## FARM FINANCIAL ANALYSIS

As of December 31, ________ and<br>For the Period January 1, ________ Thru December 31, ________

### Liquidity Analysis

<table>
<thead>
<tr>
<th>Current Ratio =</th>
<th>$ \text{Current Assets} \div \text{Current Liabilities}</th>
<th>\text{B-6, L. 10} \div \text{B-6, L. 33}</th>
<th>= \ %</th>
</tr>
</thead>
</table>

(This ratio indicates the extent to which current assets, if liquidated, would cover current liabilities.)

<table>
<thead>
<tr>
<th>Working Capital</th>
<th>$ \text{Current Assets} - \text{Current Liabilities}</th>
<th>\text{B-6, L. 10} - \text{B-6, L. 33}</th>
<th>= $</th>
</tr>
</thead>
</table>

(Working capital is a theoretical measure of the ability of an enterprise to meet its short-term obligations.)

### Solvency Analysis

<table>
<thead>
<tr>
<th>Debt to Asset Ratio</th>
<th>$ \text{Total Liabilities} \div \text{Total Assets}</th>
<th>\text{B-6, L. 38} \div \text{B-6, L. 22}</th>
<th>= \ %</th>
</tr>
</thead>
</table>

(This ratio expresses what proportion of total assets is owed to creditors.)

<table>
<thead>
<tr>
<th>Debt to Equity Ratio</th>
<th>$ \text{Total Liabilities} \div \text{Total Equity}</th>
<th>\text{B-6, L. 38} \div \text{B-6, L. 42}</th>
<th>= \ %</th>
</tr>
</thead>
</table>

This leverage ratio reflects the extent to which debt capital is being combined with equity capital.

### Profitability

<table>
<thead>
<tr>
<th>Rate of Return on Assets (ROA)</th>
<th>($ \text{Net Farm Income} + \text{Interest Expense} - $ \text{Unpaid Labor &amp; Mgmt.}) \div $ \text{Average Total Assets}</th>
<th>\text{B-9, L. 13} \div \text{B-6, L. 22}</th>
<th>= \ %</th>
</tr>
</thead>
</table>

(This ratio measures the rate of return on total assets.)

<table>
<thead>
<tr>
<th>Rate of Return on Equity (ROE)</th>
<th>($ \text{Net Farm Income} - $ \text{Unpaid Labor &amp; Mgmt.}) \div $ \text{Average Equity}</th>
<th>\text{B-9, L. 13} \div \text{B-16, L. 44}</th>
<th>= \ %</th>
</tr>
</thead>
</table>

(This ratio measures the rate of return on equity capital employed in the business.)
## Liquidity Analysis

<table>
<thead>
<tr>
<th></th>
<th>Formula</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Turnover</td>
<td>$ \frac{\text{Gross Farm Revenue}}{\text{Average Total Assets}} \times 100$</td>
<td>B-9, L. 6 ÷ B-6, L. 24</td>
<td>______%</td>
</tr>
<tr>
<td>(The asset turnover ratio is a measure of how efficiently farm assets are being used to generate revenue.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expense Ratio</td>
<td>$\frac{\text{(Total Operating Expense + Interest Expense) - Depreciation}}{\text{Gross Farm Revenue}} \times 100$</td>
<td>B-9, L. 10 + B-9, L. 8 - B-9, L. 6 ÷ B-9, L. 6</td>
<td>______%</td>
</tr>
<tr>
<td>(This ratio reflects the percentage of cash farm expenses (excluding interest) to gross receipts generated by the operation.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense Ratio</td>
<td>$\frac{\text{Interest Expense}}{\text{Gross Farm Revenue}} \times 100$</td>
<td>B-9, L. 6 ÷ B-9, L. 6</td>
<td>______%</td>
</tr>
<tr>
<td>(This ratio reflects the percentage of interest expense to gross farm income.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Farm Income From Operations Ratio</td>
<td>$\frac{\text{(Net Farm Income from Operations)}}{\text{Gross Farm Revenue}} \times 100$</td>
<td>B-9, L. 11 ÷ B-9, L. 6</td>
<td>______%</td>
</tr>
<tr>
<td>(This ratio reflects the percentage of net farm income generated from operations to gross farm income.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Interest expense = (line 12 + line 13 on B-5b) + (line 28 + line 32 + line 36 + line 40 on B-10b).
2 Unpaid Labor and Management may be the value the operator could earn in alternative employment or the amount of withdrawals for family living expenses as a proxy.
3 Average total assets = (beginning total Farm Asset value + ending total Farm Asset value) ÷ 2.
4 Average total farm equity = (beginning total Farm Equity + ending total Farm Equity) ÷ 2.