

Small Business is Our Business...

Small Business Advancement National Center
University of Central Arkansas
<http://www.sbaer.uca.edu>

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SMALL BUSINESS COUNSELING AND CONSULTING

The Small Business Advancement National Center (SBANC) provides counseling and consulting services to small businesses by electronic mail, telephone, personal visits by faculty, and in person by SBANC staff and student consulting teams. Consulting is provided on areas such as computerization, market analysis, financial management, loan proposals, accounting and bookkeeping, and other areas deemed necessary. Counseling by faculty and staff is available on a fee basis.

SBANC and the University of Central Arkansas have conducted the Small Business Institute (SBI) program since its inception in the early 1970s. The program involves college students, supervised by faculty, obtaining information from a business, analyzing that information, and presenting their recommendations to the business owner. This program provides college students with hands-on business experience and gives the business valuable information that will help their business expand and become more efficient.

In the past, the SBI program was federally funded and administered by the U.S. Small Business Administration. However, federal funding for the program is no longer provided; therefore, donations are requested.

For more information about small business counseling please contact the SBANC at 501-450-5300.

UNDERSTANDING AND USING FINANCIAL STATEMENTS IN YOUR SMALL BUSINESS

(Taken from "Understanding and Using Financial Statements for the Managing of Small Business" by Aaron Caillouet and William Lapeyre from Nicholls State University)

"Financial statements may seem somewhat complicated to many. Most managers however, have the tools necessary to get the maximum use from statements," say Aaron Caillouet and William Lapeyre of Nicholls State University. Once managers learn the purposes of the different statements, they can apply simple ratios and perform trend analyses to help discover the past and present situation of their company. Financial statements play a very important role in the decision-making of an organization. The statement can help one to adjust to upcoming changes and to project future budget figures.

There are two parts to a financial statement, the balance sheet and the income statement. Caillouet and Lapeyre tell us in their paper that the balance sheet presents the financial condition of a company at a specific time. It consists of liabilities, assets, and stockholders' equity. Economic resources which are expected to provide future benefits are called assets.

Obligations of the firm are liabilities, while stockholders' equity is the book value of the firm's worth which includes investment and retained profits, and is the difference between assets and liabilities. The income statement is a summary of the revenues and expenses of an entity for an accounting period. These two statements, the income and the balance sheet, are related because the income statement helps to explain the change in stockholders' equity. Net income less dividends is added to retained earnings (a balance sheet item) to help update the value of the company.

To find out more about financial statements and to read the full paper by Aaron Caillouet and William Lapeyre, visit our web site at: <http://www.sbaer.uca.edu/Docs/Proceedings/92swi183.txt>

TIP OF THE WEEK

Pricing

(Taken from "Anatomy of a Business Plan," Third Edition, by Linda Pinson and Jerry Jinnett)

Your pricing structure is critical to the success of your business and is determined through market research and analysis of financial considerations. Basic marketing strategy is to price within the range between the price ceiling and the price floor. The price ceiling is determined by the market. It is the highest cost a consumer will pay for a product or service and is based on perceived value. What is the competition charging? What is the quality of the product or service you are offering? What is the nature of demand, and what is the image you are projecting? The price floor is the lowest amount at which you can offer a product or service, meet all of your costs, and still make your desired profit. Consider all costs: manufacturing costs, variable expenses, office overhead, interest expenses, and tax expense. The price floor will also have to take into account your desired annual profit. In addition to paying your costs, the revenues of the business must generate a profit. The viable business operates between the price ceiling and price floor. The difference allows for discounts, bad debt, and returns. Justify your pricing schedule based on the above considerations. Be specific as to how you arrived at your pricing structure and leave room for some flexibility.

In addition to normal pricing considerations, businesses involved in foreign trade must factor in added costs specifically related to foreign sales. These include higher promotional and product delivery costs, duties, customs broker fees, and appropriate local value added taxes. How much of these costs can be built into the price and how much will be billed separately?

Positioning or predetermining the perceived value in the eyes of the consumer can be accomplished through promotional activities. To be successful, you must decide what your product or service offers that your competitor's does not and promote it as the unique benefit. Very few items on the market have universal appeal--your product or service cannot be all things to all people. However, if you focus and position your product or service properly, prospective purchasers or users will immediately recognize its benefits to them. A "market mix"

involving complementary products or total package services can benefit the customer and may enable you to charge an acceptably higher price.

"Anatomy of a Business Plan," Third Edition, Pinson, Linda & Jinnett, Jerry, Upstart Publishing Company, Chicago, Il, 1996, pp.33-4.

If you have any suggestions about our newsletter or if you have an upcoming small business event in your area, please contact Kim Stubbs (kstubbs@mail.uca.edu).

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