

Information for Decision Making

COMMUNICATING FINANCIAL INFORMATION

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- ✓ STATISTICAL TABLES
- ✓ STATISTICAL GRAPHS
- ✓ THE PRESENTATION
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WHAT IS FINANCIAL INFORMATION

What is Financial Information

- It is an integrated set of financial statements and notes, to express the financial position, results of operation and changes in the financial position of a company.
- It is the information produced by accounting, indispensable for the management and business development.
- It is processed and concentrated for use.
- It serves for the formulation of conclusions about the financial performance of the entity. Through this information and other criteria, the user will be able to evaluate the future of the company and make economic decisions based on it.

Objectives of Financial Information

- It should complete the objective of reporting on the financial situation of the company on a certain date, and the results of its operations and changes in its financial position for the accounting period ending on a certain date.
- It is a means of communicating the financial position which satisfies the user, and since there are diverse users of this information it should serve them to:
 - Make decisions about investment and credit. The main stakeholders of this information are those who can provide financing or grant credit, to see how stable it is, and the growth of the company. And thus know the yield or return on investment.
 - Know the solvency and liquidity of the company, as well as its ability to generate resources. Here the stakeholders will be the different creditors or owners to measure the flow of money and their yield.
 - Evaluate the origin and characteristics of the company's financial resources, as well as its yield. This area is of general interest to understand the use of these resources.
 - Finally, to form an opinion of how to manage the business and evaluate the management of the administration, how it manages the profitability, solvency and growth potential of the business.

A Means of Communicating the Financial Position which Satisfies the User

- User Profile Information:
 - External:
 - E.g.: State, Tax Administration, Banks, Suppliers.
 - Internal:
 - Administration: Management and Direction.
 - Members Conference, Boards, Committees, etc.
- Each user profile requires a distinct type of information to meet their demand.

To Satisfy the Need of Each User Information

When preparing the reports:

- Consider what information is useful for users who are not in the area of accounting, for example:
 - Board.
 - Non-accounting Managers.
 - Committees.
 - etc.

To Satisfy the Need of Each User Information (cont.)

- Tools to communicate information:
 - Tables.
 - Graphs.
 - Presentations.

STATISTICAL TABLES

Recommendations to consider when presenting tables

- A statistical table is an organized arrangement of processed information to ease the reading and interpretation of them.
- Statistical tables represent the synthesis of the steps of collection, compilation and analysis of the data.
- It clarifies the meaning of the material.
- Place yourself in the place of the information user. Structure it from the standpoint of the utility to provide to the user.
- In studies conducted it has been shown that a good tabular style of presentation not only facilitates the interpretation of the content, but also makes it more attractive.

Recommendations to consider when presenting tables (cont.)

- For the best interpretation of the content, take care:
 - That the reading is done without appealing to the title.
 - That this is interpreted in such a way that it is not necessary to see the Context.
 - That the title appears on every page where the table extends and also the number which identifies it.

STATISTICAL GRAPHS

Purpose of Statistical Graphs

- Communicate.
- Summarize the available information.
- Analyze the data set.

Graphs Serve to:

- Represent frequency distributions.
- Visualize the existence by association in the same unit of observation.
- Study the homogeneity of two distributions.

Types of Graphs

Bar

Sector

Histograms

Frequency Polygons

Line

Correlation

etc.

Characteristics of Graphs

- Simple and self-explanatory.
- Meets a single goal (not various at the same time).
- Consider the path of the variables and the level of measurement (avoid partial graphs or biased information).
- Include a title.
- Indicate through axis labels the names of the variables.
- Report the units of measurement, if applicable.

THE PRESENTATION

Tips for Effective Presentations

- Clarification:

Graphic support or power point DOES NOT MAKE THE PRESENTATION, but rather the PERSON, the PRESENTER, which is who the audience wants to hear.

Tips for Effective Presentations (cont.)

- **Put yourself in the place of your audience.-**

Ask yourself:

- What is the purpose of this talk?
- What should the audience take always from the presentation?
- What does the audience hope for and value?
- What might they not understand?
- What might seem boring?

Tips for Effective Presentations (cont.)

- Make it **SIMPLE!**

There should be NO superfluous information.

Do not overload the Presentation with Design.

Examples:

Tips for Effective Presentations (cont.)

- Excessive degree of details



Tips for Effective Presentations (cont.)

- Simple comprehension



Tips for Effective Presentations (cont.)

- Be **VISUAL**, "a picture speaks a thousand words."
- Be **JUDICIOUS** in the use of TRANSITIONS and ANIMATION.
- **LIMIT** your ideas to ONE central idea per slide.
- Each slide should have a title which states the principle point to be communicated.
- **Should not include paragraphs** on the slides, unless a direct quote.
- Write phrases, not sentences.
- **Take** special care with grammar and spelling, since mistakes are magnified when projected.

Tips for Effective Presentations (cont.)

- **Simplicity** should be promoted through the entire presentation.
- Use a **clear and easy to** read font such as Arial, Tahoma or Verdana. As well as simple backgrounds.
- Be careful with the use of colors.
- Ensure a **strong contrast** between the text and background.
- The presentation should have the **fewest sounds and animations possible**. These elements should be reserved to give a larger emphasis in important points.

EXAMPLES OF REPORTS

Brief Explanation:

- Important: for those who receive the reports, whether or not in the economic-financial area.
- **In addition to** the percentage data, index, and/or nominal value.
- **Add a “grade”**, for example:
E (excellent), VG (very good), G (Good), A (average), or P (poor).

Definition of terms:

- **W.P.:** SAD Working Policy.
- **W.C.:** Working Capital.
- **I.L.I.:** Immediate Liquidity Index.
- **Operating Income:** Operating Income or Operating inputs
- **Operating Expenses:** Operating Expenses or Operating outflows
- **D. B.:** Denominational Balance.

Definition of terms:

- Everything is developed below in more detail in two pages of the D. B. of the SAD, titled:

“Financial and Economic Analysis”. It also shows the monthly progression of the year, by various indices.

Working Capital %

- It is a financial indicator expressed in %.
- The ideal is 100%.
- Guidelines that are established in the W.P. are listed under **T 15 05**.
- According to the W.P. the **W.C.** is “what an organization or institution has is the amount by which current assets exceed current liabilities and reserves. At least 50% of W.C. must be in cash or short-term realizable assets” (ft).
- As of 2010, unions should have a W.C., equaling 32% of all operating expenses of the last 12 months, not including the reserves, restated by month.
- It is normally presented monthly, in the fourth page of the **D. B.**

Immediate Liquidity Index

- Financial indicator, whose **ideal** is 1 (one).
- It is perhaps the most demanding index within the SDA Organization,
- It expresses: how many available resources (cash, foreign currency, banks and financial applications) I have to deal with the financial obligations of the entity (what appears under the current liabilities-page 1 of the **D. B.**).
- The **I.L.I.** normally is presented in a monthly form, in the fourth page of the D.B.

% of Self-sustainability

- Financial indicator, whose **ideal** is 100%.
- It is the relationship which exists between the Operating Expenses and the Operating Income, which are characteristics of the Organization.
 - Does NOT include Operating and Regular Grants, as known at the denominational level.

% of Operating Surplus (Deficit)

- Economic-financial indicator, whose ideal, depending on what the Organization deals with, would be a positive %, which may be around 5% or more.
- Represents the relationship between the Operating Expenses and the Operating Income.
 - Including Operating or Regular Grants, which may exist, depending on the Organization.

Evolution and Composition of Operating Expenses – Compared to the Budget:

- It informs how they are evolving Operating Income compared with the Operating Budget, either the month only, also accumulated in the year until the current month.
- This information is found in the first pages of the D.B., where there are various analyses (vertical and horizontal).
- In the case of Church Administration (Unions and Fields), the most significant entry is the tithe. But in the case of other organizations, it is probably important to disaggregate income according to its importance and compare each to its respective budget, to arrive at the Operating Results' Grand Total compared with the Operating Budget Grand Total.
- Another important aspect is to make a comparison with previous years, bearing in mind, whether or not the place where it applies there was inflation, for the validity of the comparison, it is necessary to make the restatement, or search for a stable base, which could be the Dollar, the YRF (Yearly Rate Factor) or another.

Evolution and Composition of Operating Expenses – Compared to the Budget

- In the case of Operating Expenses, the general concepts, are similar to those of Operating Income.
- What needs to be clarified in this case, is that in the majority of Organizations, there are 5 basic areas in which are grouped the various expenses, and the those are compared with the corresponding Operating Budget.

EXAMPLES OF REPORTS

TREASURY REPORT

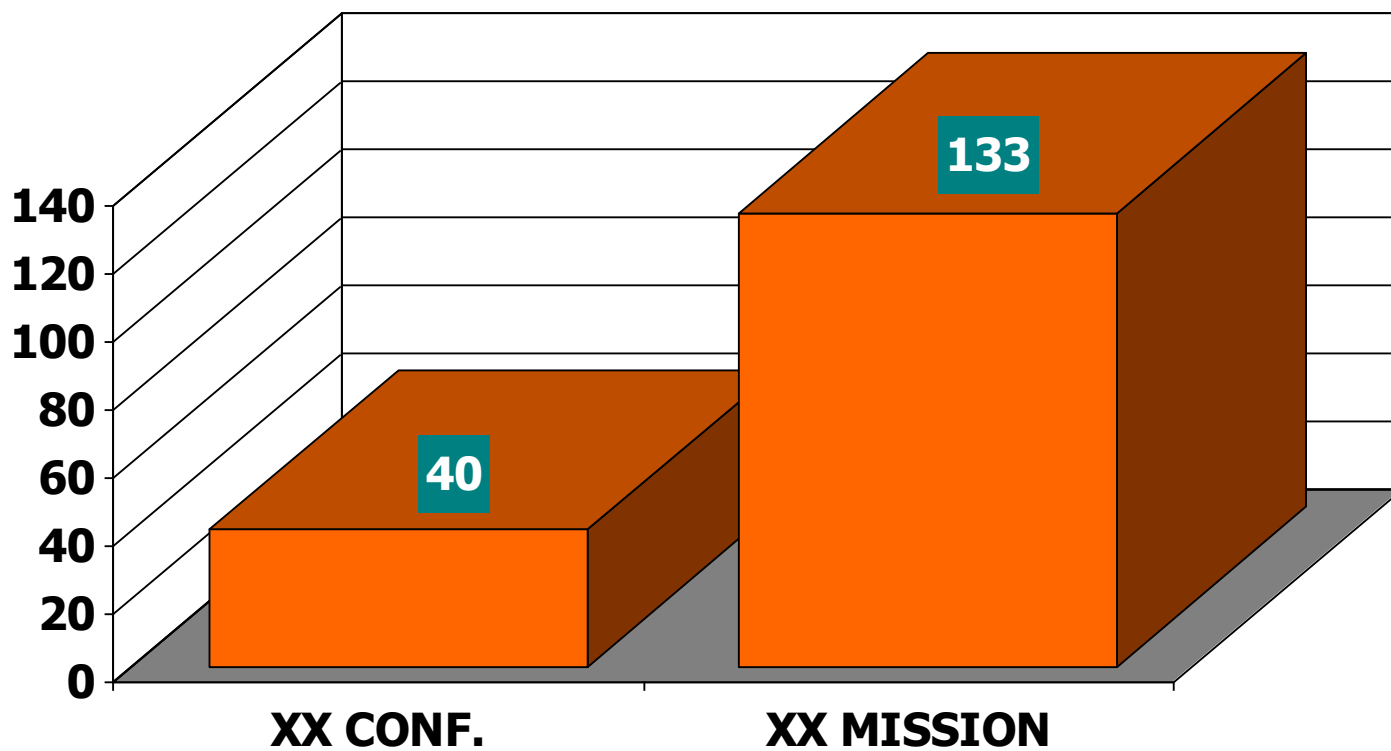
XX UNION

CONFERENCES - MISSIONS

UNTIL MAR 31, 2010

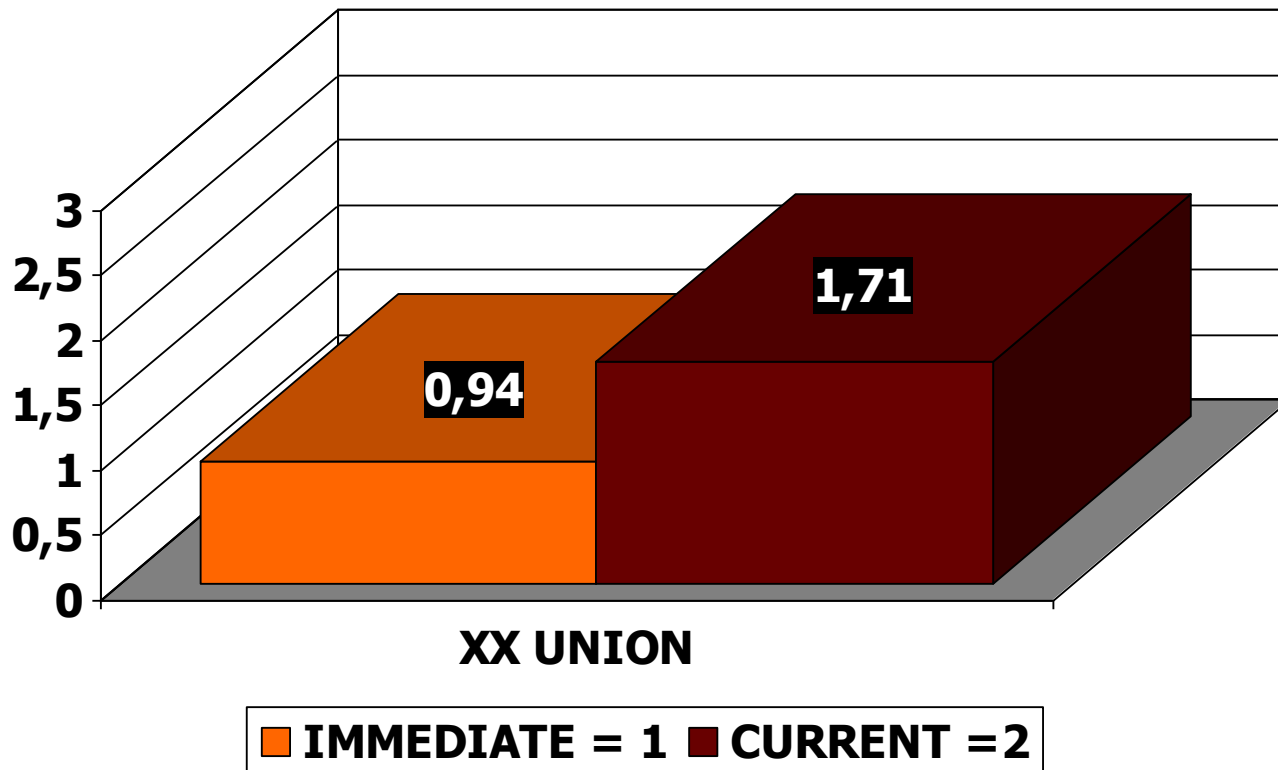
CONF./MISSION until MAR 31, 2010

% Operating Capital



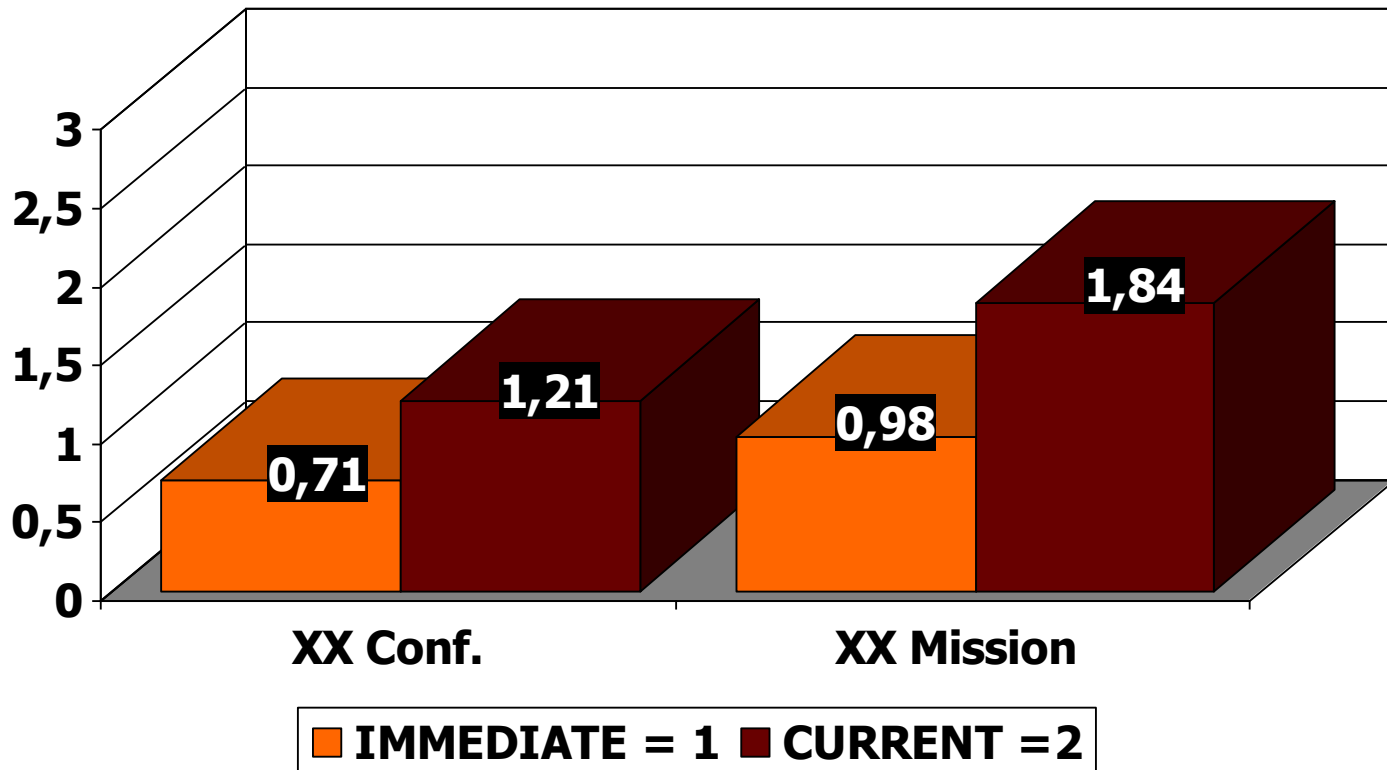
XX UNION until MAR 31, 2010

Immediate Liquidity Index



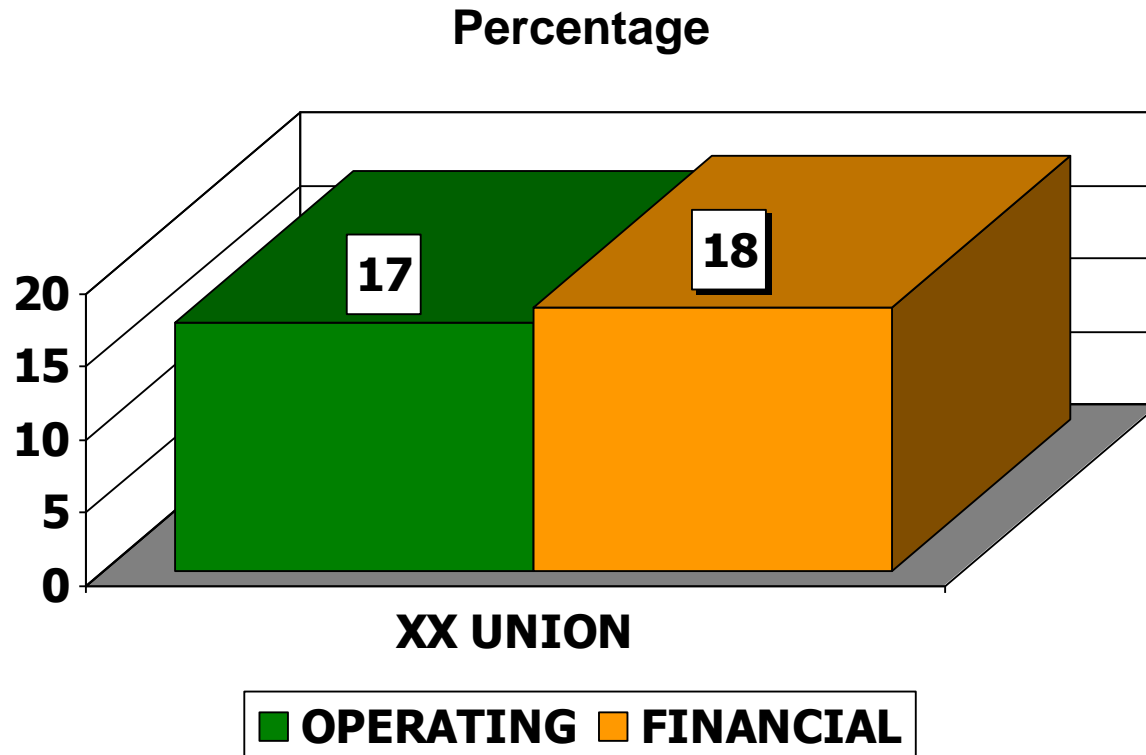
Conf. and Missions until MAR 31, 2010

Immediate Liquidity Index



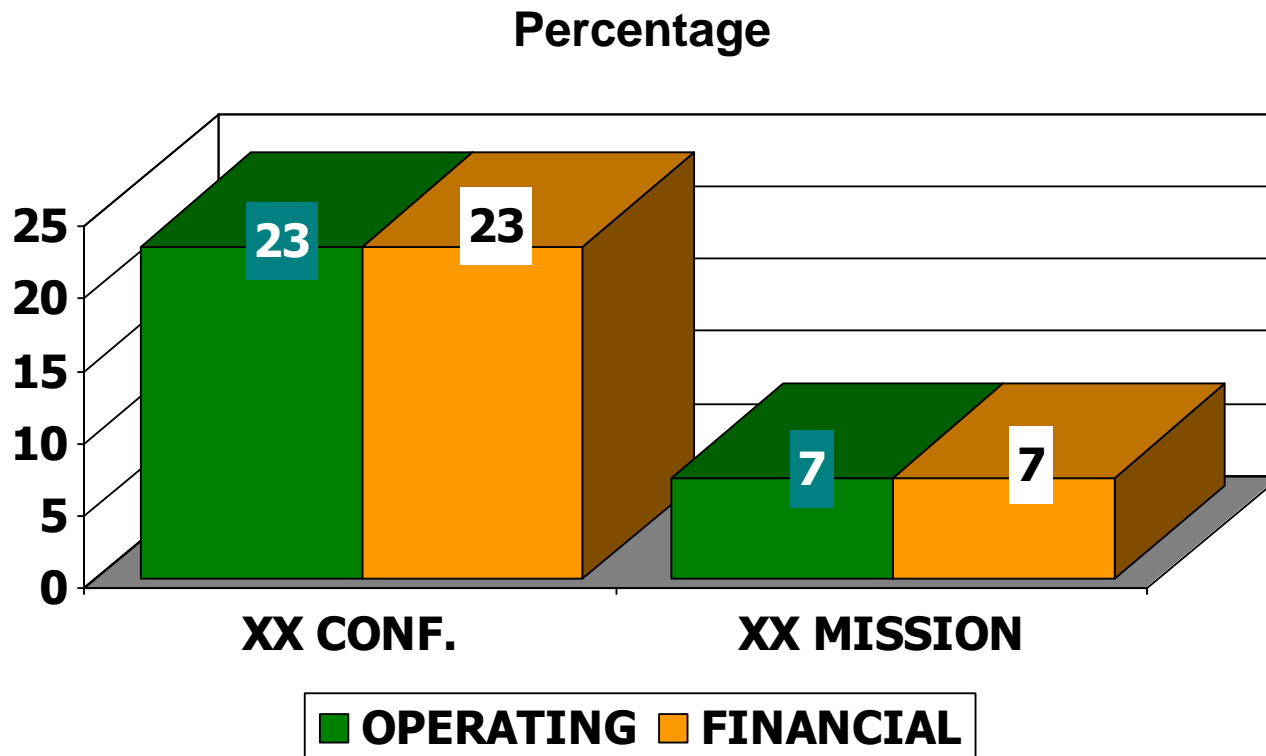
XX UNION until MAR 31, 2010

% Operating and Financial Results



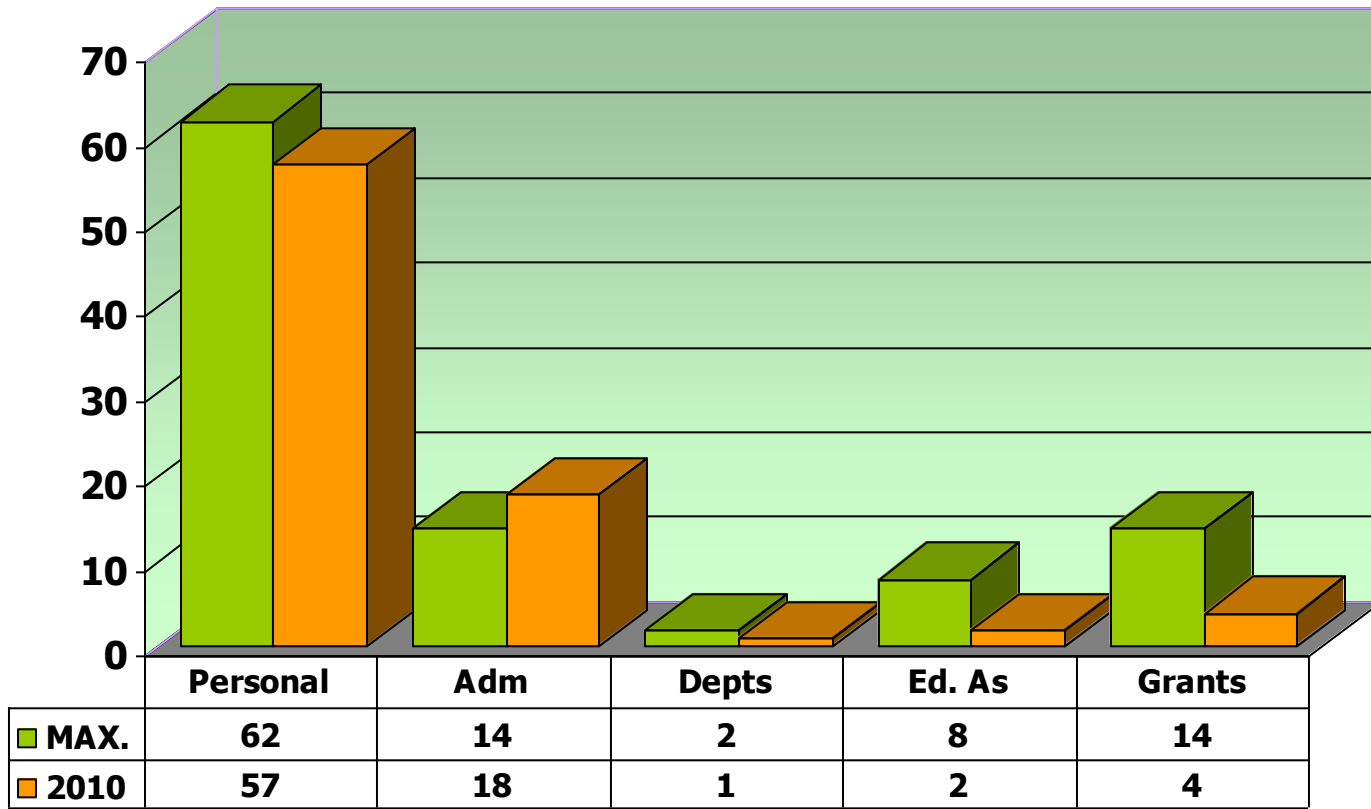
CONF./MISSION until MAR 31, 2010

% Operating and Financial Results



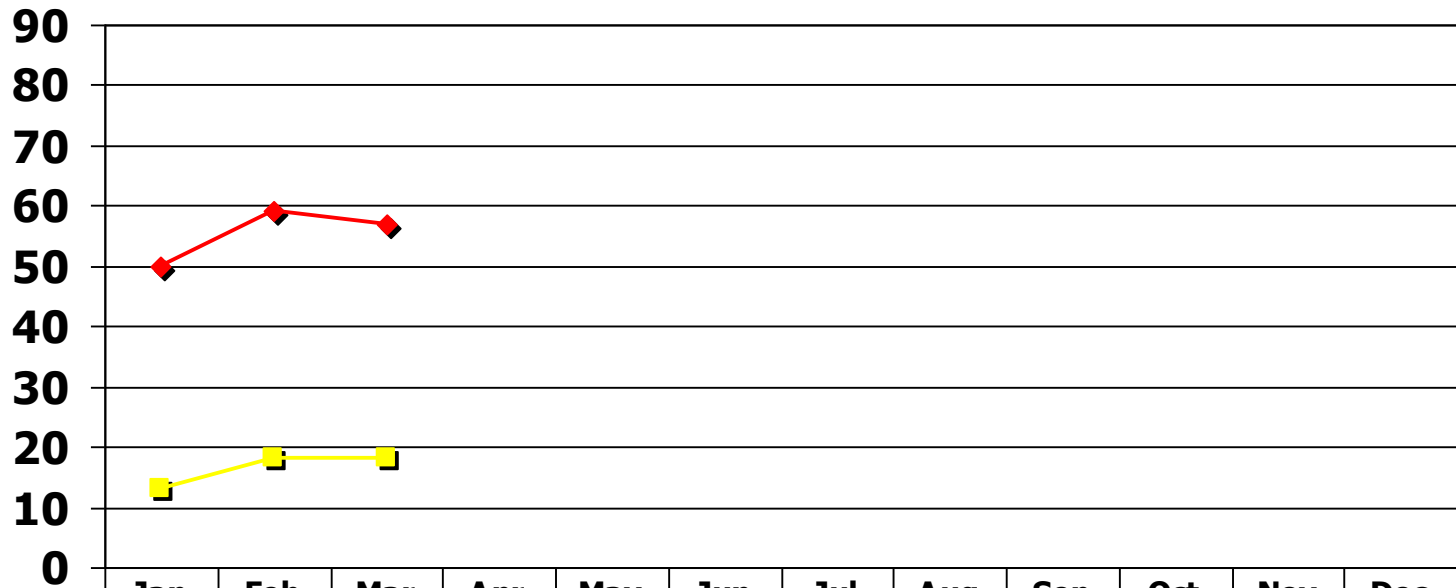
XX UNION

OPERATING COSTS until MAR 31, 2010



XX UNION – by ENTRIES

STAFF and ADMINISTRATIVE – MAR 31, 2010



◆ Personal 62%

Jan

50

Feb

59

Mar

57

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

■ Adm 14%

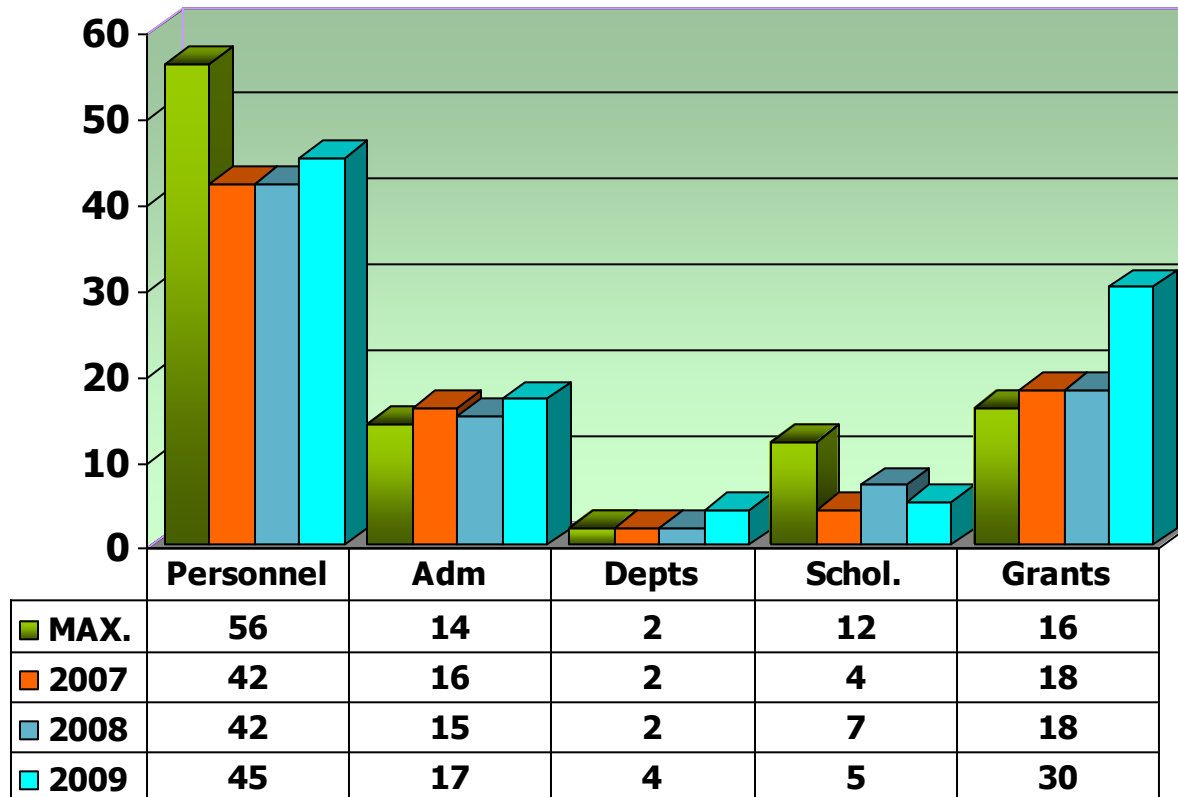
13

18

18

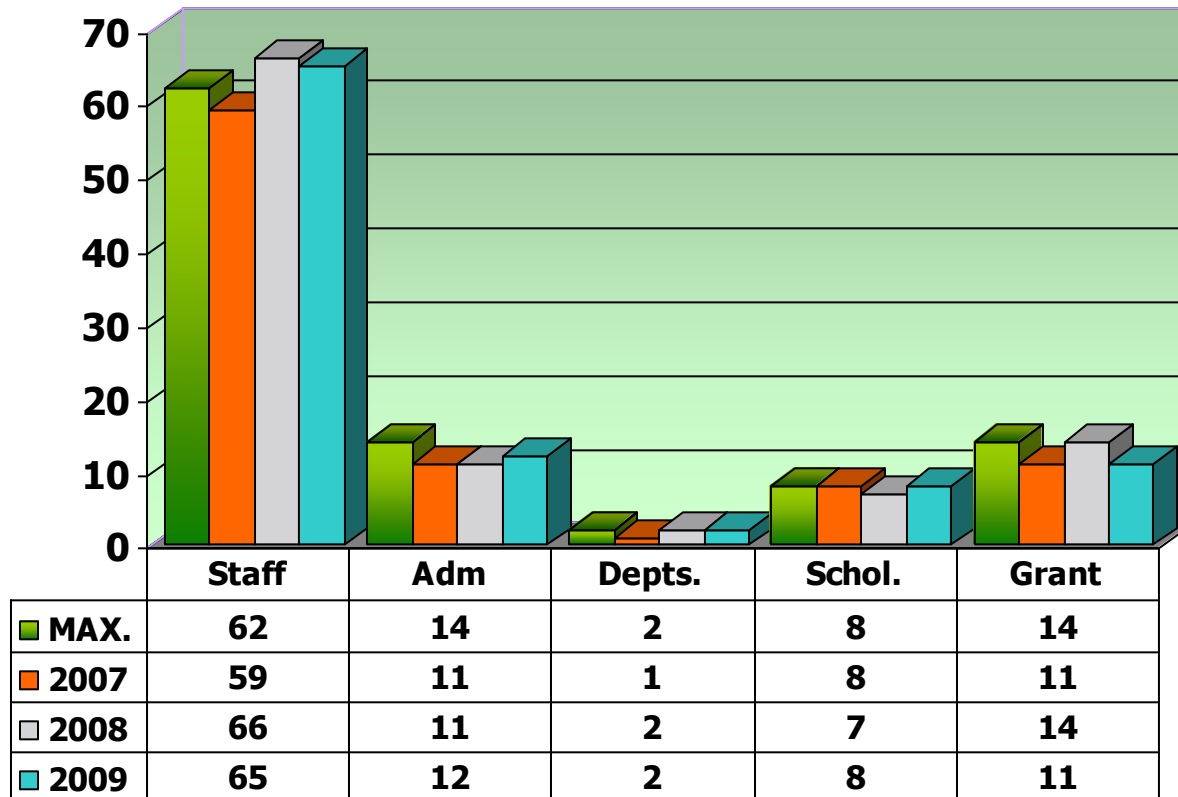
XX CONF.

CHANGE OF OPERATING COSTS. 2007-2009



XX MISSION

CHANGE OF OPERATING COSTS. 2007-2009



Prepared by Argentina Union Conference
May 31, 2010