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1. What can the balance sheet tell you?	The Balance Sheet can highlight the financial strengths and weaknesses through individual snap shots in time. For example, liquidity measures can indicate how well the business is positioned to meet short and long term financial obligations. This is particularly important if the owners are attempting to borrow money or obtain credit. Changes in Net Worth indicate whether the value of the business is growing or declining. Current owners and potential investors will want to know if the value of the business is growing or declining. The Balance Sheet and elements of the Income Statement can be used to detect trends in how inventories, accounts receivable, accounts payable and return on assets are being managed. Problems detected from analyzing the Balance Sheet can sometimes be corrected by changes in business strategy and policy. Short-term debt can be converted to long-term debt. Cash can be used to retire debt. Payment and collections policies can be made more stringent. Non-productive assets still on the books can be retired.
2. What can the income statement tell you?	The Income Statement can tell the Business Consultant how the business was managed for a period of time in terms of financial profitability. Comparisons with previous Income Statements can indicate whether sales and gross profit on sales are increasing or declining. Sales and G&A Expenses can be analyzed to determine if expenses need to be reduced.
1. Acid test	cash/current liabilities Company A 2010: 800/475-1.68 2011: 650/440=1.47 Company B 2010: 700/485=1.44 2011: 850/500=1.70
2. Receivables turnover ratio	net sales/average accounts receivable Company A 2011: 3500/((350+290)/2)=10.9 Company B 2011: 6000/((400+500)/2)=13.3

3. Inventory turnover ratio	cost of goods sold/average inventory Company A 2011: 1200/((1000+1200)/2)=1.09 Company B 2011: 3200/((1500+1300)/2)=2.28
4. Equity to debt ratio	total equity/total debt Company A 2010: 2575/1475=1.74 2011: 3250/1390=2.33 Company B 2010: 3415/1985=1.72 2011: 3650/1400=2.60
5. Net profit margin	net income/net sales Company A 2010: 822/3700=.222 2011: 828/3500=.236 Company B 2010: 1109/5500=.201 2011: 1063/6000=.177
6. Gross profit margin	gross profit (net sales-cost of goods sold)/net sales Company A 2010: (3700-1110)/3700=.700 2011: (3500-1200_/3500=.657 Company B 2010: (5500-2750)-5500=.500 2011: (6000-3200)/6000=.466