



# MASTER YOUR FINANCIAL STATEMENTS

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UNDERSTANDING THE STORY BEHIND YOUR  
NUMBERS



# PRESENTER

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Please feel free to ask any questions during the webinar.



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# UNDERSTANDING FINANCIAL STATEMENTS

- ⇒ Types of financial statements
- ⇒ What are the stories that they tell?
- ⇒ What are they used for?
- ⇒ Accuracy of underlying data



# WHERE DO I FIND MY FINANCIAL STATEMENTS?

- ⇒ Online accounting software packages
- ⇒ End of year financial statements



# BALANCE SHEET

- ⇒ How do I access it?
- ⇒ Snapshot of financial position at a specific point in time
- ⇒ Issues a balance sheet can identify:
  - ⇒ Solvency
  - ⇒ Liquidity
  - ⇒ Working Capital
- ⇒ Trends from the balance sheet
- ⇒ External users:
  - ⇒ Banks – to assess creditworthiness
  - ⇒ Investors / business purchasers – to assess stability, growth potential and risk
  - ⇒ Owners – decision making – debt management, dividends



# BALANCE SHEET ACTION PLAN

- 1) Access your balance sheet:** Find and open up the current balance sheet for your business.
- 2) Assets:** Review the assets showing on the balance sheet – what does your business own?
- 3) Liabilities:** Review the liabilities showing on the balance sheet – what does your business owe?
- 4) Net worth:** If you were to shut down your business *today*, what would be its net worth? How has that changed from this time last year? Why?
- 5) Review:** Schedule regular time to review your balance sheet (preferably once a week).



# INCOME STATEMENT

- ⇒ How do I access it?
- ⇒ Shows profitability over a specific period of time
- ⇒ How can I use it:
  - ⇒ Comparative analysis (assess trends)
  - ⇒ Review operational efficiency (cost control or revenue growth)
  - ⇒ Budgeting and forecasting
- ⇒ External users:
  - ⇒ Investors and Lenders use P&L to evaluate profitability and ability to generate returns on investment or repay debt





# INCOME STATEMENT ACTION PLAN

- 1) Access your P&L:** Find and open up the current income statement or P&L for your business for the current financial year.
- 2) Revenue accounts:** Check whether your income statement separately reflects all sources of income for your business?
- 3) Expense accounts:** Identify 3 expense accounts where you can make some cost savings. Monitor these accounts for the next 3 months.
- 4) Seasonal trends:** Generate a monthly income statement for the past 2 years and identify if there are any seasonal trends to your income.
- 5) Year-to-year analysis:** Look at your income statement for the last financial year compared to the one for the year before. Which expense account has increased the most? Has this increased resulted in more revenue for your business?



# CASH FLOW STATEMENT

- ⇒ How do I access it?
- ⇒ Cash flow management is integral to sustaining a business
- ⇒ How can I use it?
  - ⇒ Analyse trends
  - ⇒ Operational efficiency – how am I converting sales to cash
  - ⇒ Liquidity Assessment
  - ⇒ Debt Servicing Capacity – do I have the cash to service more debt?



# WORKING TOGETHER

⇒ **TOGETHER** each of these financial statements offer a comprehensive picture of your business

⇒ **By analysing these statements you can assess:**

- ⇒ Your company's financial health
- ⇒ Profitability trends
- ⇒ Liquidity
- ⇒ Solvency
- ⇒ Ability to generate and sustain profits



# SUMMARY

- ⇒ Review data on a frequent basis
- ⇒ Ensure data is up-to-date before review financial statements and making decisions
- ⇒ Balance Sheet
  - ⇒ Snapshot at a point in time showing what you OWN what you OWE and the net worth of your business
- ⇒ Profit and loss statement
  - ⇒ Shows the business profitability over a period of time
- ⇒ Cash Flow Statement
  - ⇒ Shows the cash inflows and outflows of the business.



## Q & A

Your numbers should make sense to you.

If you don't understand your numbers,  
don't be afraid to:

**Ask Questions**

and

**Be Curious**

and

**Challenge Your  
Advisors**





# THANK YOU

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