

Guidebook 3: Monitoring Financial Performance

Table of Contents

INTRODUCTION	iii
ABOUT THIS GUIDEBOOK	v
WHAT IS AN AGRICULTURAL COOPERATIVE	vii
MONITORING FINANCIAL PERFORMANCE	1
Section 1 Financial Statements	1
(a) The Balance Sheet	1
(b) The Income Statement	6
(c) The Statement of Cash Flows	8
(d) The Statement of Changes in Financial Condition	8
(e) The Statement of Patrons Equity	9
(f) The Operating Budget	9
(g) The Cash Flow Budget	10
Section 2 Understanding, Monitoring, and Reviewing Financial Performance	11
(a) Reviewing the Balance Sheet	12
(b) Reviewing the Income Statement	15
(c) Profit Distribution	16
(d) Key Financial Questions for Directors	18
(e) Ratio Analysis	18
Section 3 Types of Outside, Independent Accountant Engagements ..	21
(a) The Audit Engagement	21
(b) The Review Engagement	22
(c) The Compilation Engagement	22
(d) The Preparation Engagement	23
Section 4 What to Expect from Your Auditor	23
Section 5 Four Types of Audit Opinions	25
(a) The Unqualified Opinion	25
(b) The Qualified Opinion	26
(c) The Adverse Opinion	26
(d) The Disclaimer of Opinion	26