



FINANCIAL STATEMENT BASICS

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When you [apply for a loan](#), you'll be asked to provide your financial statements to assess your creditworthiness, financial history, and ability to repay the loan. Financial statements are an important tool for both businesses and individuals to track their financial performance. These statements give us a quick snapshot of financial health, which helps to make informed decisions about things like investments, loans, and other money matters. There are three primary categories of financial statements, and the first one is the balance sheet. This statement illustrates a company or individual's financial position at a particular point in time. It lists all of the valuable assets that accompany or individual possesses, such as cash, inventory, and property. Additionally, it exhibits the liabilities such as loans and taxes owed to others, as well as the value of the company that belongs to its owners. In creating and using [balance sheets](#), there are a few best practices to keep in mind.

It is important to ensure that all assets and liabilities are accurately recorded and up to date. This means conducting regular inventory checks and keeping track of any outstanding debts or bills. It is also a good idea to use clear and consistent accounting methods so that the information on the balance sheet is easy to understand and compare. By following these best practices, businesses and investors can make informed decisions based on reliable financial data. Next is the income statement, also known as a profit and loss statement. This document shows how much money was earned from sales or services, and how much was spent on things like rent, utility, wages, and supplies. And of course, we get to see whether the company or individual made a profit or incurred a loss over a certain period of time. Now, understanding financial statements is very important for making informed decisions about money.

By analyzing these statements, we can see how a company is doing financially, whether it can pay off its debts, and what opportunities there might be for growth and profit. If you're new to all this financial statement business, don't worry. It might be a good idea to talk to a financial advisor or accountant who can help you make sense of the data and figure out what to do next. And if you're looking for a trustworthy financial partner, why not check out Texas Farm Credit? Our team of experienced financial lenders can help you make sense of those statements and set you on the path to achieving your goals. Give us a call today to learn more.