

Financial Analysis



- Balance Sheet
- Income Statement
- Cash Flow Statement

Balance Sheet



- Indicates Net Worth (Owner's Equity)
- Itemizes Assets (what you own)
- Itemizes Debts (what you owe)

Balance Sheet



- **Indicates Solvency**

- * Refers to the value of assets owned by the business compared to the amount of liabilities owed.
- * Indicates whether, if the business were to be sold, if there would be enough capital to be able to pay off the debts.

- **Indicates Liquidity**

- * Liquidity is the ability of a business to meet cash flow obligations.

Income Statement



- Indicates Profit & Loss
- Indicates Net Farm Income
 - *Can partition profits (Net Farm Income) into those portions of profit earned by the different resources used.
 - * i.e., Returns to Assets, Equity, Labor, Management

Cash Flow Statement

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- Indicates when additional cash is needed in the business.
 - * Can be used to plan operating lines of credit.
 - * Can be used to schedule purchases of new equipment or major repairs.
 - * Can be used to plan stocking and harvesting schedules to meet financial obligations.