



## *Performance vs Health*

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## *Performance - the P&L*

- ◆ a sad story
- ◆ measures output over a time interval
- ◆ highly visible measure
- ◆ the "Bottom Line" (earnings, P/E)
- ◆ refer to corporate reports (Annual, quarterly)  
(see example)
- ◆ P&L not enough by itself



## *Health - the Balance Sheet*

- ◆ A snapshot at one moment in time
- ◆ Health measure - cash, liquid assets
- ◆ Measures what you own and what you owe
- ◆ Also a summary of cumulative performance
- ◆ Not enough by itself



## *How they tie together*

1. Start with P&L
2. Add Cash flow to P&L  
(note cash flow shows P&L & Bal Sheet info)
3. Balance Sheet shows Asset Balances
4. The only P&L link to Balance Sheet is Retained Earnings  
(see sample CF Spreadsheet re AR, AP, Inv, etc)



## *Phantom Yo-Yo's - a Case Study*

- ◆ Are we making any money?
- ◆ Scenario:  
Bought parts for 625 yo-yo's  
Sold 100 for total sales of \$750
- ◆ What goes on the P&L?
- ◆ What goes on the Balance Sheet?

(see [spreadsheet](#))