

MOODY'S | **Financial Risk Assessment** Exit

Personal Financial Ratios

Personal and Business Financial Statements

Introduction

A personal financial net worth statement shows what a person's net worth is at a certain point in time in a given currency (e.g. dollars). If the person is a business owner, the net worth figure may include his or her investment in the business. However, an exception occurs when the owner is being considered as a source of support for a loan to that business. In such cases, the business investment is excluded from personal net worth.

This lesson describes the relationship between personal and business financial statements and explains how the value of the business is determined.

Personal Financial Ratios Video

Personal and Business Financial Statements *\$ ¥ € ₹

Throughout the lesson content, glossary, and related resources, you will find links to additional information. These links display information in a new window.

Small Business Lending addresses topics relevant to the small business lender with an emphasis on effective assessment of financial, market, and management risks. This 20-22 hour eLearning course is on the learning path for the Certificate in Small Business Banking.

You learn how to:

- » Assess the financial condition and trends of commercial and industrial enterprises.
- » Calculate and interpret liquidity, solvency, and debt service coverage ratios to identify critical credit risk factors.
- » Interpret and analyze company cash flow to assess debt service capacity.
- » Meaningfully forecast company financial results to determine a range of likely future outcomes.
- » Evaluate marketplace and competitive risks that could impact financial performance.

- » Assess the entity's management integrity, skill set and corporate governance.
- » Make sound, defensible lending decisions.



Moody's Analytics learning solutions help transform work performance, providing you with the skills and tools to apply complex concepts and make sound credit decisions.

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Personal Financial Statements
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The Net Worth Statement: Knowledge Check

Results

You have completed the Knowledge Check.

Score: 66.67%

[Back to Content](#)

[Retake Quiz](#)

Knowledge Check Review

Question 1: What is Marianne's personal net worth?

Correct Answer is B

A. \$62,145
B. \$52,145
C. \$47,145
D. \$44,545

Feedback:

Marianne's personal net worth is \$52,145, calculated as \$50,845 (personal assets) plus \$7,600 (business net worth) minus \$6,300 (personal liabilities). It is important to scrutinize the personal net worth statement and the business balance sheet to be sure there is no duplication of information. The \$10,000 in Marianne's business cash account and \$15,000 business loan should be reflected in the equity value of the business.

Question 2: Why is Marianne's car valued at 50% of its worth?

Moody's Analytics industry-leading online programs appeal to all learning styles, using multi-media and interactive lessons, including videos and practice quizzes.

With Moody's Analytics eLearning:

- » You gain in-depth understanding of credit theory and sector-specific factors from our relevant and current content.
- » You concentrate your studies on the areas where you have knowledge gaps, through our pre-course diagnostics and comprehension checks.
- » You can configure the course to “test out” and accelerate through based on your diagnostic scores.
- » You optimize your learning time through our engaging, industry-leading online programs with interactive, multi-media lessons, which feature videos and quizzes.
- » You build your confidence by practicing complex concepts, applying new skills, and demonstrating mastery with a robust simulation based on a real lending scenario.
- » You demonstrate your mastery of the concepts by completing a final examination.
- » Program sponsors can monitor participation, assess performance, track completion, and access critical detail to support measuring ROI.

Who is taking this course?

- » Small business lenders and relationship managers
- » Small business loan analysts and underwriters
- » Branch managers, client-facing of small businesses
- » Certificate in Small Business Banking candidates

This course is on the learning pathway for the Certificate in Small Business Banking.

Today's small business lenders have to understand their clients' needs and adapt to a rapidly changing marketplace. They have to make good credit and business decisions with limited information and time.

Moody's Analytics offers an eLearning curriculum specifically designed with the small business lender in mind. Our program focuses squarely on understanding businesses, their borrowing needs, and the risks of lending to them.

Small Business Lending helps tackle constraints in the credit process by increasing your understanding of the client's needs and providing skills for good credit and business decisioning.

Small Business Lending

Financial Risk Assessment

Credit Analysis Foundation - Financial Risk	Capital Spending, Leverage, & Debt Coverage
Businesses & Their Borrowing Needs	Cash Flow Analysis
Profitability Ratios	Personal Financial Statements
Activity Ratios	Personal Financial Ratios

Industry/Business Assessment

Credit Analysis Foundation - Industry/Business Risk

Business Environment

Competition

Management Risk Assessment

Credit Analysis Foundations- Management Risk

Management Skill & Execution

Management Scope

Loan Structure

Simulation

This simulation assesses the learner's ability to apply what they have learned by working through a real business lending scenario.

Learners are required to gather data, analyze credit risk and recommend a loan decision and structure, and then compare their decisions and recommendations with those of an expert.

The full course can be completed in 20 to 22 hours (or less if it is configured to "test-out" based on diagnostic scores).



LEARN MORE

Learn more about Moody's Analytics industry-leading learning solutions. Contact us at elearning@moodys.com or visit us at www.moodysanalytics.com/learning.

www.moodysanalytics.com/learning

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