

TAX RETURN ANALYSIS:  
Global Cashflow Worksheet  
PDF Version

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**NOTE:**

Use the AGI Worksheet on the opposite page or the Schedule Analysis Method Worksheet on page 5, not both.

If you have more than one guarantor for 1040 analysis, use an extra page to bring the 1040 analysis from all guarantors in with the business analysis.

\* From another worksheet

Partial comments from Excel Worksheet.

**Ln 7 Wages:** Adjust to current per W-2 Line 5 or year-end paystub.

**Ln 13 Capital Gains:** Historical or recurring cashflow? Recurring or not? Stock or Real Estate? Check your guidelines and/or manual for treatment.

**Ln 17 Rents, Partnerships, etc:**  
**1)** Subtract the gain or add back the loss listed on Line 17. This is an elimination step.  
**2)** Replace it with expected cashflow from next 5 lines on w/s.

**CAUTION:** Use either K-1 Summary **OR** cashflow from pass-through entities, **NOT** both.

**Ln 21 Other Income/NOL's:**  
**Actual Cashflow:** Add back NOL  
**Recurring Cashflow:** Subtract nonrecurring income and add back NOLs

**Other/Adjustments:** Most AGI lenders either add back 1/2 SE Tax and subtract total tax from page two, or make no adjustment for 1/2 SE tax. CHECK YOUR GUIDELINES!  
**'Other' lines** can be used to subtract federal/state tax, alimony/child support, family living, personal debt. Again... check your guidelines!

**Comments:** Explain calculations or source of figures. List income you did not include because you do not think it is needed to qualify for this loan.

	2014	Year:	Year:
AGI	37		
Adjust the following only if needed to adjust to cashflow:		<del></del>	<del></del>
+/- Wages Adj	7		
<b>C-Corp Owner from W/S</b>			
1120 Tax Return	*		
+/- Interest Adj	8a/Sch B		
<b>Add</b> Note Payments Rec'd	From Client		
<b>Add</b> Tax-exempt	8b		
+/- Dividends Adj	9/Sch B		
<b>Subtract</b> State Tax	10		
+/- Alimony Received Adj	11		
<b>Sch C Business from W/S</b>			
+/- Capital Gains (Loss)	12/Sch C	*	
+/- Other Gains (Losses)	13/Sch D		
+/- IRA Distributions	14/Form 4797		
+/- Pension Distributions	15		
Rents, Pships, etc	16		
<b>Subtract</b> gains/ <b>add</b> losses		<del></del>	<del></del>
Rental C/F from W/S	17		
K-1 Summary	17/Sch E, Pg 1	*	
Partnership C/F from W/S	17/Sch E, Pg 2	*	
S Corp C/F from W/S	17/Sch E, Pg 2	*	
<b>Add</b> Estates/ Trusts	17/Sch E, Pg 2	*	
<b>Sch F Farm from W/S</b>			
<b>Subtract*</b> Unemployment Comp	18/Sch F	*	
+/- Social Security	19		
+/- Other Income/NOL's	20		
<b>Add</b> Adjustments per guidelines	21		
23-35			
Other Explain:		<del></del>	<del></del>
ie. AGI Add back all Adj.			
ie. 1/2 SE Tax			
ie. minus Fed/State Tax			
ie. minus Family Living			
ie. minus personal debt			
<b>Annual Cashflow</b>			
<b>Monthly Cashflow</b>			

→COMMENTS:

Prepared By >>

Spoke with & date:

Question #	Source of question:
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Question for whom:

Question/Item:

Documentation needed:

Response:

Question #	Source of question:
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Question for whom:

Question/Item:

Documentation needed:

Response:

Question #	Source of question:
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Question for whom:

Question/Item:

Documentation needed:

Response:

Question #	Source of question:
------------	---------------------

Question for whom:

Question/Item:

Documentation needed:

Response:

# Schedule Analysis Worksheet

Partial comments from  
Excel Worksheet

\* From another worksheet

		Year:	Year:
<b>Ln 7 Wages:</b> Use current. Consider W-2 Line 5 or year-end paystub.	<b>Wages</b>	7	
	<b>C-Corp Owner from W/S</b>	1120 Tax Return	*
<b>Tax-exempt:</b> Unless you subtract federal taxes, consider multiplying by 1.25 before you add any <b>nontaxed</b> income to cashflow.	<b>Interest</b>	8a/Sch B	
	Note Payments Rec'd	From Client	
<b>Ln 13 Capital Gains:</b> Actual or Projected? Recurring or Nonrecurring? Check guidelines for numbers to use and documentation required. Enter zero if not using to qualify.	Tax-exempt	8b	
	<b>Dividends</b>	9/Sch B	
<b>Ln 17 Rents, Pships, etc:</b> Ignore the gain or loss listed on Line 17. Enter cashflow from rentals, partnerships, s corporations, estates and trusts on the lines that follow.	<b>State Tax</b>	10	
	<b>Alimony Received</b>	11	
<b>CAUTION:</b> Use either K-1 Summary <b>OR</b> cashflow from pass-through entities <b>NOT</b> both.	<b>Sch C Business from W/S</b>	12/Sch C	*
	<b>Capital Gains (Loss)</b>	13/Sch D	
<b>Ln 21 Other Income/NOL's:</b> <b>Actual:</b> Enter income but do not include noncash NOL. <b>Projecting:</b> Enter zero if nonrecurring income or Net Operating Loss (NOL).	<b>Other Gains</b>	14/Form 4797	
	<b>IRA Distributions</b>	15	
<b>Other Explain:</b> The following lines are available to make entries specific to your tax return analysis guidelines. <b>Check your guidelines!</b>	<b>Pension Distributions</b>	16	
	<b>Rents, Pships, etc</b>		
<b>Comments:</b> Explain calculations or numbers from other sources. List income you do not document and use because you do not need it to qualify.	Do not use	17	
	<b>Other Explain:</b>		
	Rental C/F from W/S	17/Sch E, Pg 1	*
	K-1 Summary	17/Sch E, Pg 2	*
	Partnership C/F from W/S	17/Sch E, Pg 2	*
	S Corp C/F from W/S	17/Sch E, Pg 2	*
	Estates/ Trusts	17/Sch E, Pg 2	
	<b>Sch F Farm from W/S</b>	18/Sch F	*
	<b>Unemployment Comp</b>	19	
	<b>Social Security</b>	20	
	<b>Other Income/NOL's</b>	21	
	<b>Other Explain:</b>		
	ie: 1/2 SE Tax		
	ie: minus Fed/State Tax		
	ie: minus Family Living		
	ie: minus personal debt		
	<b>Annual Cashflow</b>		
	<b>Monthly Cashflow</b>		
	COMMENTS:		



## Rentals Summary Sheet

\*Payment Adjustment:

May not be required.

Common:  $-PITI + Int + Tax + Ins$

Common:  $-PI + Int$

\*\*Formula automatically calculates:

Rents X 12 X % Factor

Subtract PITI X 12

Year: \_\_\_\_\_

Borrower Name: \_\_\_\_\_

Rental Address	Still Owned: Y/N	% Own	TAX RETURN METHOD			FORMULA METHOD			Total
			+ Line 3 & 4 Income	- Line 20: Expenses including Depreciation (Enter as-) Line	+/- Payment Adjustment*	+/- Other (Depreciation, Non-recurring, amortization, etc... explain in comment column)	= Actual Net Cash flow from/(to) entity	Monthly Scheduled Rents	Calculated Net cash flow from/(to) entity**
								Vacancy/Costs % Factor	Monthly PITI Payments

### \*Payment Adjustment Calculation

Subtract Annual Payments \_\_\_\_\_  
 Add back Interest (Line 12) \_\_\_\_\_  
 If PITI Payment: \_\_\_\_\_  
 Add back Taxes (Line 16) \_\_\_\_\_  
 Add back Insurance (Line 9) \_\_\_\_\_  
**Payment Adjustment** \_\_\_\_\_

### \*\*Formula Method Calculation

Monthly Rent X 75% X 12 \_\_\_\_\_  
 Subtract Monthly Payment X 12 \_\_\_\_\_  
**Calculated Net Cash Flow** \_\_\_\_\_

**SCHEDULE F: FARM CASHFLOW/ADJUSTMENTS**

Borrower >>>  
 Prepared by >>>  
 Business Name and Type >>>

Consider stability and health of business, adequacy of insurance and liquidity. Note that significant, regular farm income may also be on Schedule D or Form 4797.

	Lines by Year:		Year:	Year:
	Prior	2011+		
<b>Net Profit (NOT AGI METHOD!!!)</b>	Line: 36	34		
<b>Add</b> back noncash depreciation	Line: 16	14		
<b>Add</b> back interest expense*	Line: 23	21		
<b>Subtract</b> term debt**	Borrower			
<b>Subtract</b> line of credit interest-only	Borrower			
<b>Subtract</b> proposed payments	Borrower			
<b>Subtract</b> nondeducted meals	If on Ln: 34	32		
<b>+/- Additional adjustments</b>			<del> </del>	<del> </del>
Optional: <b>Subtract</b> 20% Debt for 1.2 DCR				
<b>(AGI) Adjustments or (S/A) Cashflow</b>				

**CAUTION:** Do not calculate Debt Coverage Ratio without subtracting 'Owner Withdrawals'. The amount the owner paid him/herself is not found on the tax return. Use the amount shown on their Balance Sheet if available, or ask the borrower what they take home annual as 'compensation'.

**COMMENTS:**

## FORM 1120 CORPORATION INCOME

Company name and type of business >>>

		Year:	Year:
<b>A: Business Cashflow Available to pay debt</b>			
1	Enter <b>income/loss</b> from line 28 of 1120		
2	<b>Add back interest expense</b> (Line 18)		
3	<b>Add back depreciation</b> (Line 20)		
4	<b>Subtract total tax</b> (Line 31)		
5	<b>Add'l +/- from front page</b> , see comments below		
6	<b>+/- from line 26</b> , see comments below		
7	<b>+/- from M-1 or M-2</b> , see comments below		
8	<b>[Add 1-7] Business Cashflow Before Debt</b>		
<b>B: Annual Debt</b>			
9	<b>Borrower</b> Term debt annual payments		
10	LOC/ interest-only payments		
11	Proposed loan annual payments		
12	<b>[Add 9-11] Total debt</b>		
<b>C: Debt Coverage Ratio</b>			
13	<b>[8/(9+10)]</b> Before Proposed Loan		
14	<b>[8/12]</b> After Proposed Loan		
<b>D: Personal Cashflow to Owner/Guarantor:</b>			
15	<b>Optional: Enter required DCR</b>		
16	<b>[8-(12*15)]</b> Cashflow Available to Distribute		
17	Owner/guarantor's % ownership (Sch E/1125-E)		
18	<b>[16*17] Excess (Shortfall) to 1040 Pg 1</b>		

**COMMENTS:**

**Additional adjustments from Front Page examples:**

- 1) Add back **nonrecurring** and optional expenses if **projecting** cashflow.
- 2) Subtract **nonrecurring** income or **new** expenses if **projecting** cashflow.
- 3) Add **new** income if **projecting** cashflow.
- 4) If **charitable contributions** are more in the nature of personal contributions than they are promoting the business consider adding it back or making note of it.

**Line 26, Other Deductions Supporting Schedule**

- 1) If **projecting** cashflow, add back **nonrecurring** items.
- 2) Add back **noncash** amortization
- 3) Consider whether the company has **adequate insurance**. No adjustment necessary if they do.

**Schedule M-1:** The items on Schedule M-1 are not yet included on page one of the return.

**Line 5: Actual/historical** subtract cash spent. Projected subtract recurring cash spent. Otherwise ignore.

**Line 7: Actual/historical** add cash received. Projected add recurring cash received. Otherwise ignore.

**Schedule M-2:** Generally only of interest to commercial lenders determining cashflow left in the business to service debts. Subtract Line 5a.

**Source for debt:** The return does not have current debt info. Get from borrower. **Estimate:** Used only when you are not doing a thorough analysis of the corporation. ESTIMATE debt by adding the interest expense on page one of the return (Line 18) to principal due in the next twelve months from Schedule L Balance Sheet, Line 17, Column D. Clearly indicate in the comment section at bottom that it IS an ESTIMATE and show your calculation.

**Commercial Lenders using debt coverage approach:** You may enter debt in these lines. It will provide the information to calculate the debt coverage ratio in Section C and will be subtracted to determine excess to (or shortfall needed from) the owner/guarantors in Section D. Or put debt on global debt list for global DCR.

Partial comments from Excel Worksheet:

**FORM 1065 PARTNERSHIPS**

Company Name and Business Type >>>

Yr:	Yr:
-----	-----

<b>A: Business Cashflow Available to pay debt</b>			
1	Enter <b>ordinary income</b> (Line 22)		
2	<b>Add back interest expense</b> (Line 15)		
3	<b>Add back depreciation</b> (Line 16a)		
4	<b>Add'l</b> +/- if any from <b>Front Page</b> , see comments:		
5	+/- if any from <b>Line 20</b> , see comments:		
6	+/- if any from <b>Sch K</b> , see comments:		
7	+/- if any from <b>Sch M-1</b> , see comments:		
8	<b>[Add 1-7] Cashflow Before debt &amp; distributions</b>		
9	<b>Subtract Cash distributions (M-2, Ln 6)</b>		
10	<b>Add Capital contributions (M-2, Ln 2)</b>		
11	<b>[8-9+10] Cashflow Available to Pay Debt</b>		
<b>B: Annual Debt</b>			
12	<b>Borrower</b> Enter <b>term debt</b> annual payments		
13	Enter <b>LOC/ interest-only</b> payments		
14	Enter <b>proposed</b> loan payments		
15	<b>[Add 12 thru 14] Total debt</b>		
<b>C: Debt Coverage Ratio</b>			
16	<b>[11/(12+13)]</b> DCR Before Proposed Loan		
17	<b>[11/15]</b> DCR After Proposed Loan		
<b>D: Personal Cashflow to Owner/Guarantor:</b>			
18	<b>Optional: Enter required DCR</b>		
19	<b>[8-15] or (8-(15*18))</b> Cashflow Available to Distribute		
20	Enter partner's % profit/loss from K-1		
21	<b>[19*20] Owner's share before gntd pmnts</b>		
22	Add this owner's guaranteed pmnts ( <b>K-1</b> , Ln 4)		
23	<b>[21+22] Available Personal Cashflow</b>		
	Use Available Cashflow in Personal Analysis? (Y or N)		
	Personal Cashflow to 1040 Pg 1		

OR

**Actual Personal Cashflow:**  
Use K-1 Summary sheet instead of this worksheet.

**COMMENTS:**

**CAUTION:** Use either Actual Cashflow to the owner (K-1 Summary) OR Cashflow Available to the Owner (from this worksheet) for the 1040Pg1 Cashflow Worksheet.

**Front Page Adjustments:** Consider **nonrecurring** income/expenses or unusual bad debts if projecting cashflow.

**Add'l from Line 20:** Trace to supporting schedule. Add back **nonrecurring** items if projecting cashflow. Add back **noncash** amortization.

**Add'l from Schedule K:** Consider including income or expenses from Lines 1-13 of the Schedule K. These are not yet in your figures. If projecting and they are **nonrecurring**, leave them out.  
Most commonly used are **Line 2 for rentals** (calculate cashflow from Form 8825) and **Line 5 for interest income**.  
**Line 12 Section 179** is depreciation not in your figures so ignore here.  
**Line 13a charitable contributions** are not yet in your figures. Subtract if you are doing actual/historical. If you are doing recurring, consider if business related and recurring before subtracting.

**Schedule M-1 Adjustments:** These figures are not yet in your cashflow calculations.  
**Line 4: Actual Cashflow** subtract cash outlays. **Recurring Cashflow** only subtract if recurring cash outlays.  
**Line 6: Actual Cashflow** add cash received. **Recurring Cashflow** only add if recurring cash received.

# S-Corporation Worksheet

Partial comments from Excel Worksheet:

## FORM 1120 S CORPORATION CASHFLOW

Company Name and Business Type >>>

		Yr:	Yr:
<b>A: Business Cashflow Available to pay debt</b>			
1	Enter <b>ordinary income</b> (Line 21)		
2	<b>Add back interest expense</b> (Line 13)		
3	<b>Add back depreciation</b> (Line 14)		
4	<b>+/- if any from Page One</b> , see comments below:		
5	<b>+/- if any from Line 19</b> , see comments below:		
6	<b>+/- if any from Sch K</b> , see comments below:		
7	<b>+/- if any from Sch M-1</b> , see comments below:		
8	<b>[Add 1-7] Cashflow Before debt &amp; distributions</b>		
9	<b>Subtract distributions</b> to all shareholders (M-2, Ln 7a)		
10	<b>Add Capital contributed</b> (Increase in Sch L, Lns 22, 23)		
11	<b>[Combine 8-10] Cashflow Available to Pay Debt</b>		
<b>B: Annual Debt</b>			
12	Enter <b>term debt</b> annual payments		
13	Enter LOC/ <b>interest-only</b> payments		
14	Enter <b>proposed</b> loan payments		
15	<b>[Add 12 thru 14] Total debt</b>		
<b>C: Debt Coverage Ratio</b>			
16	<b>[11/(12+13)]</b> DCR Before Proposed Loan		
17	<b>[11/15]</b> DCR After Proposed Loan		
<b>D: Personal Cashflow to Owner/Guarantor:</b>			
18	<b>Optional: Enter required DCR</b>		
19	<b>[8-15] or (8-(15*18))</b> Cashflow Available to Distribute		
20	Enter personal % <b>ownership</b> (K-1, Item F)		
21	<b>[19*20] Available Personal Cashflow</b>		
	Use Available Cashflow in Personal Analysis? (Y or N)		
	Personal Cashflow to 1040 Pg 1		

OR

**Actual Personal Cashflow:**  
Use K-1 Summary sheet for Actual Cashflow. Don't use both!

**COMMENTS:**

**CAUTION:** Use either the K-1 Summary (Actual Cashflow to the Owner) **OR** from this worksheet (Cashflow Available to the Owner), not both.

**Page One adjustments:** Examples could be nonrecurring income or expenses or unusual bad debts.

**Line 19, Other Deductions Supporting Schedule**

- 1) Look for this schedule at the end of the tax return with other miscellaneous taxpayer-prepared schedules.
- 2) Add back **nonrecurring** items if projecting.
- 3) Add back **noncash** amortization.
- 4) Consider whether the company has adequate insurance. No adjustment necessary if they do.

**Schedule K adjustments:**  
Most common...Line 2: Calculate rental cashflow from Form 8825.

**Line 4-10: Historical?** Add income, subtract losses. Recurring? Add recurring income or subtract recurring losses.

**Line 11:** Ignore...this is depreciation that has not yet been deducted.

**Line 12a:** Only subtract if you count charitable contributions against all other business entities or are doing actual/historical.

**Schedule M-1 adjustments:**  
Items listed here have not been included elsewhere in this return.

**Line 3: Historical...** Subtract cash outlays. **Recurring...** Subtract recurring cash outlays. Otherwise ignore.

**Line 5: Historical...** Add cash received. **Recurring...** Add recurring cash received. Otherwise ignore.



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## HOW TO:

The digital worksheets are protected because an alteration may result in an error in formulas. To use it you must open it as READ-ONLY. Immediately SAVE AS with another file name and you can enter and save data. If you need to modify the eWorksheet for your guidelines, there are OTHER lines on each schedule to use as you wish. For example, if you generally subtract federal and state income taxes do it there. See tips on how to customize on the 'Instructions and Customization' Tab.

You can unprotect the entire workbook in order to add worksheets for multiple entities or delete worksheets not used for this borrower's analysis. Again, I recommend strongly that you reprotect the workbook as soon as you have made the change that required you to unprotect it.

This Workbook includes worksheets for cashflow from

partnerships, corporations and S corporations. They can be used by themselves or to determine the personal cashflow available from controlled entities to an owner/guarantor.

## SPREADSHEET PROGRAMS:

The Worksheets were created with Microsoft Excel. See your spreadsheet's documentation for assistance in opening or utilizing these files.

## CUSTOMIZE/MAKE YOUR OWN TEMPLATE:

For greatest use, you may open read-only, customize for your use, then 'Save As' with your own read-only name to preserve the integrity of the template. Items you can customize:

Add desired information to the Borrower Info tab.

Delete the 1040 Pg 1 worksheet that you will not be using (Unprotect workbook to do so and immediately Reprotect the Workbook when done.)

On the 1040 Pg 1 worksheet, use the lines at the bottom to add routine entries for your company. For example, some companies subtract federal/state tax, family living expenses or personal debt on the cashflow worksheet.

Create formulas to enter years into subsequent worksheets once the years are entered on 1040PG1. (I did not because could not be sure which 1040PG1 you would keep.)

On the 'Other' worksheet consider listing guidelines, documentation requirements and other quick look-up items you want at your fingertips.

**CAUTION:** You may not delete the 'Intro & License' Tab from your template. That tab must be the opening tab for all users. (Thank you for honoring my license/copyright.)

*Continued on next page ...*

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This manual, as comprehensive as it is, is only one of the resources available to you. Be sure you have each of our manuals. Then look to these other tools and training opportunities.

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- Each module can be completed in 45 minutes or less
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- Interact with lenders from other companies

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- Combines self-study modules with interactive virtual training
- Tax return and financial statement analysis
- Weekly live webinars
- Submitted and reviewed case studies

**Worksheet for Cashflow Analysis of Tax Returns**

- Worksheets do the math right, every time and include built-in help pop-up boxes
- Provide excellent documentation and consistency among lenders
- Excel-based
- Include 1040, Schedule C, Rentals, 1065, 1120, 1120S in one workbook
- Used for the business alone or the business and owner combined (global analysis)
- Integrate with the reference manuals and online modules for a complete solution

**Income Analysis and Documentation Checklist**

Are you in lending management? improve loan quality and consistency of your team.

- Review and revisit current guidelines
- Make informed decisions on required documentation
- Clearly communicate your guidelines to current staff and new hires
- Start with our suggestions and customize as needed
- Include in documentation provided to regulators

Are you a lender or underwriter? Customize this checklist to your company's guidelines for a quick resource when needed.

**Lender's Monthly 'Ask Linda' Email**

- Monthly email
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**Ask Linda**

She'll always answer. Give her a week to get back to you, because she is likely on the road helping lenders say 'yes' to good loans.

Go to the blog at [www.LindaKeithCPA.com](http://www.LindaKeithCPA.com) and select 'Ask Linda' to access the archives or submit a question.