

# *Getting on Track: Better Management through Basic Financial Statements*

## Teaching Outline

### ***Educational Objectives:***

- Describe the purpose and characteristics of a “cash flow statement”
- Describe the purpose and characteristics of a “balance sheet”
- Describe the purpose and characteristics of an “income statement”
- Describe the purposes and characteristics of a “statement of owner equity”
- Understanding the challenges and benefits of the four financial statements
- Learn how to create financial statements for your own business

# Getting on Track: Better Management through Basic Financial Statements

## Session 1: 60 minutes

Timeline	Workshop Outline
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ Welcome</li> </ul>	Opening Welcome. <ul style="list-style-type: none"> <li>○ Brief review of program contents.</li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Introduction to Jack and Joanie</b> <ul style="list-style-type: none"> <li>○ Current situation               <ul style="list-style-type: none"> <li>○ Farm</li> <li>○ Jobs</li> <li>○ Family</li> <li>○ Financial advisor</li> </ul> </li> <li>○ Description of business opportunity</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Cash Flow Statements</b> <ul style="list-style-type: none"> <li>○ Definition</li> <li>○ Uses of cash flow statements</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 1: Cash Inflows and Outflows</b> <ul style="list-style-type: none"> <li>○ List all cash flows</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 2: Personal and Business Cash Inflows and Cash Outflows</b> <ul style="list-style-type: none"> <li>○ Separate personal and business cash inflows and cash outflows</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 3: Estimating Project Cash Inflows</b> <ul style="list-style-type: none"> <li>○ Explanation of Cash Inflows section of Cash Flow Statement</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 4: Estimating Projected Cash Outflows</b> <ul style="list-style-type: none"> <li>○ Explanation of Cash Outflows section of Cash Flow Statement</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 5: Calculating Net Cash Flow</b> <ul style="list-style-type: none"> <li>○ How to Calculate</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Types of Cash Flow Statements</b> <ul style="list-style-type: none"> <li>○ Historical</li> <li>○ Projected</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> <li>○ Homework Assignment</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Summary</b> <ul style="list-style-type: none"> <li>○ Review</li> <li>○ Challenges and Benefits</li> <li>○ View Jack and Joanie's Projected Cash Flow Statement</li> <li>○ Homework – Create your own cash flow statement</li> </ul> </li> </ul>

# Getting on Track: Better Management through Basic Financial Statements

## Session 2: 60 minutes

Timeline	Workshop Outline
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ Welcome</li> </ul>	Opening Welcome. <ul style="list-style-type: none"> <li>○ Brief review of program contents.</li> <li>○ Opportunity for Jack and Joanie</li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Balance Sheet</b> <ul style="list-style-type: none"> <li>○ Definition</li> <li>○ Uses for a Balance Sheet</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 1: Assets and Liabilities</b> <ul style="list-style-type: none"> <li>○ List things owned (assets)</li> <li>○ List things owed (liabilities)</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 2: Personal and Business Assets and Liabilities</b> <ul style="list-style-type: none"> <li>○ Separate Assets</li> <li>○ Separate Liabilities</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 3: Current and Non-Current Assets</b> <ul style="list-style-type: none"> <li>○ Definitions</li> <li>○ Grouping as current and non-current</li> <li>○ Asset valuation - book value</li> <li>○ Asset valuation - market value</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 4: Current and Non-Current Liabilities</b> <ul style="list-style-type: none"> <li>○ Definitions</li> <li>○ Grouping as current and non-current</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 5: Owner Equity</b> <ul style="list-style-type: none"> <li>○ Definition</li> <li>○ Calculate</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Changes Over Time</b> <ul style="list-style-type: none"> <li>○ Second Balance Sheet</li> <li>○ Book value</li> <li>○ Depreciation</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> <li>○ Homework Assignment</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Summary and Wrap-up</b> <ul style="list-style-type: none"> <li>○ Review</li> <li>○ Challenges and Benefits</li> <li>○ View Jack and Joanie's Balance Sheets</li> <li>○ Homework – Create your own cash flow statement</li> </ul> </li> </ul>

# Getting on Track: Better Management through Basic Financial Statements

## Session 3: 60 minutes

Timeline	Workshop Outline
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ Welcome</li> </ul>	Opening Welcome. <ul style="list-style-type: none"> <li>○ Brief review of program contents.</li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Income Statement</b> <ul style="list-style-type: none"> <li>○ Definition</li> <li>○ Cash versus accrual accounting</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 1: Operating Revenue</b> <ul style="list-style-type: none"> <li>○ List all operating revenues</li> <li>○ Total</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 2: Operating Expenses</b> <ul style="list-style-type: none"> <li>○ List all operating revenues</li> <li>○ Total</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 3: Net Cash Operating Income</b> <ul style="list-style-type: none"> <li>○ Calculate</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 4: Personal Consumption</b> <ul style="list-style-type: none"> <li>○ Adjust for non-cash transactions</li> <li>○ Adjust for personal consumption</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 5: Inventories</b> <ul style="list-style-type: none"> <li>○ Adjust for changes in inventories</li> <li>○ Adjust for changes in receivables</li> <li>○ Adjust for changes in payables</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 6: Capital Assets</b> <ul style="list-style-type: none"> <li>○ Adjust for changes in capital assets</li> <li>○ Sources of information</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Step 7: Net Farm Income</b> <ul style="list-style-type: none"> <li>○ Calculate</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> <li>○ Homework Assignment</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Summary and Wrap-up</b> <ul style="list-style-type: none"> <li>○ View Jack and Joanie's Income Statement</li> <li>○ Challenges and Benefits</li> <li>○ Homework – Create your own Income Statement</li> </ul> </li> </ul>



# Getting on Track: Better Management through Basic Financial Statements

## Session 4: 45 minutes

Timeline	Workshop Outline
<b>Time: 5 minutes</b> ○ Welcome	Opening Welcome. Brief review of program contents.
<b>Time: 5 minutes</b> ○ PowerPoint Presentation	○ <b>Statement of Owner Equity</b> ○ Definition
<b>Time: 5 minutes</b> ○ PowerPoint Presentation	○ <b>Step 1: Beginning Net Worth</b> ○ Record beginning net worth ○ Data source – beginning balance sheet
<b>Time: 5 minutes</b> ○ PowerPoint Presentation	○ <b>Step 2: Net Farm Income</b> ○ Record net farm income ○ Data source – Income Statement
<b>Time: 5 minutes</b> ○ PowerPoint Presentation	○ <b>Step 3: Contributions to the Business</b> ○ Adjust for any contributions to the business
<b>Time: 5 minutes</b> ○ PowerPoint Presentation	○ <b>Step 4: Distributions from the Business</b> ○ Adjust for any distributions from the business
<b>Time: 5 minutes</b> ○ PowerPoint Presentation	○ <b>Step 5: Valuation Changes</b> ○ Adjust for changes in asset values ○ Note such changes are uncommon
	○ <b>Step 6: Ending Net Worth</b> ○ Calculate ending net worth
<b>Time: 10 minutes</b> ○ PowerPoint Presentation ○ Homework Assignment	○ <b>Summary and Wrap-up</b> ○ View Jack and Joanie's Statement of Owner Equity ○ Challenges and Benefits ○ Homework – Create your own Statement of Owner Equity

# Getting on Track: Better Management through Basic Financial Statements

## Session 5: 45 minutes

Timeline	Workshop Outline
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ Welcome</li> </ul>	Opening Welcome. <ul style="list-style-type: none"> <li>○ review of program contents.</li> </ul> Brief
<b>Time: 5 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Where to From Here</b> <ul style="list-style-type: none"> <li>○ Farm management Analysis</li> <li>○ Types of statements               <ul style="list-style-type: none"> <li>○ Historical statements</li> <li>○ Projected statements</li> </ul> </li> </ul> </li> </ul>
<b>Time: 10 minutes</b> PowerPoint Presentation	<ul style="list-style-type: none"> <li>○ <b>Financial Ratios</b> <ul style="list-style-type: none"> <li>○ Liquidity</li> <li>○ Solvency</li> <li>○ Profitability</li> <li>○ Repayment capacity</li> <li>○ Financial Efficiency</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> PowerPoint Presentation	<ul style="list-style-type: none"> <li>○ <b>Enterprise Analysis</b> <ul style="list-style-type: none"> <li>○ Definition</li> <li>○ Types of enterprises               <ul style="list-style-type: none"> <li>○ Production enterprises</li> <li>○ Service enterprises</li> </ul> </li> </ul> </li> </ul>
<b>Time: 5 minutes</b> PowerPoint Presentation	<ul style="list-style-type: none"> <li>○ <b>Investment Analysis</b> <ul style="list-style-type: none"> <li>○ Economic profitability</li> <li>○ Financial feasibility</li> </ul> </li> </ul>
<b>Time: 5 minutes</b> PowerPoint Presentation	<ul style="list-style-type: none"> <li>○ <b>Marketing Analysis</b> <ul style="list-style-type: none"> <li>○ Breakeven analysis</li> <li>○ Marketing plan</li> </ul> </li> </ul>
<b>Time: 10 minutes</b> <ul style="list-style-type: none"> <li>○ PowerPoint Presentation</li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Summary and Wrap-up</b> <ul style="list-style-type: none"> <li>○ Review</li> <li>○ Additional resources</li> </ul> </li> </ul>