Gray Systems Incorporated
Leading Professional Education Programs

Evidencing financial status and health

Documents you'll need

If you're a project owner, contractor-owner or a member of a partnership, you're already familiar with providing the documents that evidence the financial status and health of your business to lenders. The documents that lenders rely upon are uniform throughout all industries, so understanding their makeup and purpose is beneficial regardless of your particular project at hand.

Three of the most used financial documents include the balance sheet, income statement and cash flow statement and.

A balance sheet provides detailed information about a company's assets, liabilities and shareholders' equity and is a "snapshot" at the end of the reporting period. A balance sheet does not show the flows into and out of accounts during the period.

On the left side of the balance sheet are the listed assets and on the right side are the listed liabilities and shareholders' equity. Sometimes balance sheets show assets at the top, followed by liabilities, with shareholders' equity at the bottom.

Current assets are things a company expects to convert to cash within one year, and inventory is generally a current asset. Non-current assets are things a company does not expect to convert to cash within one year or that could take more than one year to sell. Non-current assets include fixed assets, which are assets used to operate the business and not available for sale. Fixed assets often include vehicles and office furniture and fixtures.

An income statement is a report that shows how much revenue a company earned over a specific time period, generally one year. An income statement also shows the costs and expenses associated with earning revenue as well as a company's net earnings or losses for the period reported. They show a company's net profits or net losses.

Income statements show how much a company actually earned after deducting all of the expenses incurred in earning revenue, which is often called "the bottom line". The "top line" of an income statement lists all monies received from sales of services. The top line is the gross revenues or sales and also called the "gross" because expenses have not yet been deducted.

Cash flow statements report a company's inflows and outflows of cash, which is important because a company must have the necessary cash to pay expenses and purchase assets. Remember that income statements determine if a company had a net profit or a net loss, but cash flow statements shows if the company generated cash.

Cash flow statements provide information about changes over time, rather than a particular point in time and the "bottom line" of a cash flow statement is the net increase or net decrease in cash for the period reported.