

**Table 1. Descriptive Measures of Financial Position and Performance**

| Financial Description            |   |   |
|----------------------------------|---|---|
| Measure                          |   | Interpretation  |
| Total Assets:                    | The market value of all financial and capital resources owned by your business as reflected on the year-end balance sheet.  | The size/amount of your business's financial resources.   |
| Total Liabilities:               | The amount of total debt obligations at year-end as reflected on the balance sheet.   | The financial claims of lenders, input suppliers, and others on your business.  |
| Owner Equity:                    | The value of your financial claims on total assets as determined by subtracting total liabilities from total assets. Often referred to as "net worth."  | Your financial stake in your business your financial claim to the business.   |
| Gross Revenues:                  | The total value of products produced by your business on an accrual-adjusted basis (i.e., whether sold for cash or held in inventory) as reflected on the accrual-adjusted income statement.  | The income from sales and other sources available during an accounting period before deduction of expenses.   |
| Operating Expenses:              | The total of expenses incurred in conducting the on-going operations of your business as measured by the accrual-adjusted income statement.   | The total expenses incurred in producing revenue during an accounting period.   |
| Net Farm Income From Operations: | The net income reported on an accrual-adjusted basis after operating expenses have been deducted from revenues. This is the net income before certain expenses, such as income taxes, have been deducted. Typically it does not include capital gains and losses that are unusual in nature and infrequent in occurrence. | A basic measure of business profitability. The amount by which income from operations exceeds expenses from operations during an accounting period. |

Source: [Measuring and Analyzing Farm Financial Performance](#); Purdue Extension & Department of Ag Economics; May 2012