

# How to interpret business financial information

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If you do not handle business financial information every day, the prospect of cracking an annual report or a data stream of complex business calculations may seem intimidating. There is magic, though, in the relationships of items on balance sheets (documents showing assets, liabilities, and equity of businesses) and income statements (documents showing revenue generated and expenses used to generate that revenue) and in the relationships of those ratios to similar ratios of other organizations.

## Start with the Annual Report

The annual report itself will generally appear on the organization's web site. A ticker symbol lookup tool is available on the top of the CNBC Business News home page at <http://www.cnbc.com>. Reports themselves or hypertext links to them are available free through <http://www.annualreportservice.com> or the Public Register Annual Report Service, online at <http://www.prars.com>. Disclosure filings from publicly held companies are available on the Electronic Data Gathering and Retrieval (EDGAR) section of the Securities and Exchange Commission web site at <http://www.sec.gov/edgar.html>. Yahoo's major portal for corporate data has developed into a good source at <http://finance.yahoo.com>.

Once you get the annual report, making sense of it becomes the next priority. Merrill Lynch Pierce Fenner & Smith offers help in the form of two online documents: How to Read A Financial Report, online at <http://www.scribd.com/doc/11755202/Merrill-Lynch-How-to-Read-a-Financial-Report> and Understanding Financial Reports, online at <http://www.scribd.com/doc/25851151/Understanding-Financial-Reports>. Both of these documents explain each line in a financial statement and the significance of some ratios between certain items on balance sheets and income statements that are accepted indicators of financial health.

## **Key Business Ratios**

Key ratios are important in financial analysis of business. When they are used in comparison with similar ratios of similar businesses, they suggest occurrences significant to competitive intelligence specialists. There is an explanation of key business ratios online on the Dun and Bradstreet web site at [http://kbr.dnb.com/help/Intro/Key\\_Business\\_Ratios\\_intro.htm](http://kbr.dnb.com/help/Intro/Key_Business_Ratios_intro.htm) and a one-page guide available from the U.S. Small Business Administration's Service Core of Retired Executives (SCORE) online at [http://www.score114.org/PDFs/sas-67\\_key\\_ratios.pdf](http://www.score114.org/PDFs/sas-67_key_ratios.pdf).

Ratios themselves for various lines of business are available online on <http://www.bizstats.com> and on the MSN Money Central site at <http://moneycentral.msn.com/investor/invsb/results/compare.asp>.

## **Other Data**

Corporations generally have to register with secretaries of state in the states where they are located or do business. Online access by hypertext link to every state secretary of state office is available at <http://www.e-secretaryofstate.com>. Many press releases are often sources of disclosures or statements useful in litigation and a large archive of press releases is available on Berkshire Hathaway's BusinessWire, online at <http://businesswire.com>. The sheer number of press releases available on BusinessWire suggests you set up an initial narrow screen of search terms, look at your result, and adjust the search strategy to your needs. If you are confused about the corporate origin of a product, you can use the online edition of the Thomas Register, online at <http://www.thomasnet.com>, to discover the corporate maker of the product.