

Financial Statements and Performance Analysis

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Objectives

The general purpose of this module is to introduce current and potential small and medium business owners and managers to the basics of understanding the four principal financial statements and how to utilize these statements in assessing the performance of the firm.

Participants will...

1. understand the components and purposes of the four principal financial statements - the balance sheet, the income statement, the cash flow statement and the budget;
2. identify the way that these statements are constructed and utilized in providing an assessment of the firm's financial performance; and
3. receive tools that will assist the owner/manager in assessing that performance.

Total Time Required

3 hours

Materials Needed

A comfortable workshop setting is desired. Arrange the tables and chairs to enhance discussion and face-to-face interaction. Sometimes a classroom setting is all you have and that will work as well.

- PowerPoint
- Industry standards for the businesses that are participating (RMA, Standard & Poore's, etc.)
- Calculators for the participants to use

Audio/Video Equipment

- LCD projector/Overhead projector
- Easel, flip chart and markers

Directions and Training Tips

Be aware your audience will have a varied background when it comes to human resource or labor management. Some will be knowledgeable and experienced while others will be novices. The intent of this module is to provide a solid foundation for thinking about the financial position of the firm and providing useful strategies for assessing and enhancing this position.

You might encourage individual participants to bring their financial statements to the workshop. These statements will not be shared with others, but rather the participant can use the performance analysis tools on his or her own business and compare them with industry standards.

Remind the audience that this module is an interlocking set of materials. Each of the financial analysis tools that are presented have a distinct relationship with the other tools. Encourage them to find their own relationships.

Utilize the PowerPoint presentation and the handouts to illustrate various methods for dealing with employees.

Be sure to include plenty of time for discussion. You will likely have potential and existing business owners or managers in the audience. There will be several "teachable moments" that can occur if these two groups are allowed to interact.

Additional Background Readings

Refer to any Principles of Accounting and Basic Financial Management text.

Annual Statement Studies, Risk Management Association.

Farm Financial Standards Task Force. While this publication deals mainly with production agricultural operations, it does an excellent job of providing an overview of the construction of each type of financial statement and its use.

