

Financial Risk Management: *Checklist for Farms and Agribusinesses*

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- ✓ In the past year, have you evaluated the following for your farming operation?
 - The cost and availability of debt capital
 - The ability to meet cash flow needs in a timely manner
 - The ability to absorb short-term financial shocks
 - The ability to maintain and grow equity

- ✓ Do you update your financial statements and analyze them at least on an annual basis, including the following?
 - Balance sheet
 - Cash flow statement
 - Income statement
 - Statement of owner's equity
 - Sources and uses of funds statement
 - Change in cash balance from beginning to end of the year
 - Net cash provided by operating activities
 - Net cash provided by investing activities
 - Net cash provided by financing activities

- ✓ In the past 6 months, have you analyzed your farm's financial position by analyzing the following financial performance measures?
 - Liquidity (current ratio)
 - Solvency (debt to asset ratio)
 - Profitability (net farm income)
 - Repayment capacity (debt repayment)

- ✓ In the last 6 months, have you evaluated your interest rates in order to analyze when and where borrowing makes sense for your farming operation?
 - Borrowing makes sense when Return on equity (ROE) > Return on Assets (ROA)
 - When you are not losing money on borrowed funds

- ✓ In the last year, have you evaluated your farm's ability to maintain and increase equity? Some considerations are below.
 - How much debt can your farm carry?
 - Do you have a contingency plan for cash flow shortages?
 - Are you able to repay debt in a timely fashion?

For more information, check out the [webinar recording](#) on this topic or the Purdue Institute for Family Business site on [Contingency Planning!](#)

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