Measurement and Analysis of Organizational Performance addresses organization’s selection, management and available information data to assess the company’s overall performance standards as well as support organizational planning and performance improvement. The measurement of performance starts out with BUDGET which essentially is a plan for future action of balancing company’s cash flow. BALANCE SHEET contains financial information such as assets, liabilities and stockholders’ equity. While, balance sheet only gives the broad picture of company’s financial capability, INCOME STATEMENT reveals the financial flow and gives a clear indication of the profitability of business. Income statement contains detailed transactions of the incurred costs, sales, depreciation and other miscellaneous expenditures as well as income. CASH FLOW STATEMENTS contain information such as operating, investing and financing activities. Once, various aspects of financial terms are studied, next thing is to use these terms to evaluate an organization’s performance.

Performance analysis starts with liquidity ratios, which are used to evaluate company’s cash situation, hence predict company’s ability to meet unexpected expenses. Debt ratios determine how heavily a company has borrowed to finance its operations. It also indicates company’s ability to meet long-term obligations to its stockholders or pay-off its debts. Similarly, profitability ratios are used to evaluate company’s performance with respect to sales, assets and equity. Performance analysis also include time value of cash flow as the interest rate varies, the value of cash can vary greatly in future. Calculating these ratios are only the first of many steps in understanding company’s overall financial performance. Once, the ratios are calculated and entered into the system electronically, developing a trend analysis to compare the company’s financial ratios over a longer period of time as well as industry comparison to compare ratios of those with the competitors. Having an access to this kind of key financial analysis can really help one make important business decisions in the industry in a quick and efficient manner.

References:
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