

# FARM FINANCIAL ANALYSIS

As of December 31, \_\_\_\_\_ and  
For the Period January 1, \_\_\_\_\_ Thru December 31, \_\_\_\_\_

| Liquidity Analysis   |  |   |          |
|--|--|---|----------|
| Current Ratio =  | $\frac{\$ \underline{\hspace{2cm}}}{\text{Current Assets}} \div \frac{\underline{\hspace{2cm}}}{\text{Current Liabilities}}$ <p style="margin-left: 20px; margin-top: 0;">B-6, L. 10                  B-6, L. 33</p>   | = | _____ %  |
| (This ratio indicates the extent to which current assets, if liquidated, would cover current liabilities.)     |  |   |          |
| Working Capital  | $\$ \underline{\hspace{2cm}} - \underline{\hspace{2cm}}$ <p style="margin-left: 20px; margin-top: 0;">Current Assets       -       Current Liabilities<br/>B-6, L. 10                  B-6, L. 33</p>  | = | \$ _____ |
| (Working capital is a theoretical measure of the ability of an enterprise to meet its short-term obligations.) |  |   |          |
| Solvency Analysis  |  |   |          |
| Debt to Asset Ratio  | $\frac{\$ \underline{\hspace{2cm}}}{\text{Total Liabilities}} \div \frac{\underline{\hspace{2cm}}}{\text{Total Assets}}$ <p style="margin-left: 20px; margin-top: 0;">B-6, L. 38                  B-6, L. 22</p>   | = | _____ %  |
| (This ratio expresses what proportion of total assets is owed to creditors.)                                   |  |   |          |
| Debt to Equity Ratio   | $\frac{\$ \underline{\hspace{2cm}}}{\text{Total Liabilities}} \div \frac{\underline{\hspace{2cm}}}{\text{Total Equity}}$ <p style="margin-left: 20px; margin-top: 0;">B-6, L. 38                  B-6, L. 42</p>   | = | _____ %  |
| This leverage ratio reflects the extent to which debt capital is being combined with equity capital.)          |  |   |          |
| Profitability  |  |   |          |
| Rate of Return on Assets (ROA) =   | $\frac{(\$ \underline{\hspace{2cm}} + \$ \underline{\hspace{2cm}} - \$ \underline{\hspace{2cm}}) \div \$ \underline{\hspace{2cm}}}{\text{Average Total Assets}^3}$ <p style="margin-left: 20px; margin-top: 0;">(Net Farm Income + Interest Expense<sup>1</sup> - Unpaid Labor &amp; Mgmt.<sup>2</sup>) ÷ Average Total Assets<sup>3</sup><br/>B-9, L. 13    B-6, L.22</p> | = | _____ %  |
| (This ratio measures the rate of return on total assets.)  |  |   |          |
| Rate of Return on Equity (ROE) =   | $\frac{(\$ \underline{\hspace{2cm}} - \$ \underline{\hspace{2cm}}) \div \$ \underline{\hspace{2cm}}}{\text{Average Equity}^4}$ <p style="margin-left: 20px; margin-top: 0;">(Net Farm Income - Unpaid Labor &amp; Mgmt.) ÷ Average Equity<sup>4</sup><br/>B-9, L. 13    B-16, L. 44</p>  | = | _____ %  |
| (This ratio measures the rate of return on equity capital employed in the business.)                           |  |   |          |

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For the Period January 1, \_\_\_\_\_ Thru December 31, \_\_\_\_\_

|   |   |   |         |
|---|---|---|---------|
| <b>Liquidity Analysis</b>   |   |   |         |
| Asset Turnover =  | $\frac{\$ \text{_____}}{\text{Gross Farm Revenue}} \div \frac{\text{_____}}{\text{Average Total Assets}}$ <p style="text-align: center; margin: 0;">B-9, L. 6                      B-6, L. 24</p>   | = | _____ % |
| (The asset turnover ratio is a measure of how efficiently farm assets are being used to generate revenue.)                    |   |   |         |
| Operating Expense Ratio =   | $\frac{(\$ \text{_____} + \$ \text{_____} - \$ \text{_____})}{\text{(Total Operating Expense + Interest Expense}^1 \text{ - Depreciation)}} \div \frac{\text{_____}}{\text{Gross Farm Revenue}}$ <p style="text-align: center; margin: 0;">B-9, L. 10                      B-9, L. 8                      B-9, L. 6</p> | = | _____ % |
| (This ratio reflects the percentage of cash farm expenses (excluding interest) to gross receipts generated by the operation.) |   |   |         |
| Interest Expense Ratio =  | $\frac{\$ \text{_____}}{\text{Interest Expense}^1} \div \frac{\text{_____}}{\text{Gross Farm Revenue}}$ <p style="text-align: center; margin: 0;">B-9, L. 6</p>   | = | _____ % |
| (This ratio reflects the percentage of interest expense to gross farm income.)  |   |   |         |
| Net Farm Income From Operations Ratio =   | $\frac{\$ \text{_____}}{\text{(Net Farm Income from Operations)}} \div \frac{\text{_____}}{\text{Gross Farm Revenue}}$ <p style="text-align: center; margin: 0;">B-9, L. 11                      B-9, L. 6</p>  | = | _____ % |
| (This ratio reflects the percentage of net farm income generated from operations to gross farm income.)                       |   |   |         |

<sup>1</sup> Interest expense = (line 12 + line 13 on B-5b) + (line 28 + line 32 + line 36 + line 40 on B-10b).

<sup>2</sup> 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.

<sup>3</sup> Average total assets = (beginning total Farm Asset value + ending total Farm Asset value) ÷ 2.

<sup>4</sup> Average total farm equity = (beginning total Farm Equity + ending total Farm Equity) ÷ 2.