

Financial Analysis and Remembering the Audience



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Financial analysis can be a thankless job. You distribute numerous financial reports only to be asked rudimentary questions about every spreadsheet. You spend countless hours building the perfect model, but the boss swiftly ignores it. Sometimes you wonder if anyone understands your work. Is anyone listening?

The answer is yes, people are listening. There is an audience for your work. But if you are suffering such dismissive reactions to your analyses, the problem is not whether anyone is *listening*. The problem is whether anyone is *following*.

It is important to remember that, to the standard user, the output of financial analysis often seems nothing more than a mass of jumbled numbers. Even short, summary tables can be indecipherable without directions. And yet many financial analysts neglect this reality.

Financial analysis must be designed with the intended recipient in mind or it will likely be ignored.

We've all been there. It's a natural consequence of being an analyst. While solving a complex financial puzzle, it's easy to forget the audience.

You find yourself digging through a massive dataset, searching for an elusive answer. Maybe you're trying to find the key correlation in a forecast variance or the obscure error in a reconciliation. The task seems endless. You're building variations on macros, pivot tables, and data sorts and linking categories

of numbers to broader interpolations. It seems like the numbers are a bottomless pit, and the list of possible equations are a black hole. Eventually, after hours (or sometimes even days) of work, you find the solution. The final column reconciles, and the last number is right. Your relief feels like nirvana.

You sigh, sit back in your chair, and lift your head from the screen. You start looking around the office and catch the boss's eye. It's only then that you remember. You'll need to explain that bottomless pit. But how do you succinctly present a black hole?

Don't despair. Although enhanced financial presentation takes time to learn, there are some basic rules to help you get started.

Include a Title Block

Every financial presentation needs a title block that summarizes the purpose and contents of the analysis. The title block typically lists compulsory information about the analysis on two or three lines at the top-left corner of the page. This information should be the first thing a reader sees and needs to be both concise and informative.

The first line is reserved for the title, which is essentially the analysis's description. Titles are intended to explain what the analysis is about. This title can be short (e.g., "Income Statement") or it can be more descriptive (e.g., "Multiperiod Variance Analysis of the Income Statement"). Be succinct if possible, but don't omit helpful words unnecessarily.

The next line provides information about the time period(s) covered. This subtitle can be listed formally (e.g., "For the fiscal quarter ending March 31, 2019") or informally (e.g., "Q1 2019"). Your audience will dictate which level of formality is appropriate.

The last obligatory piece of title block information is the analysis's denomination. The title block must list the currency and fractional form of analytical presentation. For example, if the analysis is presented in United States Dollars, and the numbers are listed in fractional thousands as opposed to whole numbers, then the subtitle would list "in USD thousands" or "USD 000s".

Through these simple descriptors, the title block provides clear instructions for reading your analysis. At this point, the audience at least knows what they are looking at.

Format for the Audience

It is next important to understand how your audience will physically review your analysis. Will they print the file and read it on paper? Will they only read it on a digital screen? If the later, what is the size and form of that digital screen? Is it a monitor, a laptop, or a smartphone?

Once you know the medium of review, format the page to accommodate that output. For example, if you know that your boss prints everything, then setup page size and scale, page breaks, repeating column headers, and other printer-friendly aspects of the output. On the other hand, if you believe many readers will view the file on a mobile device, it may be best to convert your work to PDF format.

Considerate formatting ensures the reader does not get frustrated before starting to read your work.

Review for Clarity

Before distributing your analysis, it is important to review the report with fresh eyes. Remember that the work is not actually for you. This means your review must be conducted from the perspective of the audience. Proof-read the presentation to confirm the reader can understand it without personal guidance from you.

Ensure that the report makes sense. We know that most analyses are performed to answer questions about periodic results or financial inconsistencies. So, consider whether your analysis answers such key questions.

The presentation should not only include answers but explain how the answer was derived. This is achieved through the inclusion of all relevant data points. Although you want to maintain clarity through summarization, you should not expect the reader to conduct ancillary research in order to reconcile or understand your work.

Overall, a clear analysis delivers a simple message that offers answers instead of undecipherable lists of numbers.

When keeping the audience's perspective in mind, your work will merit improved attention. Nuisance questions will stop and will be replaced by strategic debate. Soon, the audience will not only *listen* but will *follow*.

The above instructions are only a primer. In future blogs, I will attempt deeper exploration into the skill of advanced corporate finance. Stay tuned for topics such as financial data visualization, formatting, and understanding context.

For insights on the art of cash flow analysis, check out my book: [Cash Flow Analysis: A Guide for the Corporate Financial Analyst](#) [here](#).

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