

## A Sequence for Reading Financial Information

1. Name of the entity (if not shown check to see if all of organisation or only a part, eg a business unit).
2. What is the document called, if it has a title?
3. Is it a static or flow report, that is, information at a particular point in time or covering a period of time?
4. What are the relevant dates or period involved (often indicated in the title and/or top right hand corner).
5. Scan down the left hand column for the names of the items listed.
6. What is being measured here? Check the headings across the right hand side. Is this a table of dollars or some other numbers such as volumes, number of sales, hours worked or whatever? If dollars, are they Australian? Have numbers been rounded or shortened, eg to 1,000's?
7. Look for the starting point of the financial table, often called opening balance.
8. Note the results of all the calculations, eg profit, margin, total sales, or whatever.
9. Check for a closing balance, if there is one.
10. See if there is any narrative issued with the financial table, eg explanation of variances.
11. Consider taking the table and simplifying it down to a few lines and rounded amounts, it may be clearer then.
12. Where possible assess the commerciality of figures and cross reference to other known amounts.
13. If possible, calculate percentages so as to more easily measure the relationships, eg net profit as a percentage of sales.
14. Try comparing the amounts with the corresponding figure for a similar balance date or period, eg measure the increase in sales.
15. Calculate ratios and industry measures, eg current assets to current liabilities, numbers of days in debtors, etc.
16. Ask yourself the question, what does this financial information tell me? If it is still not clear, ask an accountant.