Module Six

Financial Reports: Useful for Subsequent Planning & Decision-Making

Handout

FINANCIAL REPORTS: USEFUL FOR SUBSEQUENT PLANNING AND DECISION-MAKING

The basic financial statements of a business are the Income Statement and the Balance Sheet. The Income Statement presents the total income or sales for a particular period, the related itemized expenses, and the net income or loss for that period. The Balance Sheet presents the balance of the assets, liabilities, and capital of the business. The assets might include Cash on Hand, Cash In Bank, Receivable, Inventory, Cash Advance, and Equipment. Liabilities might include Payables to suppliers and unpaid wages. Capital is the cumulative balance of the equity of the business owner.

The Income Statement can be prepared on a per delivery basis, which means that the transactions or accounts to be included therein are those incurred only for a specific period. Normally, the income statement covers a quarter, semester, or one-year operation. However, the income statement might also be prepared for a single delivery to assess the results of this one operation.

The Balance Sheet can be prepared for the same period as the Income Statement. However, amounts appearing therein are the cumulative balance from the start of the business operation.

Financial reports or statements are useful for subsequent planning and decision-making: the results of the operation are interpreted in financial terms, and this interpretation can serve as a basis for planning future deliveries, purchase of stocks, and controlling operating expenses.

ELEMENTS OF AN INCOME STATEMENT

1. **Revenue**
   This can include sales of fish, the coordinator's fee, and reimbursement of freight expenses.

2. **Total Revenue**
   This is the sum total of all items under Revenue.

3. Variable Expenses

These are payments for various services, goods, and materials that are used for a particular shipment within a given period.

4. **Fixed Expenses**

These are a pro-rated share of office rental costs, telephone bills, office supplies, electricity, water, and other recurring fixed expenses such as salaries and allowances of personnel.

5. **Depreciation Expense**

This is the computed decrease of the value of an asset due to wear and tear.

6. Total Expense

This is the sum total of all itemized expenses as presented in the Income Statement.

7. **Net Income (or Loss)**

This is the difference between total Sales and total Expenses. If Sales is greater than Expenses, the result of the operation is the Net Income. If Expenses is greater than Sales, the result of operation is the Net Loss, which is presented as a negative figure.

ELEMENTS OF A BALANCE SHEET

A. Assets:

1. Current Assets

These might include cash on hand, cash in bank, accounts receivable, and inventories.

2. Fixed Assets

These might include equipment, furniture, land, and facilities. Depreciation of equipment, furniture, or the building during the period is added to the accumulated depreciation and is presented in the Balance Sheet as a deduction from the original cost. The net amount is the net book value of the equipment, furniture, or facilities.

B. Liabilities:

1. Liabilities

These might include payables to collectors and suppliers, wages, and short-term borrowings.

C. Capital

This includes the original investment of the owner plus cumulative net income from the business, which is put back into the operation. If there are any withdrawals of cash for personal expenses of the coordinator, the amount is considered Drawings and is presented in the Balance Sheet as a deduction from the cumulative capital. The net amount is the cumulative capital as of a particular cut-off date.