

**Pro forma**

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**Definition**

A pro forma is a hypothetical financial statement based on either anticipated future events or potentially changing business performance in futuristic accounting periods. The pro forma is in contrast to regular financial statements that are summaries on a business’s actual past performance (Way, 2015).

**Use**

An organization typically uses a pro forma as part of the planning process when attempting to model the expected future performance of the organization or the impact of major capital investments. A pro forma should be used to answer the question, “How might the financial future look if the investment is made?” (Ittelson, 2009). The role of the pro forma is to present assumptions that permit investors or decision makers to understand the potential effect of the proposed venture (Cleverley, Cleverley, & Song, 2011). Examples of when organizations use a pro forma would include: the planned purchase of new or updated capital equipment, the future opening of a new service, or for mergers and acquisitions.

**Content**

The content of a pro forma financial statement is typically the same as that of historical financial information or balance sheet financials. The key difference is that historical financial statements display actual data, while the pro forma financial statement is based on assumptions that are expected but not yet realized. Most pro formas are built on three to five year projections.

When developing the pro forma consider all projected revenue and costs associated with the new venture over the specified period of time, taking into consideration year over year revenue and cost change assumptions. This will allow investors or decision makers to see the net operating profit projected for the new venture.

**Reading a pro forma**

Pro forma financial statements are read the same as historical financial statements as they are typically in an identical format (Ittelson, 2009). The key contrast being that pro forma data is hypothetical projected data and not actual historical data. The developer and reviewer of the pro forma should confirm that all relevant data points related to revenue and costs are presented, the net operating profit is calculated correctly, and the overall pro forma is fiscally sensible.

**Evidence**

When synthesizing the emerging evidence, genetics and genomics redefines the traditional approaches of health and wellness approaches. Genomics has become the central science for the 21st century health professionals (Jenkins and Calzone, 2007). In a survey of 239 RNs, published by Calzone, et al in 2012, a startling 81% of RNs surveyed reported that their understanding of genetics of common disease as fair or poor. Advances in science have resulted in the need for integration of new competencies into nursing practice. This will continue to ensure safe, responsible and accountable care. The expansive application of genomics challenges the healthcare community to be knowledgeable in genomics, a science in which most have limited competency (Calzone, Jenkins, Culp, Caskey, & Badzek, 2014). The use of the pro form tool by the administrator to anticipate costs associated with a new competency initiative, and/or to consider resource costs of integrating new genetic/genomic services, and/or to consider costs of recommended infrastructure support for integrating genomics into practice (i.e., EHR and/or policy revisions) will help the administrator consider financial implications of introducing genomics at their worksite.

**References**

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