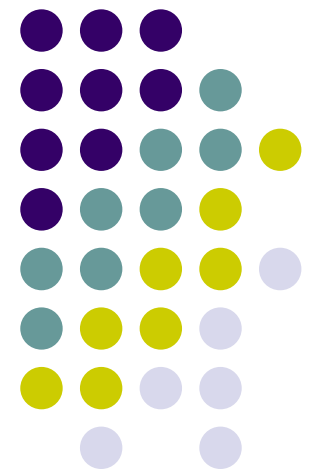


# NC REAL Enterprises

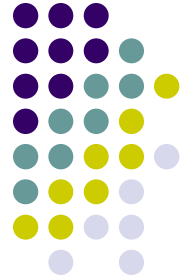
---

Michael Shaw  
NC Cooperative Extension Service  
Columbus County

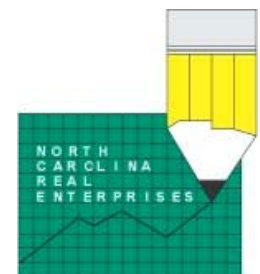
Lonnie Hamm  
Small Business Center  
Randolph Community College



\$



# Evaluating Financial Statements





If you do not know where you  
are going.....



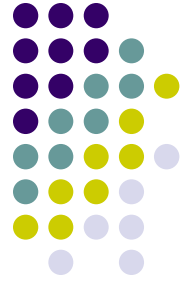


If you do not know where you  
are going.....

You are going to get there soon!



# FINANCIAL DOCUMENTS



- Balance Sheet

Net Worth

- Income Statement

Profit & Loss

- Cash Flow



# T / F ANSWERS

1. T

5. T

2. T

6. T

3. T

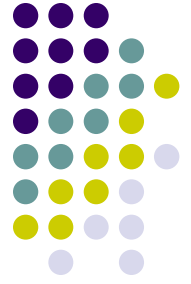
7. F

4. F

8. F



# MATCHING ANSWERS



1. D

5. C

9. F

2. G

6. E

10. K

3. A

7. H

11. J

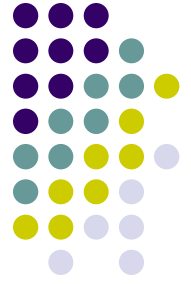
4. B

8. I

12. L



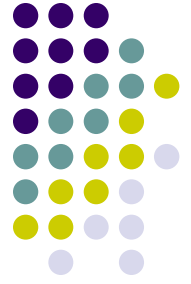
# Balance Sheet



- Summary of Assets and Liabilities
- Financial snapshot at one point in time



# Balance Sheet



- Assets

things of value that you own  
or that are owed you

Cash In bank

Land, Home

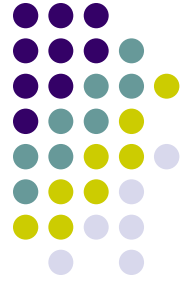
Tractors, Equipment

Stocks, Securities

Livestock, Stored Crop



# Balance Sheet



Assets

Current

Cash

Intermediate

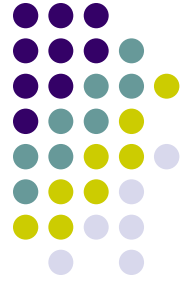
Machinery

Long Term

Land



# Balance Sheet



- Liabilities

the amount of debt that you owe

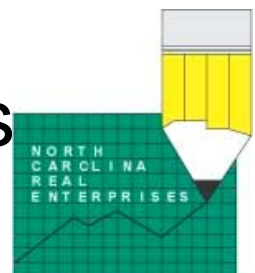
Loans, short & long term

Accounts payable

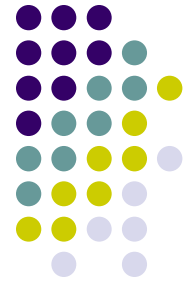
Lease payments

Accrued taxes

Contingent Liabilities



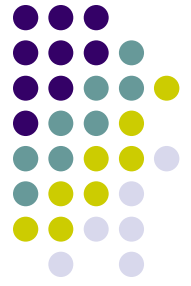
# Income Statement



An income statement provides a picture of revenues, expenses, and net income(or loss) for a specified period of time, usually one year.



# Income Statement



## Income

Sales

## Expenses

Seed

Fertilizer

Pesticides

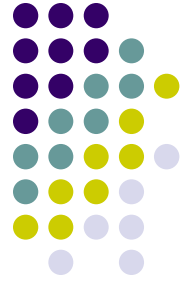
Fuel

Wages

Depreciation



# Evaluating Financial Statements



- 4 Measures to evaluate financial performance

Liquidity

Solvency

Profitability

Efficiency



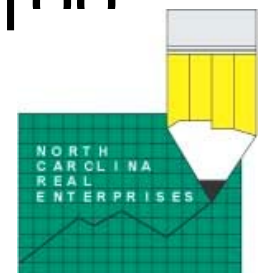
# Liquidity



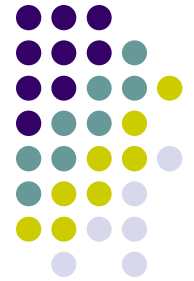
- **Working capital**  $\frac{\text{current assets}}{\text{current liabilities}} \times 100$

**Current ratio**  $\frac{\text{current assets}}{\text{current liabilities}}$

**Current debt %**  $\frac{\text{current liabilities}}{\text{total liabilities}} \times 100$



# Solvency



- Net Worth

- Debt to Asset %

$$\frac{\text{total liabilities}}{\text{total assets}} \times 100$$

Leverage ratio

$$\frac{\text{total liabilities}}{\text{net worth}} \times 100$$



# Profitability



- Net farm income  
returns to management, labor, (land)



# Profitability



- Return on assets  $\frac{\text{net farm income}}{\text{total assets}} \times 100$
- Return on equity  $\frac{\text{net farm income}}{\text{net worth}} \times 100$
- Profit margin  $\frac{\text{net farm income}}{\text{value of production}} \times 100$

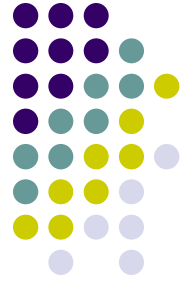


# Efficiency



- Operating expense %  
$$\frac{\text{operating expense}}{\text{value of production}} \times 100$$
- Net farm income %  
$$\frac{\text{net farm income}}{\text{value of production}} \times 100$$
- Yields  
$$\frac{\text{income(or yield)}}{\text{acres}}$$

# Net Worth

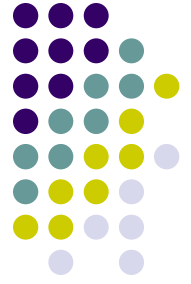


## Assets

### Tobacco buyout payments

Owner	140,000
Grower	240,000
total	380,000

# Net Worth



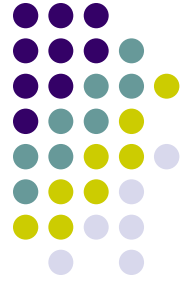
## Assets

total	380,000
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## Liabilities

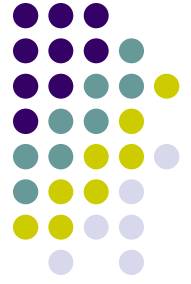
taxes due on tob payments	124,000
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Total Increase in Net Worth	256,000
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Make people around you  
happy where ever you  
go.....





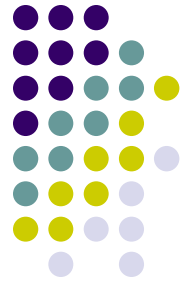
Make people around you  
happy where ever you  
go.....

Not when ever you go!!



23,131 - 10,590

# Financial Analysis Answer Sheet



Liquidity

Working capital

$$\$23,131 - \$6,114 = \$17,017$$

Quick Ratio

$$\frac{23,131 - 10,590}{6,114}$$

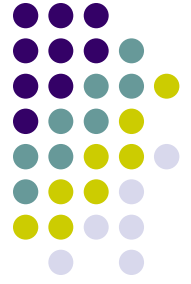
6,114

= 2.05



23,131 - 10,590

# Financial Analysis Answer Sheet



Current ratio

$$\frac{\underline{23,131}}{6,114} = 3.78$$

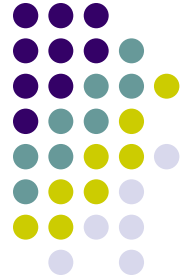
Current debt %

$$\frac{\underline{6,114}}{18,654} = 32.77\%$$



23,131 - 10,590

# Financial Analysis Answer Sheet



## Activity Ratios

Inventory turnover

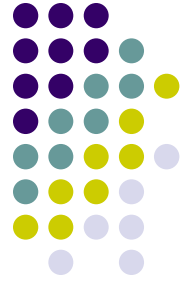
$$\frac{161,765}{10,590} = 15.28$$

Average collection period

$$\frac{7,280}{87,352/360} = 30 \text{ days}$$



# Financial Analysis Answer Sheet



Fixed asset turnover

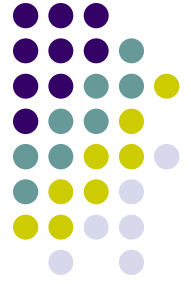
$$\frac{\underline{254,567}}{47,131} = 5.40$$

Total asset turnover

$$\frac{\underline{254,567}}{24,000} = 10.6$$



# Financial Analysis Answer Sheet



## Solvency Ratios

Debt ratio

$$\frac{18,654}{47,131} = 39.5 \%$$

Leverage or Debt to equity

$$\frac{18,654}{28,477} = 65.5 \%$$



23,131 - 10,590

# Financial Analysis Answer Sheet



## Profitability Ratios

Return on assets

$$\frac{27,268}{47,131} = 57.8 \%$$

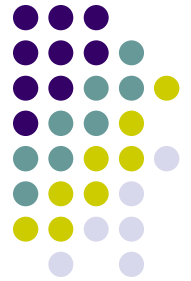
Return on equity

$$\frac{27,268}{28,477} = 95.8 \%$$



23,131 - 10,590

# Financial Analysis Answer Sheet



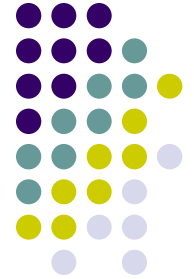
Gross profit margin

$$\frac{254,567 - 161,765}{254,567} = 36.4 \%$$

Net profit margin

$$\frac{27,269}{254,567} = 10.71 \%$$





# Contact Us

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