

Analysis and Use of Financial Statements

Chapter 1:

Objectives of Financial Statement Analysis and Financial Reporting

Learning Objectives

After reading this chapter you will be able to:

- State the objectives of financial reporting.
- Recognize the qualitative characteristics of accounting information.

Chapter 2:

Accounting Assumptions, Principles, Procedures and Policies

Learning Objectives

After reading this chapter you will be able to:

- Recognize the basic assumptions of accounting.
- Identify the basic principles of accounting.

Chapter 3:

Understanding Financial Statements

Learning Objectives

After reading this chapter you will be able to:

- Recognize the basic financial statements: the balance sheet, income statement, and statement of cash flows.
- Identify the key balance sheet items portraying a company's financial position.
- Recognize the most important items on the statement of cash flows.
- Identify the annual report components, including the financial statements, footnotes, review of operations, auditor's report, and supplementary schedules
- Assess a company's cash inflows and cash outflows.

Chapter 4:

An Overview of Financial Statement Analysis

Learning Objectives

After reading this chapter you will be able to:

- Recognize the important aspects of financial statement analysis.
- Compare horizontal analysis and vertical analysis.
- Identify the basic components of ratio analysis.
- Identify the limitations of ratio analysis.

Chapter 5:

Analysis of Liquidity and Activity

Learning Objectives

After reading this chapter you will be able to:

- Recognize different liquidity ratios and how they can be used to compare companies.
- Compute and interpret liquidity ratios used to analyze a company's ability to pay debt.
- Compute and interpret activity ratios.
- Recognize how inventory and receivable factors will affect business analysis and comparisons.

Chapter 6:

Analysis of Solvency and Capital Structure

Learning Objectives

After reading this chapter you will be able to:

- Identify different structure ratios used to analyze the capital structure of a company.
- Recognize operating leverage and financial leverage.
- Recognize how financing, debt and interest affect company analysis and performance.

Chapter 7:

Profitability Analysis

Learning Objectives

After reading this chapter you will be able to:

- Recognize and apply key ratios related to profitability.
- Identify how to compute return on investment (ROI), and how to enhance ROI.
- Recognize how return on assets can be used to assess management performance.

Chapter 8:

Market Strength and Overall Evaluation

Learning Objectives

After reading this chapter you will be able to:

- Recognize a wide range of market test ratios used to measure market strength of a company.
- Recognize how market test ratios evaluate a company's financial performance.

Chapter 9:

Analysis of Cash Flows

Learning Objectives

After reading this chapter you will be able to:

- Recognize the key items on the statement of cash flows to analyze company performance.
- Identify and apply the major ratios used to evaluate the cash flow of a company.

Chapter 10:

Interim Statements and Segment Analysis

Learning Objectives

After reading this chapter you will be able to:

- Recognize the accounting associated with interim reporting.
- Identify the disclosure requirements for major segments of a business.