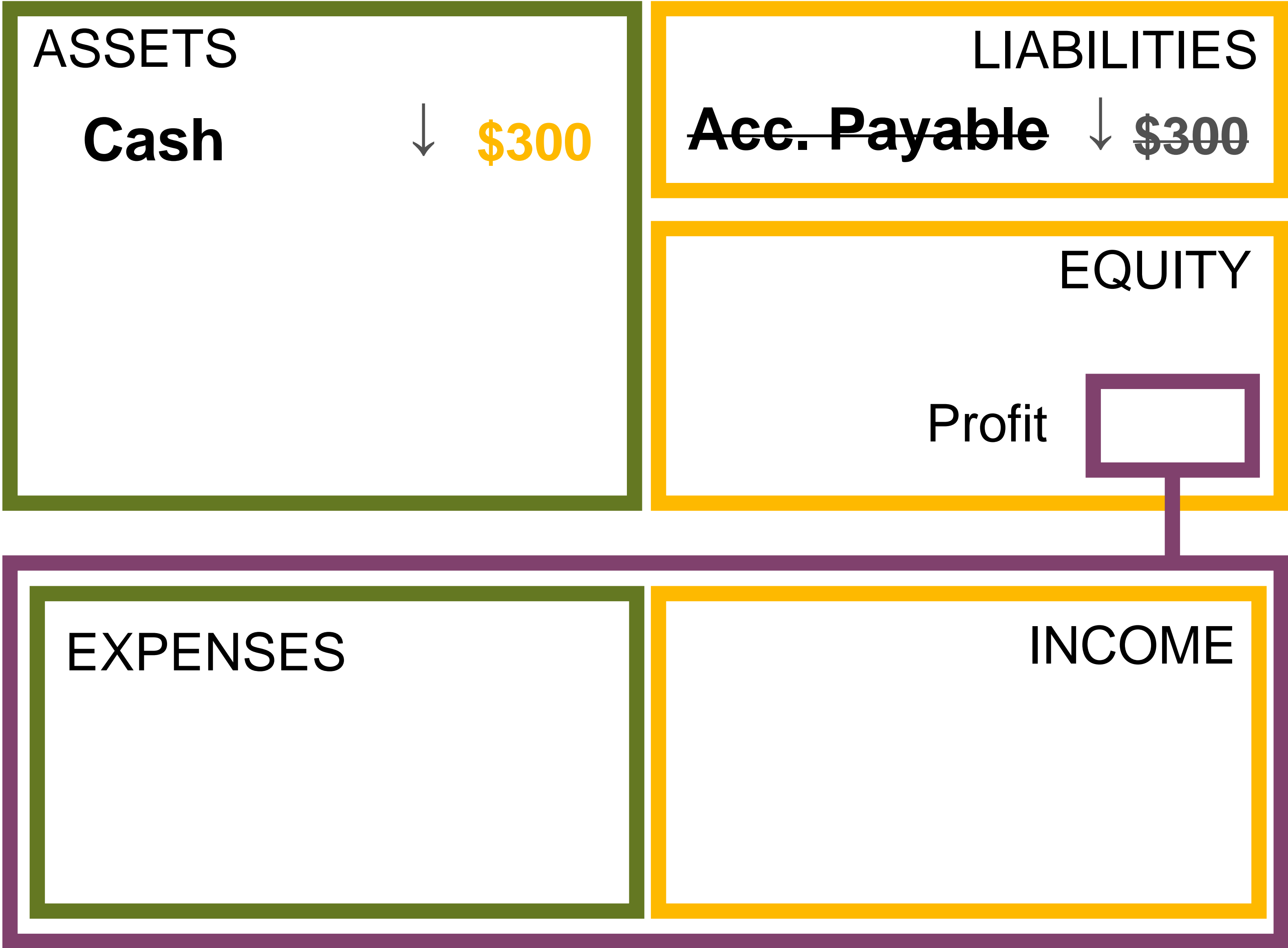
# Payment later - expense

Your Organization, Inc.



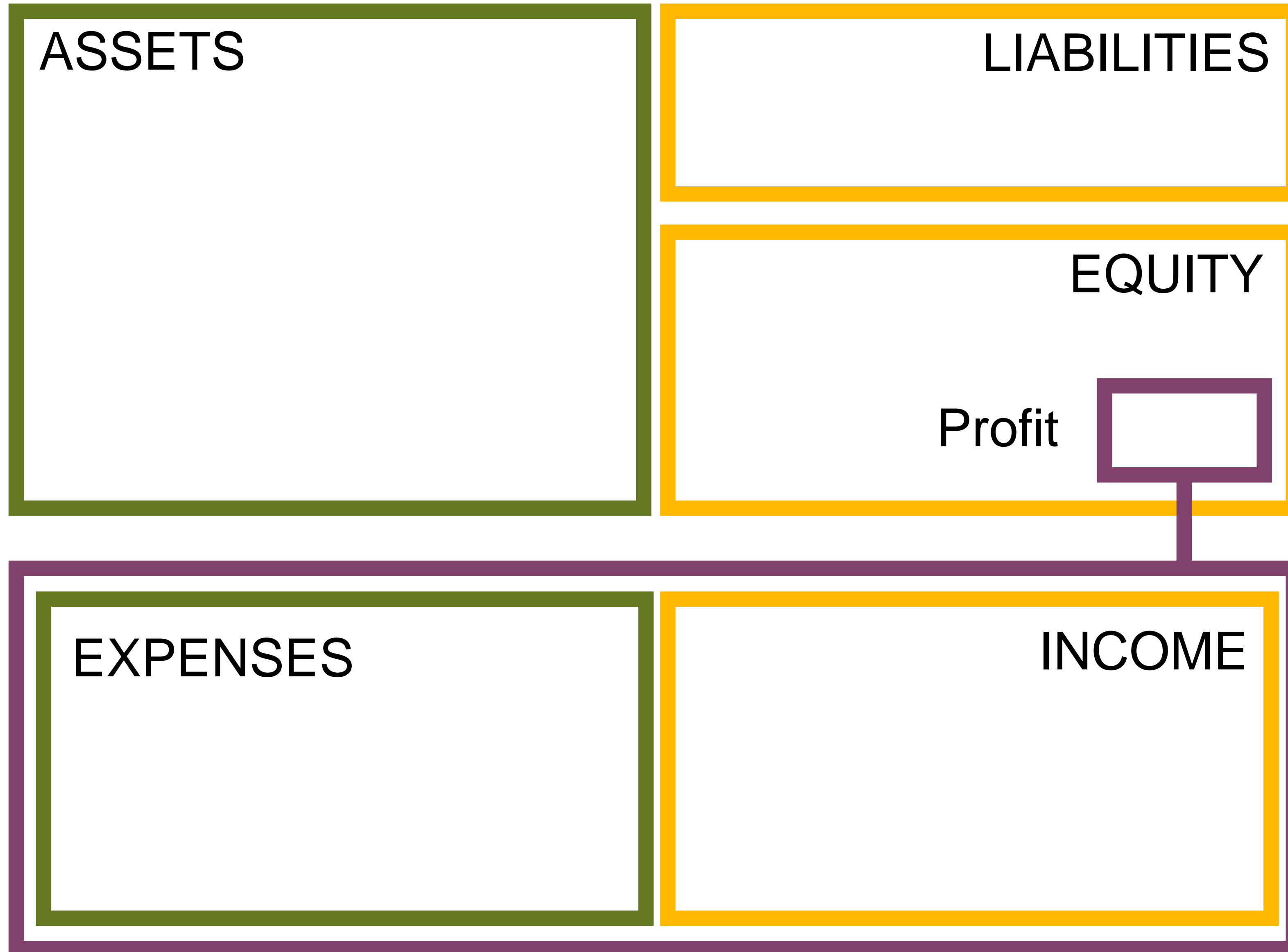
# Payment later – cash paid

Your Organization, Inc.



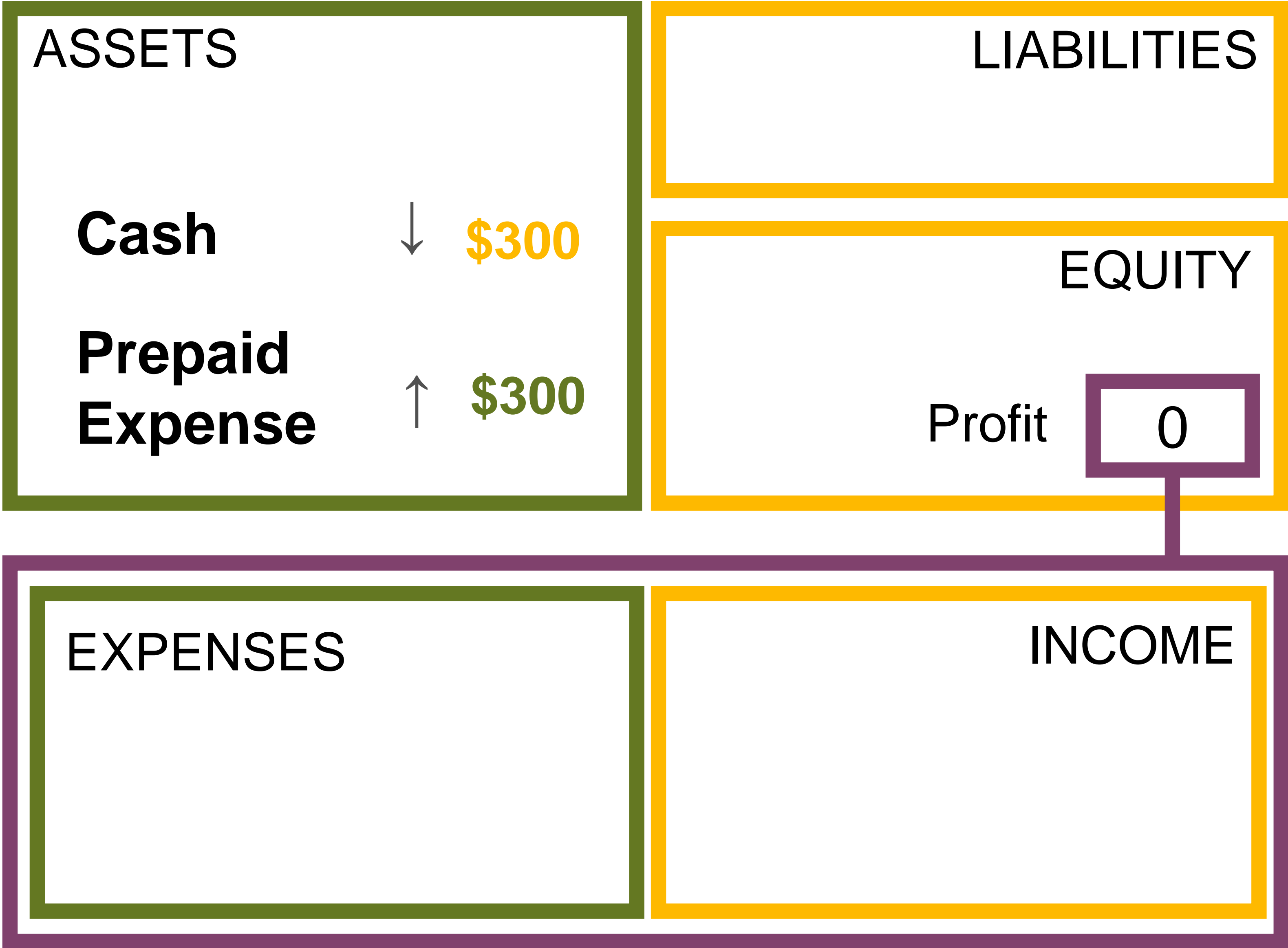
# Paid before?

Your Organization, Inc.



# Paid before – cash paid

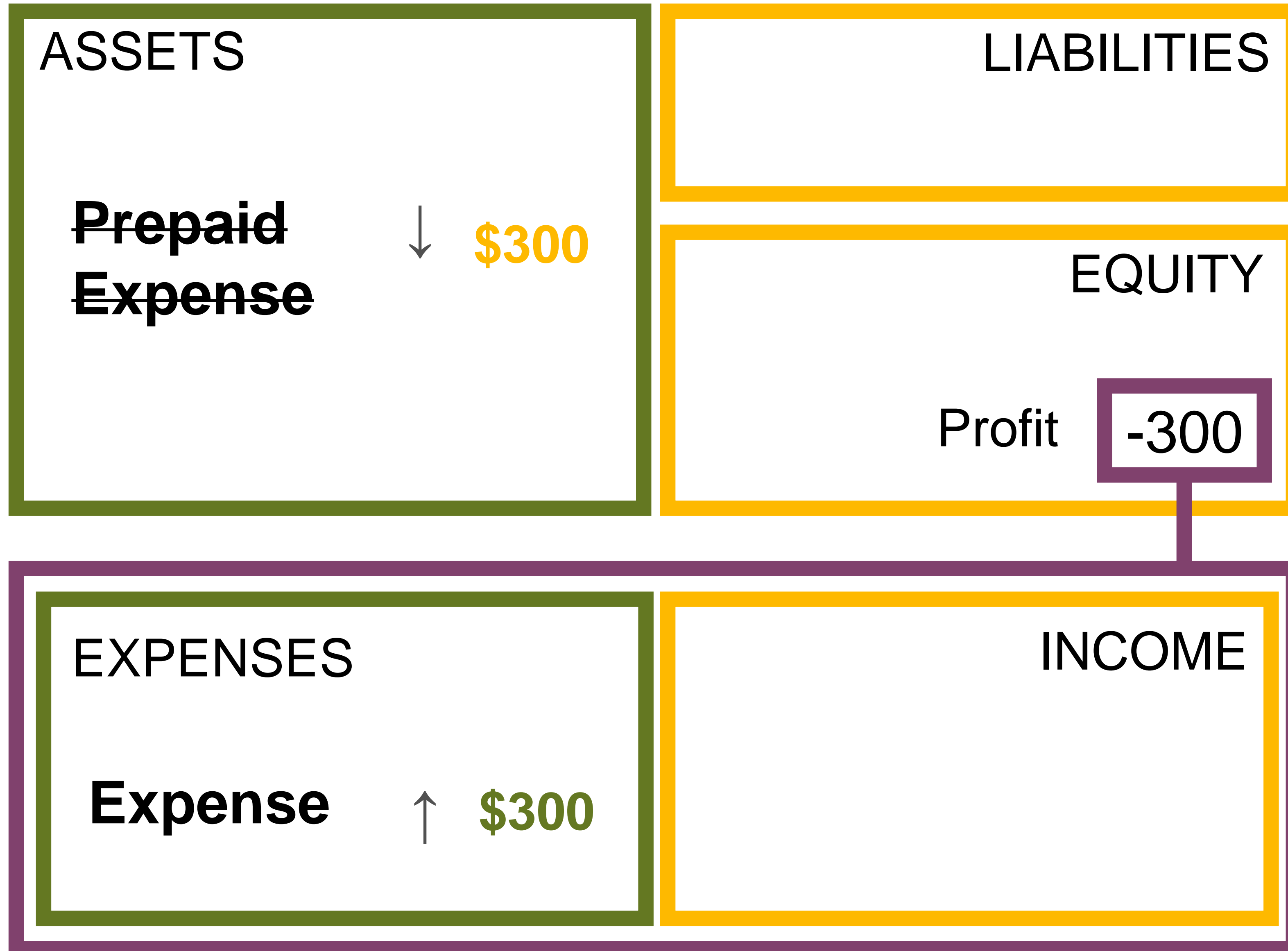
Your Organization, Inc.





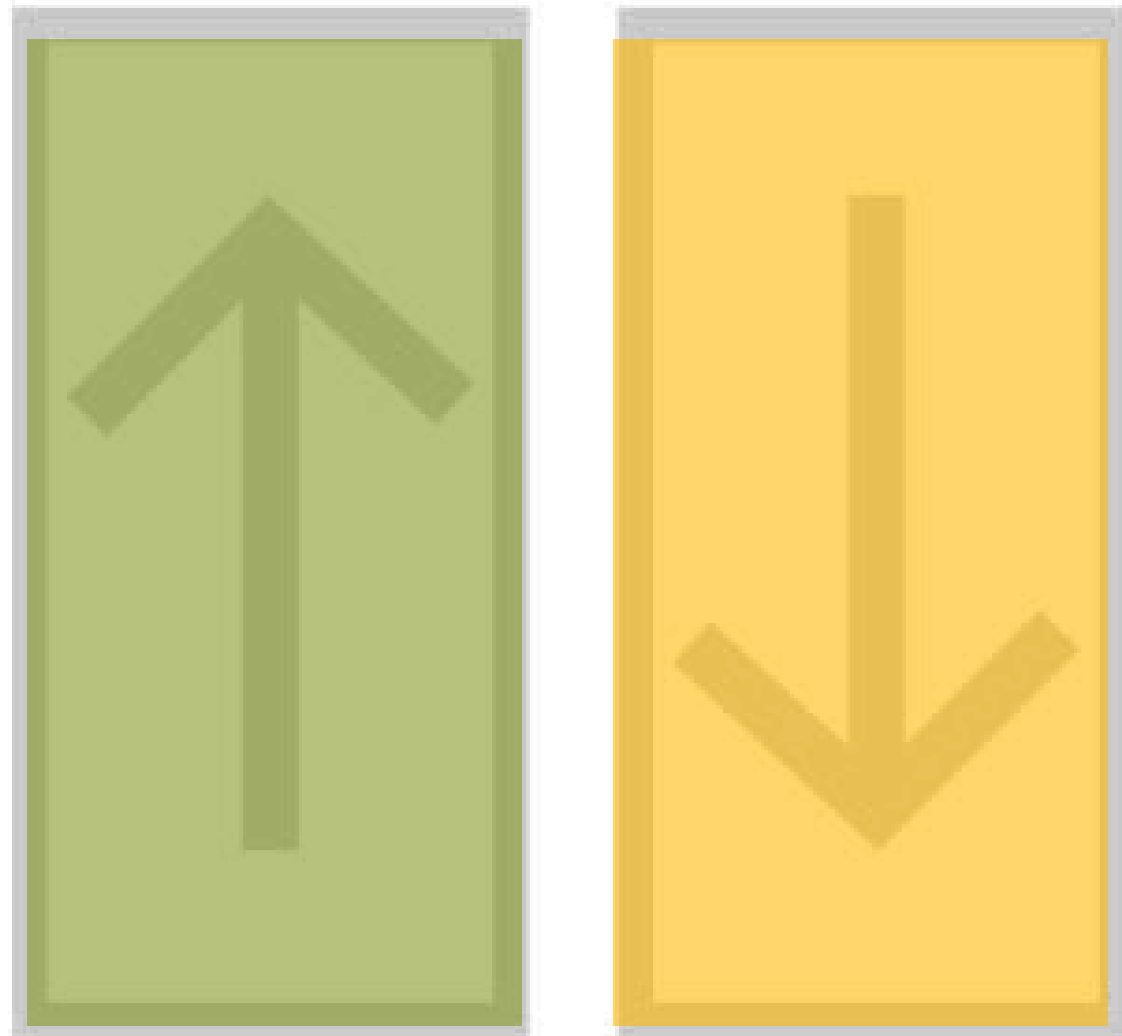
# Paid before - expense

Your Organization, Inc.



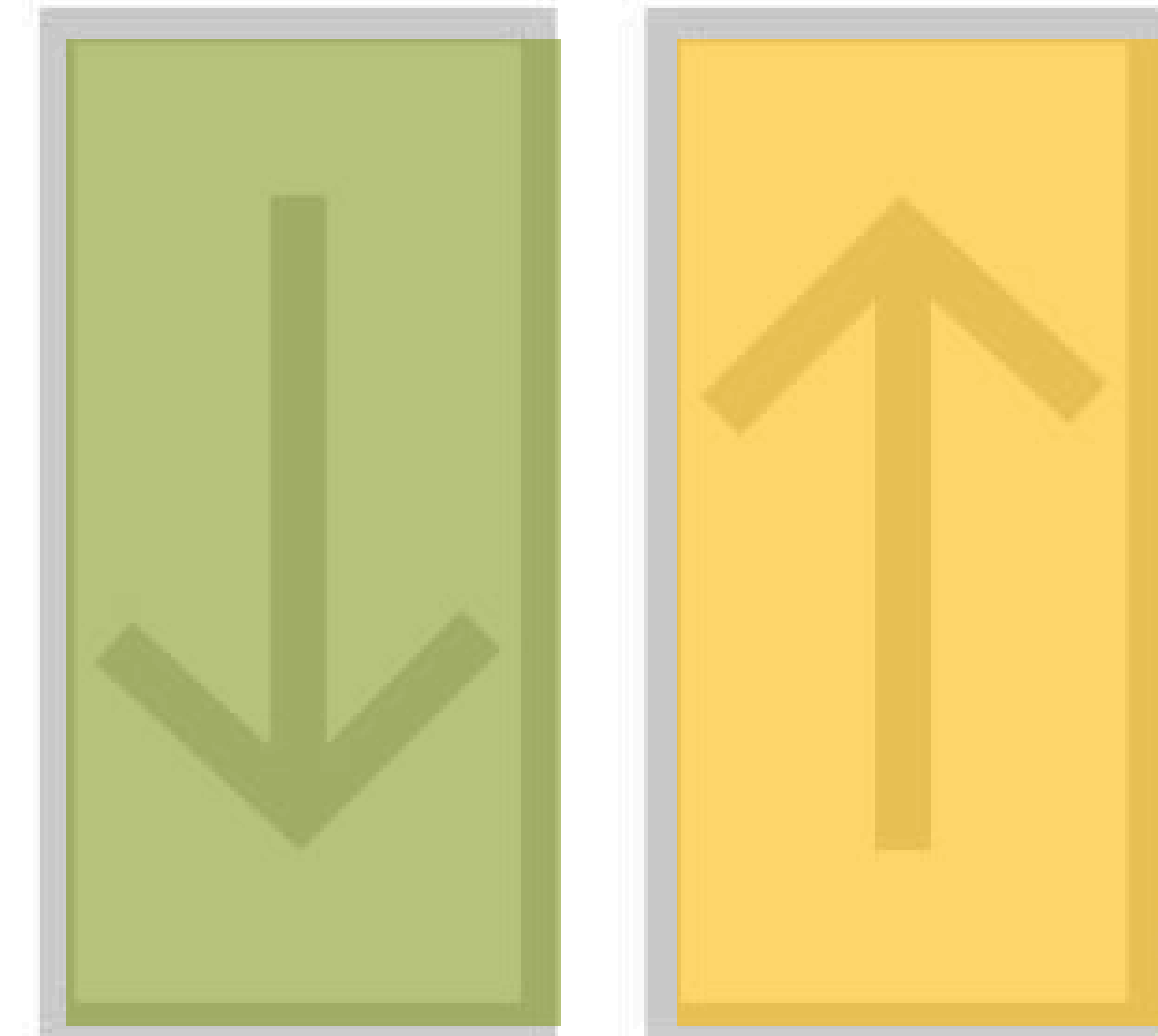
... continue

Debiting Crediting



Debit accounts

Debiting Crediting

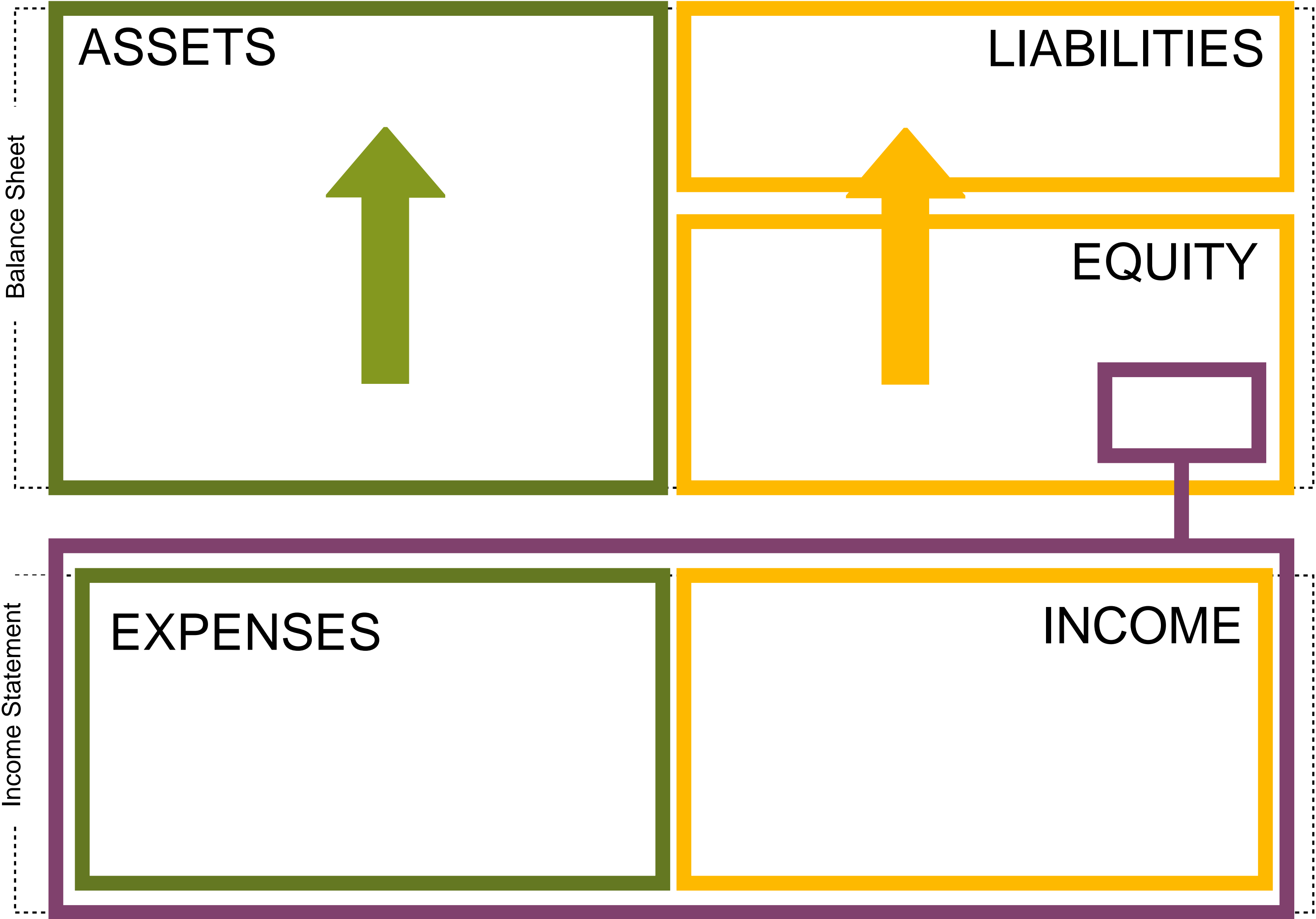


Credit accounts

Your Organization, Inc.

Uses Of Funds

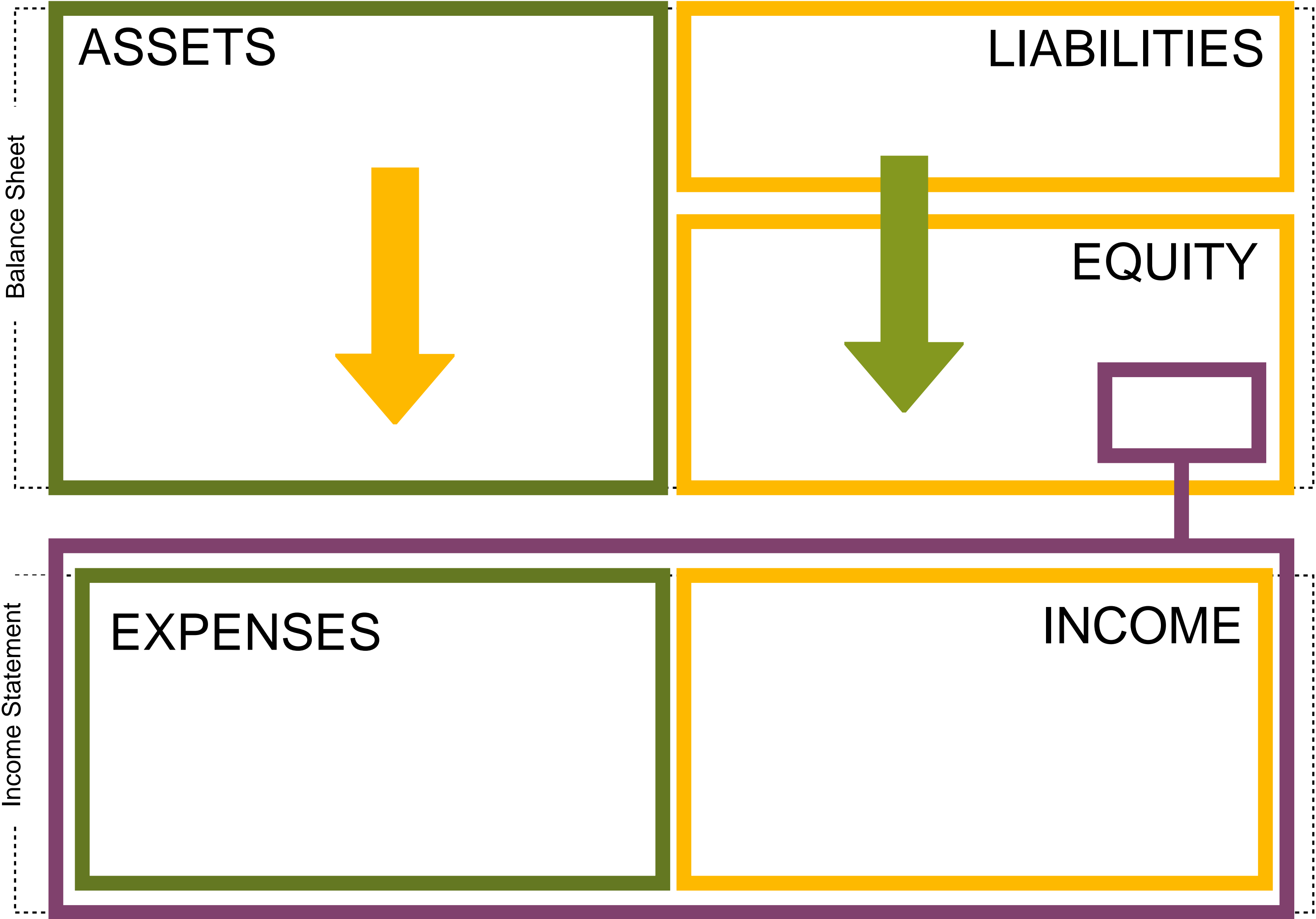
Sources Of Funds



Your Organization, Inc.

Uses Of Funds

Sources Of Funds

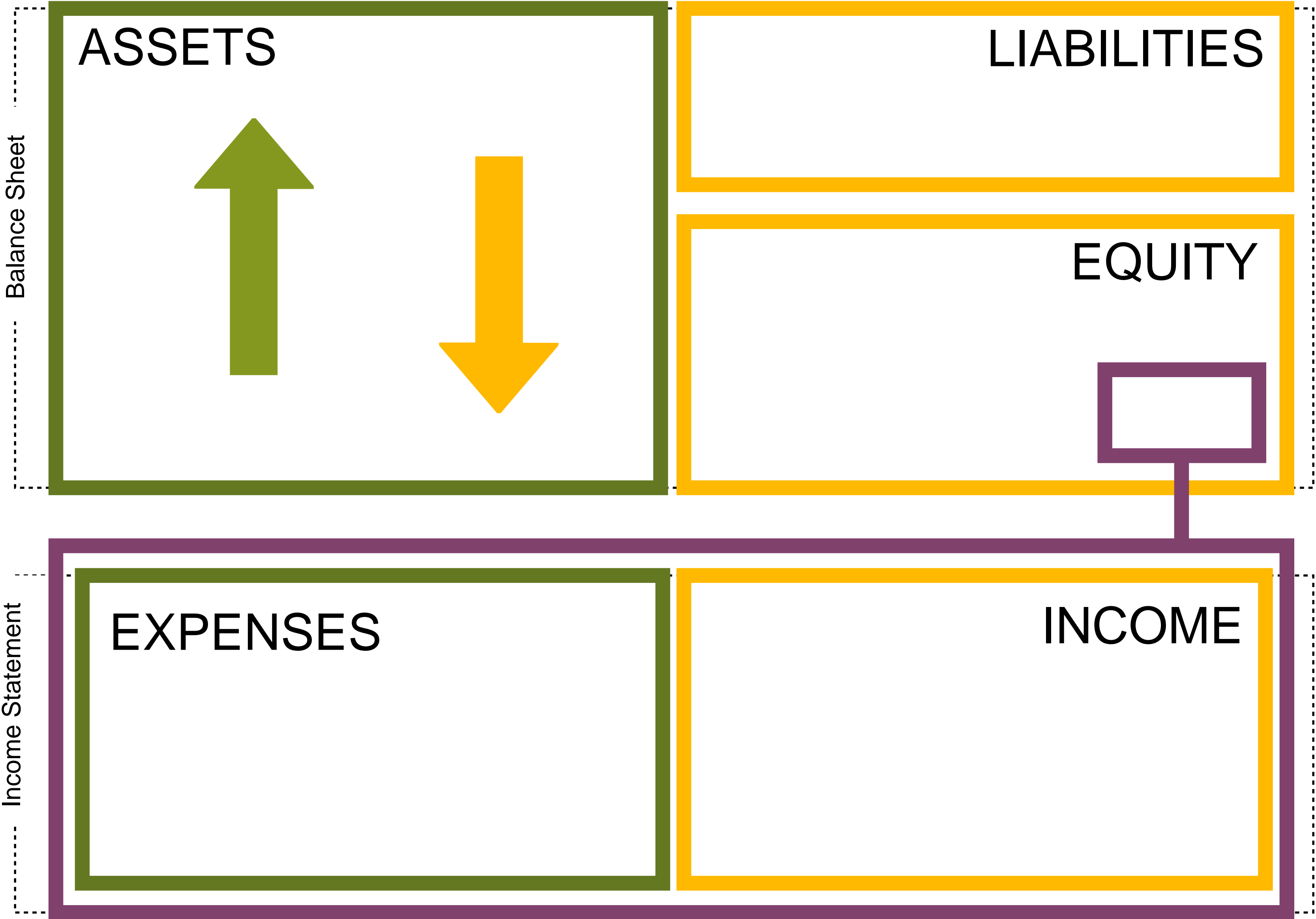




Your Organization, Inc.

Uses Of Funds

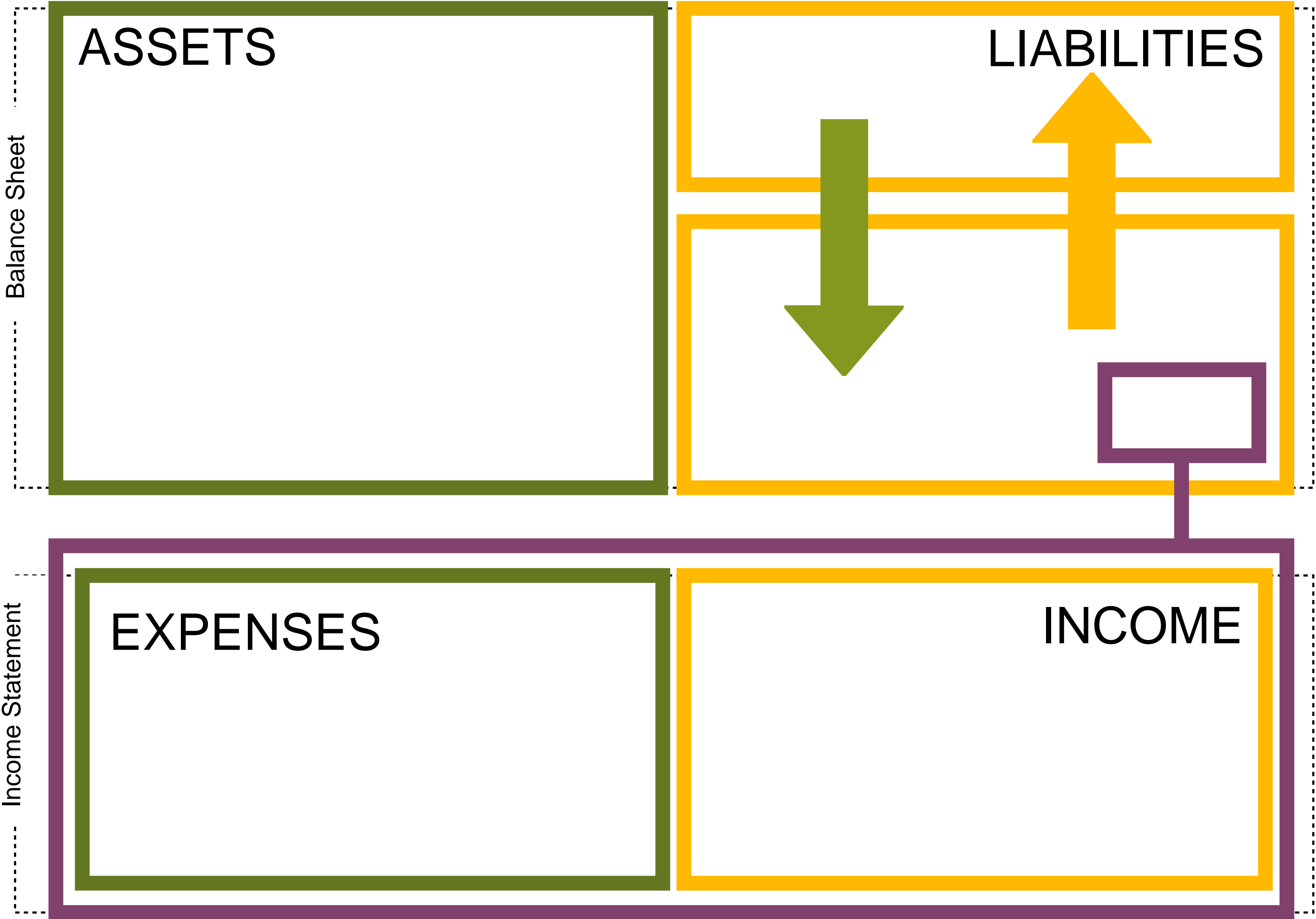
Sources Of Funds



Your Organization, Inc.

Uses Of Funds

Sources Of Funds



# The Budgeting Cycle

