1. **Financial Statements**  
   (Part Deux)  
   Agribusiness Procedures

2. **Income Statement**  
   If the Balance Sheet is a Snapshot, the Income Statement is a Movie – a measure of how the business has performed over a specific period of time  
   - Revenues – Expenses = Income  
   -Aliases:  
     - Profit & Loss Statement  
     - Expense & Revenue summary  
     - Income & Expense statement

3. **Income Statement**  
   Income  
   - Revenue from sales  
   - Interest & Dividends earned  
   -

4. **Income Statement**  
   Expenses  
   - Cost of goods sold  
     - Beginning inventory for period  
     - Plus all purchases for the period  
     - Minus inventory at end of period  
     - Cost of goods manufactured  
     - Direct labor cost  
     - Raw material cost  
     - Factory overhead cost  
     - Depreciation on building and machinery  
     - Supplies  
     - Supervisors salaries  
   -

5. **Income Statement**  
   Expenses (con't)  
   - Operating expenses, i.e. Expenses that contribute directly to sales of goods  
     - Advertising  
     - Insurance  
     - Sales personnel  
     - Entertainment  
     - Travel  
     - General expenses, i.e. Indirect costs incurred in administration of business  
     - Payroll taxes, utilities, postage, etc  
     - Other expenses

6. **Income Statement**  
   Uses  
   - Analyze financial trends over a period of time  
   - Help to decide on  
     - Investments  
     - Purchases of assets
• Distribution of profit
  • Used by others
    • Federal income tax returns
    • State and local taxing agencies
    • Creditors and investors

---

**Budget**

Budget: You can look at it as an estimate of next year’s income statement

4 components
1. Income
2. Cost of goods sold (manufactured)
3. Controllable expenses
4. Uncontrollable costs

**Budget**

Components of a business budget
1. Income
   • EXPECTED sales revenue is forecast by the business and basis for almost all the budget
   • Number of units forecast to be sold during next year and included in THIS section determines the cost of goods sold, controllable expenses in OTHER sections.

2. Cost of Good Sold
   Estimated on basis of previous experiences in markup on the total volume of expected sales

3. Controllable Expenses
   Expenses the business has control over
   • Advertising
   • Personnel
   • Entertainment and travel

4. Uncontrollable Expenses
   Relatively fixed
   • Insurance, all depreciation, office expenses, postage, payroll taxes, utilities

**Budget**

Uses of the Budget
• Convince people to loan you money or make deals with you!
• Helps control the business
• Aids in making decisions about the business
• Allows you to check for deviations away from plans

**Cash Flow Statement**

Measure of change in cash the business has on hand from month to month

- Projects all cash receipts less all cash disbursements
- Used as
  • Record of cash
  • Projection into the future

**Cash Flow Statement**

Components of a cash flow statement
• Takes amount of cash on hand at beginning of the month
  • Adds
  • Cash receipts to the balance
Cash Flow Statement

Uses of Cash Flow Statement

- Identifies future problems with cash
- Warn
  - Months in advance of cash shortage
  - Amount of shortage
  - Identify surplus
  - Arrange for use of funds
- Tool for investor
  - More valuable than income statement