HOW TO GET THE MOST VALUE FROM RMA’S ANNUAL STATEMENT STUDIES®:
UNDERSTANDING HOW THE BOOK IS ORGANIZED

PART 1 IN A SERIES OF 7 GUIDES

Enterprise Risk • Credit Risk • Market Risk • Operational Risk • Regulatory Compliance • Securities Lending
RMA’s Annual Statement Studies is the only source of comparative industry data that comes directly from the financial statements of small and medium-size business clients of RMA’s member institutions. For over 98 years, RMA has been the leader in providing the industry with reliable, and accurate benchmarking figures including balance sheet and income statement line items, and 18-classic industry average ratios such as the current ratio, quick ratio, and turnover ratios.

The following information will explain the presentation of Annual Statement Studies: Financial Ratio Benchmarks and describe how the book is organized.

- **The Quality You Expect from RMA:** RMA is the most respected source of objective, unbiased information on issues of importance to credit risk professionals. For over 98 years, RMA’s Annual Statement Studies has been the industry standard for comparison financial data. Material contained in today’s Annual Statement Studies was first published in the March 1919 issue of the Federal Reserve Bulletin. In the days before computers, the Annual Statement Studies data was recorded in pencil on yellow ledger paper! Today, it features data for over 787 industries derived directly from more than 260,000 statements of financial institutions’ borrowers and prospects.

- **Data That Comes Straight from Original Sources:** The more than 260,000 statements used to produce the composites presented in RMA’s Annual Statement Studies: Financial Ratio Benchmarks come directly from RMA member institutions and represent the financials from their commercial customers and prospects. RMA does not know the names of the individual entities. In fact, to ensure confidentiality, company names are removed before the data is even delivered to RMA. The raw data making up each composite is not available to any third party.

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• **Data Presented in Common Size:** *Annual Statement Studies: Financial Ratio Benchmarks* contains composite financial data. Balance sheet and income statement information is shown in common size format, with each item a percentage of total assets and sales. RMA computes common size statements for each individual statement in an industry group, then aggregates and averages all the figures. In some cases, because of computer rounding, the figures to the right of the decimal point do not balance exactly with the totals shown. A minus sign beside the value indicates credits and losses.

• **Includes the Most Widely Used Ratios:** Nineteen of the most widely used ratios in the financial services industry accompany the balance sheet information, including various types of liquidity, coverage, leverage, and operating ratios.

• **Organized by the NAICS for Ease of Use:** *Annual Statement Studies* is organized according to the 2012 North American Industry Classification System (NAICS), a product of the U.S. Office of Management and Budget. At the top of each page of data, you will find the NAICS. Please note, in the revised 2012 catalog some industries were merged to create its new 2012 NAICS. In these instances, RMA recalculated aggregate historical reporting. For detailed 2012 and 2007 NAICS mapping, please visit the RMA website (http://www.rmahq.org/annual-statement-studies/) or http://www.census.gov/eos/www/naics/.

• **Twenty Sections Outline Major Types of Businesses:** To provide further delineation, the book is divided into 20 sections outlining major lines of businesses. If you know the NAICS number you are looking for, use the NAICS-page guide provided in the front of the book. In general, the book is arranged in ascending NAICS numerical order. For your convenience, full descriptions of each NAICS are presented in this book. In addition, you will find a text-based index near the end of the book.

• **If You Do Not Know the NAICS Code You Are Looking for:** If you do not know the precise industry NAICS you are looking for, contact the Census Bureau at 1-888-75NAICS or naics@census.gov. Describe the activity of the establishment for which you need an industry code and you will receive a reply.
• **Can’t Find the Industry You Want?** There are a number of reasons you may not find the industry you are looking for (i.e., you know you need industry xxxxxx but it is not in the product). Many times we have information on an industry, but it is not published because the sample size was too small or there were significant questions concerning the data. (For an industry to be displayed in the *Annual Statement Studies: Financial Ratio Benchmarks*, there must be at least 30 valid statements submitted to RMA.) In other instances, we simply do not have the data. Generally, most of what we receive is published.

• **Composite Data Not Shown?** When there are fewer than 10 financial statements in a particular asset or sales size category, the composite data is not shown because a sample this small is not considered representative and could be misleading. However, all the data for that industry is shown in the All Sizes column. The total number of statements for each size category is shown in bold print at the top of each column. In addition, the number of statements used in a ratio array will differ from the number of statements in a sample because certain elements of data may not be present in all financial statements. In these cases, the number of statements used is shown in parentheses to the left of the array.

• **Presentation of the Data on Each Page-Spread:** For all non-contracting spread statements, the data for a particular industry appears on both the left and right pages. The heading Current Data Sorted by Assets is in the five columns on the left side. The center section of the double-page presentation contains the Comparative Historical Data, with the All Sizes column for the current year shown under the heading 4/1/16–3/31/17. Comparable data from past editions of the *Annual Statement Studies: Financial Ratio Benchmarks* also appears in this section. Current Data Sorted by Sales is displayed in the five columns to the far right.

• **Companies with Less than $250 Million in Total Assets:** In our presentation, we used companies having less than $250 million in total assets—except in the case of contractors who use the percentage-of-completion method of accounting. *The section for contractors using the percentage-of-completion method of accounting contains data only sorted by revenue.* There is no upper limit placed on revenue size for any industry. Its information is found on only one page.
**Page Headers:** The information shown at the top of each page includes the following:
1. The identity of the industry group.
2. Its North American Industry Classification System (NAICS) code.
3. A breakdown by size categories of the types of financial statements reported.
4. The number of statements in each category.
5. The dates of the statements used.
6. The size categories. For example, 16 (4/1–9/30/16) means that 16 statements with fiscal dates between April 1 and September 30, 2016, make up part of the sample.

**Page Footers:** At the bottom of each page, we have included the sum of the sales (or revenues) and total assets for all the financial statements in each size category. This data allows recasting of the common size statements into dollar amounts. To do this, divide the number at the bottom of the page by the number of statements in that size category. Then multiply the result by the percentages in the common size statement.

**Please note:** The dollar amounts will be an approximation because RMA computes the balance sheet and income statement percentages for each individual statement in an industry group, then aggregates and averages all the figures.

**Our Thanks to CFMA:** RMA appreciates the cooperation of the Construction Financial Management Association in permitting us to reproduce excerpts from its Construction Industry Annual Financial Survey. This data complements the RMA contractor industry data. For more details on this data, please visit [www.cfma.org](http://www.cfma.org).

**Recommended for Use as General Guidelines:** RMA recommends you use Annual Statement Studies: Financial Ratio Benchmarks data only as general guidelines and not as absolute industry norms. There are several reasons why the data may not be fully representative of a given industry:

1. **Data Not Random** — The financial statements used in the Annual Statement Studies: Financial Ratio Benchmarks are not selected by any random or statistically reliable method. RMA member banks voluntarily submit the raw data they have available each year with no limitation on company size.
2. **Categorized by Primary Product Only** — Many companies have varied product lines; however, the *Annual Statement Studies: Financial Ratio Benchmarks* categorizes them by their primary product NAICS number only.

3. **Small Samples** — Some of the industry samples are small in relation to the total number of firms for a given industry. A relatively small sample can increase the chances that some composites do not fully represent an industry.

4. **Extreme Statements** — An extreme or outlier statement can occasionally be present in a sample, causing a disproportionate influence on the industry composite. This is particularly true in a relatively small sample.

5. **Operational Differences** — Companies within the same industry may differ in their method of operations, which in turn can directly influence their financial statements. Since they are included in the sample, these statements can significantly affect the composite calculations.

6. **Additional Considerations** — There are other considerations that can result in variations among different companies engaged in the same general line of business. These include different labor markets, geographical location, different accounting methods, quality of products handled, sources and methods of financing, and terms of sale.

For these reasons, RMA does not recommend using the *Annual Statement Studies: Financial Ratio Benchmarks* figures as absolute norms for a given industry. Rather, you should use the figures only as general guidelines and as a supplement to the other methods of financial analysis. RMA makes no claim regarding how representative the figures printed in this book are.

*For additional Annual Statement Studies Guides in this series, please visit* [http://landing.rmahq.org/SSGuides](http://landing.rmahq.org/SSGuides).

*For more information about RMA’s Annual Statement Studies: Financial Ratio Benchmarks or to purchase your copy today, please visit* [www.rmahq.org/annual-statement-studies/](http://www.rmahq.org/annual-statement-studies/).
About RMA

The Risk Management Association (RMA) is a not-for-profit, member-driven professional association serving the financial services industry. Its sole purpose is to advance the use of sound risk management principles in the financial services industry. RMA promotes an enterprise approach to risk management that focuses on credit risk, market risk, operational risk, securities lending, and regulatory issues.

Founded in 1914, RMA was originally called the Robert Morris Associates, named after American patriot Robert Morris, a signer of the Declaration of Independence. Morris, the principal financier of the Revolutionary War, helped establish our country’s banking system.

Today, RMA has approximately 2,500 institutional members. These include banks of all sizes as well as nonbank financial institutions. RMA is proud of the leadership role its member institutions take in the financial services industry. Relationship managers, credit officers, risk managers, and other financial services professionals in these organizations with responsibilities related to the risk management function represent these institutions within RMA. Known as RMA Associates, these 18,000 individuals are located throughout North America and financial centers in Europe, Australia, and Asia.

RMA University

In today’s rapidly changing financial services industry, you need practical, day-to-day knowledge that will help you excel in your profession. RMA provides quality education to advance sound risk principles in the financial services industry. Traditional classroom training and online learning resources are available as open enrollments or in-bank training. Visit RMA’s event calendar at https://www.rmahq.org/eventcalendar.aspx to find out what’s available, or learn about RMA’s online resources at http://www.rmahq.org/rma-university-online/.

eStatement Studies

RMA’s eStatement StudiesSM is the only source of comparative data that comes directly from the financial statements of small and medium-size business customers of RMA’s member institutions. Round-the-clock online access gives you the ease and flexibility to use this wealth of information at your convenience. Visit http://www.rmahq.org/estatement-studies/

Are you an RMA member?

An RMA membership provides many benefits. In addition to a free subscription to The RMA Journal and discounts on RMA events, products, services, and training, membership also provides countless networking opportunities and exposure to the industry’s key decision makers and managers. RMA’s local and national events keep you up to date on industry trends and issues while allowing you to meet new people and swap successes with peers. Visit http://www.rmahq.org/joinrma to learn more about membership.