

Understanding Financial Performance an online course from RightRisk

Getting On Track:
*Understanding
Financial Performance*



Getting On Track: *Understanding Financial Performance* is a two-hour, internet-based course including: What is financial analysis?, Measures of liquidity, Measures of solvency, Measures of profitability, Measures of financial efficiency, Measures of repayment capacity, and Where do I go from here?

A glossary, frequently asked questions, and resource links are provided, along with example records systems and much more.

The *Understanding Financial Performance* course is available free of charge at RightRisk.org > Courses.

Measures of Liquidity

The Current Ratio

$$\frac{\text{Current Farm Assets}}{\text{Current Farm Liabilities}} = \text{Current Ratio}$$

These values may be found on the book value balance sheet.

Measures of Solvency

Solvency Ratio Benchmarks

Solvency Benchmarks	Low	Moderate	High
Debt/Asset	< 0.3	0.3 - 0.7	> 0.7
Equity/Asset	< 0.7	0.3 - 0.7	> 0.3

Possible Actions For Improvement: Increase operating profits, make additional principal payments on term debt.

Measures of Profitability

Calculate the Return on Assets

Calculating the Rate of Return on Assets

- Step 1: Locate the net farm income on Jack and Joanie's income statement.
- Step 2: Locate the interest expense on Jack and Joanie's income statement.
- Step 3: Add these two values together.

14,741 + 2,640 = 17,381

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How Much Risk is Right for You and Your Operation?