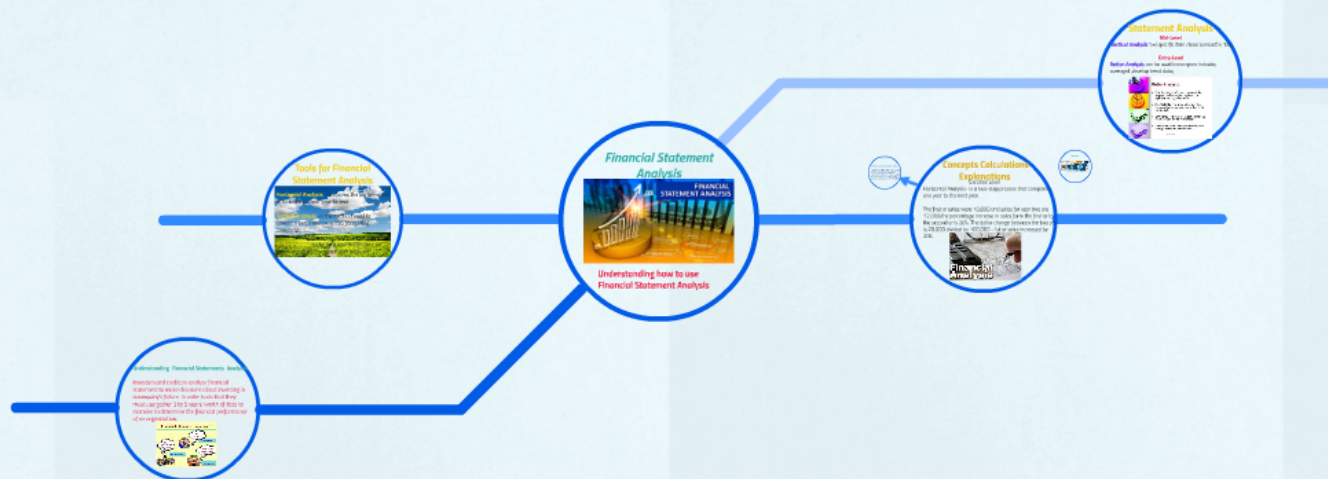


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Financial Statement Analysis



**Understanding how to use
Financial Statement Analysis**

Understanding Financial Statements Analysis

Investors and creditors analyze financial statement to make decisions about investing in a company's future. In order to do that they must use gather 3 to 5 years' worth of data to examine to determine the financial performance of an organization.



Tools for Financial Statement Analysis

Horizontal Analysis -compares the performance of a business from year to year

Vertical Analysis -Is the method used to compare performance with a competing company.

Ratio Analysis is the best tool to compare an organization performance with analysis.

firms that "No temptation
you except what is
unkind. And God is faithful;
you be tempted beyond
bear (I Cor10:13 LASB)".

Concepts Calculations

Explanations

Executive Level

Horizontal Analysis- is a two-step process that compares one year to the next year.

The first yr sales were 10,000 and sales for year two are 12,000.the percentage increase in sales form the first yr to the second yr is 20%. The dollar change between the two yrs is 20,000 divided by 100,000 - 1st yr sales increased by 20%



Kilty, D. (Ed.). (2016). Horngren's
(11th ed.), Fundamentals of corporate
finance (11th ed.). [Pearson Custom
for Indian Institute of Management
MA: Pearson Prentice Hall.

Statement Analysis

Mid-Level

Vertical Analysis $\% = (\text{specific item} / \text{base amount}) \times 100$

Entry-Level

Ration Analysis can be used to compare industry averaged ,develop trend data,



Ratio Analysis

- The Trading Profit and Loss and the Balance Sheet can be analysed to highlight an organisation's:
- **Profitability** - to show whether the organisation is earning more that it is paying out
- **Efficiency** - is the organisation making the best use of its resources?
- **Liquidity** - does the organisation have enough money to pay its bills?

25/04/2011

Financial Statement Analysis Ethics

Apostle Paul affirms that "No temptation has overtaken you except what is common to mankind. And God is faithful; he will not let you be tempted beyond what you can bear (1 Cor 10:13 LASB)".