Using a set of financial statements, complete the following:

**Community Futures Lac La Biche**

**Financial Analysis Worksheet**

Accountants Comments:

* Notice to Reader
* Review Engagement
* Audited

What does the Accountant's Comment mean to the reader?

How should you proceed through the balance of your financial statement review?

**Ratio Analysis**

**Working Capital –** Working capital is the amount of available cash and other current assets a business has after all current liabilities are accounted for. The working capital ratio gives you an understanding of your company’s ability to pay its operating expenses. It also tells you about the general health of the company. A ratio of 1 or lower suggests the company will be challenged to pay its current liabilities. A working capital ratio over 1.5 is ideal. Negative working capital means a business is not generating enough cash to meet its current liabilities. A business with a negative working capital will likely struggle to survive.



What does my analysis mean for the business?

**Operating Cashflow Ratio –** is the measure of how well a company can pay off its short-term debt with the current cashflow generated from its core operations. Current liabilities are financial obligations that are due within 12 months. This can include short term debt, accounts payable, and current portion of long-term debt (principal payments within 12 months). If this ratio is less than 1 the cash generated by the business will not be enough to pay off its short-term liabilities.



What does my analysis mean for the business?

**Debt to Equity Ratio –** the debt-to-equity ratio is the measurement of a business total debt to its total equity. This ratio tells you how much debt a company uses to finance its operations. A high debt to equity ratio indicates that a company is borrowing more capital to fund its operations. A low debt to equity ratio means that a business is utilizing its assets and borrowing less money. Although every industry is different, a ratio around 2 or 2.5 is considered good. A negative debt to equity ratio means that the company’s liabilities have exceeded its assets.



What does my analysis mean for the business?

**Gross Profit Margin –** is the profit a business makes after paying the direct costs associated with making and selling its products or providing its services.



What does my analysis mean for the business?



Observations: