

The background features a close-up of a silver pen resting on a document with a grid pattern. A large, semi-transparent white circle is centered over the image, containing the main title. The overall color palette is light blue and white.

Financial Statement Analysis

What's Your Company Story

Why Analyze Financial Statements

Business “Report Card”

Tells the company story in terms of numbers

Promote strategic planning

Support sound management decisions

Two Basic Statements

Balance Sheet

financial position

as of a specific date

Profit & Loss Statement

financial activity

as of a specific period

Balance Sheet Shows

Assets

Liabilities

Equity or Capital

Characteristics of an Asset

Things of monetary value that a business either owns or controls. They are probable economic inflows.

Examples: Cash, receivables, inventories and fixed assets.

Assets



James Stewart

Assets are listed in order of Liquidity



Liquidity

The ease of converting Assets to

CASH



LIABILITIES

Claims of others against the business' assets.
They are probable economic outflows.

Examples: Accounts payable, notes payable, payroll taxes payable and other accrued taxes.

“I Owe, I Owe, So Off To Work I Go”

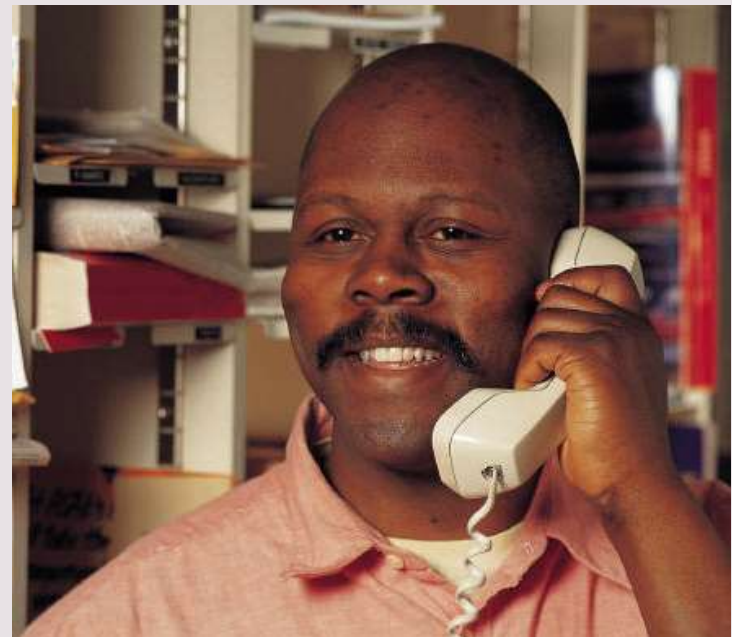
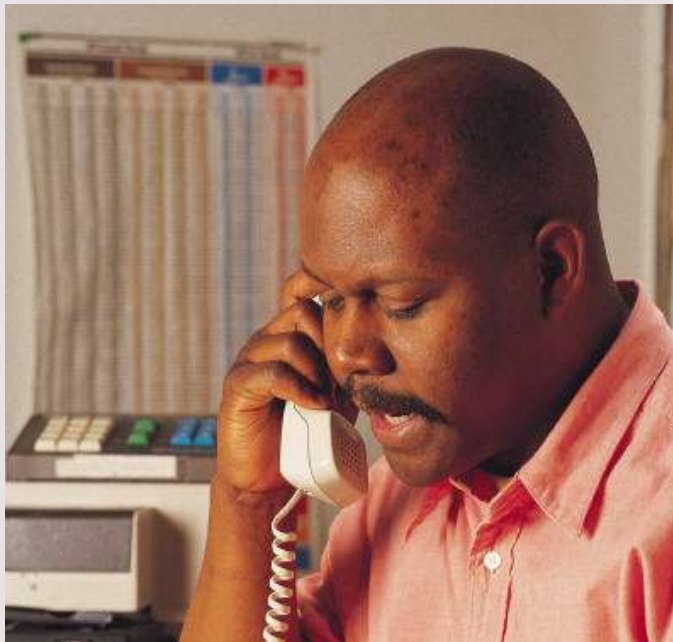
LIABILITIES



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OWNERS EQUITY

Represents the owners' interest in the business. It is the difference between Assets and Liabilities. It can be either Positive or Negative.



The Profit & Loss Statement

Reports the business performance during a specific time period and shows whether operations resulted in a profit or loss. It details business **Income**, **Cost** and **Expenses**.



INCOME

Represents the primary source of money to be received from customers for goods sold or services rendered. May also show other sources such as interest earned on investments.



Cost

Depending on the type of business, cost may be categorized as **direct** or **indirect**.

Direct cost represent all cost incurred that touch the product or job. There are four (4) basic components of direct product/job cost:

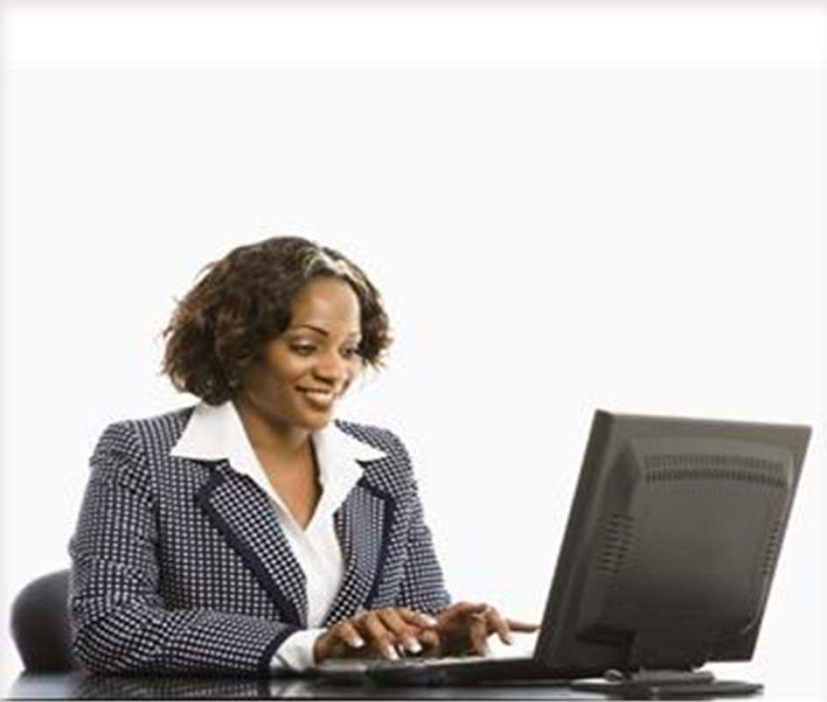
Direct Material
Direct Labor
Direct Equipment
Subcontractors

Indirect cost represent cost that do not touch the job but are necessary.
Direct Overhead

These cost are shown on the income statement as “Cost of Goods Sold”.

EXPENSES

Expenses are generally referred to as “G&A”, “Selling & Administrative Cost” or “Home Office Expense”. This includes cost that are not directly attributable to a product or job, but are necessary to operate the company.





NOW Lets Peel back the Onion

Review bank reconciliations

Analyze Accounts Receivables

Analyze Accounts Payables

Prepare comparative financial statements

Review individual job cost

Compare actual to budget performance

Create an industry ratio analysis

**Be sure to attend our
upcoming workshop**

TYLER
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