

Recasting the Income Statement
(Removal of Personal & One-Time Expenses)
(Point of View 34)

	12-31-06	12-31-06	
	<u>Actual</u>	<u>Adjustments</u>	
Sales	16,550,000	16,550,000	
Cost of sales	<u>9,516,250</u>	<u>9,516,250</u>	
Gross Profit	7,033,750	7,033,750	
G. P. %	42.5%	42.5%	
Salaries & Commissions	4,145,867	350,000	Personal compensation
Payroll taxes	69,462	7,700	Payroll taxes
Taxes & Licenses	19,260		
Insurance	244,510		
Advertising	278,450	8,200	Season tickets
Auto expense	181,930	14,250	Personal car expenses
Utilities	151,725		
Sales expense	198,375		
Warehouse expense	437,650		
D. P. Expense	29,300		
Office Expense	124,695	3,650	Home computers
Professional Fees	26,825	14,350	Legal, Hired S/M-Headhunter exp
Travel & Entertaining	125,260	4,000	Personal dinners
Telephone	32,347	3,800	Cell & home phones
Contributions	12,130	12,130	Company decision
Dues & Subscriptions	1,760		
Miscellaneous	<u>21,204</u>		
Total		<u>- 428,080</u>	Total Adjustments *
Total Expenses	6,100,750	5,672,670	
EBITDA	933,000	1,361,080	
EBITDA % Sales	5.6%	8.2%	

Adjusted personal & one-time expenses added back into profits. A prospective acquirer may or may not accept some of these addbacks. On average in the merger & acquisition market, about 50% -70% are accepted back into profits. It is very important to keep good records of each of these expenses and the best policy is not to put any personal expenses through the company for at least two years prior to placing the company on the market.