



small business accounting s.c.

Certified Public Accountants

Dear Valued Client,

In accounting, **Marketing** shows up on your Profit and Loss Statement as an expense. However, we invest money in marketing hoping for a *Return On Investment* (ROI). In accounting, everything is subject to rules and limitations, just to make sure everything is...

- *properly accounted for*
- *stated accurately for outside parties (i.e. banks)*
- *stated accurately to make fundamentally sound business decisions for both the business owner and anyone seeking to give you sound business advice (i.e. EWH Small Business Accounting)*

The method you are about to learn is not something that can be shown on your financial statement or by your accountant. This simplified chart is used to demonstrate how you can use accounting to view your Marketing Expenses as a ROI instead of an Expense.

If you have any questions please talk to a member of the EWH Accounting Team - we will be available all day and during lunch break for additional questions.

For a better analysis of your Financial Position or Accounting Relationship, visit us for a Money Mastery Session to set up your game plan for 2011!

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THE VALUE OF A CLIENT

	2011	2012	ROI
Revenue	\$1,000,000	\$1,040,000	
Gross Profit (55%)	\$550,000	\$572,000	
Marketing Expenses	\$200,000	\$200,000	
All Other Operating Expenses	\$150,000	\$150,000	
Profit	\$200,000	\$222,000	Increase in Profit from Beginning of 2011 to End of 2011
Profit Adjusted for Increase Value of Business	\$110,000		Increased Value of Business
Adjusted Ending Profit	\$310,000		\$132,000 Total Return
Marketing Expenses/Investment To Maintain Current Volume of Business	\$100,000	\$100,000	
To Grow Business	\$100,000	\$100,000	Amount Invested in Growth
Total Marketing Expenses	\$200,000	\$200,000	132.00% ROI
Assume: Marketing Investment Resulted in a 4% Increase in Revenue			
Beginning of 2011 Revenue	\$1,000,000		
4% Increase		4%	
2012 Revenue Stream	\$1,040,000		
Assume: If Sold Business, you would sell it for 5X Earnings (5X the Profit)			
Profit	\$200,000	\$222,000	
5X Multiple	5	5	
Business Valued at:	\$1,000,000	\$1,110,000	
Increased Value of Business at end of 2011	\$110,000		