Reconstructed, Normalized, Pro-Forma, Forecasted, Projected, Adjusted Financial Statements, GAAP???
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Over the last 50 years, I have observed certain terms used to modify financial statements to suit the users need. The definitions I have described below may not be the same as those defined by the various financial disciplines, but instead, reflect how the terms are used in the mainstream of business in my area of practice.

Don't take lightly the names given to financial statements which have been revised to take into consideration certain scenarios. For instance, a real estate appraiser may use the term **reconstructed** when modifying operating statements to reflect actual market conditions. Real estate appraisers and business valuers spend tremendous amounts of time determining what is **normal** for the market and in some situations, days may be required to determine the normal expenses for salaries, management costs, insurance, or other items are normal. This determination of market income and expenses is where the appraiser earns his keep and acquires a good reputation for accurate estimates. For instance, a real estate appraiser may find that certain nonrecurring expenditures have occurred in certain years and by looking at three to five years of past operating statements, they may be able to identify years in which expenses are not normal. These would then be adjusted to a normalized level to reflect what investors in the market would expect. In other words, the financial statements must be brought to a **normal market** rate if the objective is to determine the **market** value of the property. The real estate appraiser may use the term **reconstructed** statement whereas the business appraiser may use the term **normalized** statement to mean basically the same thing.

Words such as **pro-forma** have been used for a number of years by accountants and these sometimes have been developed by asking the owner what he expects or assumes his expenses to be in certain situations. These adjustments by the owner or accountant may not reflect the market rate of expenses and income, and therefore, may not represent market value. It may produce something appraisers call "**value in use or investment value**" which might reflect what it's worth to one individual or a group of individuals.

The word "**forecast**" typically is a term used to determine future income and expenses based on historical trends with some judgment applied in the determination of the future income and expenses. The word "**projected**" is simply taking past three to five year historical trend and projecting it forward in a mindless projection, which may not produce market value. And the term "**adjusted**" simply means that certain items may have been adjusted for differences in accounting for inventory, such as converting LIFO to FIFO to meet certain commonalities in order to compare the business under valuation to other businesses in the industry which use similar methods of accounting. The financial statement may also be adjusted for standards in accounting, such as **GAAP** or international standards.