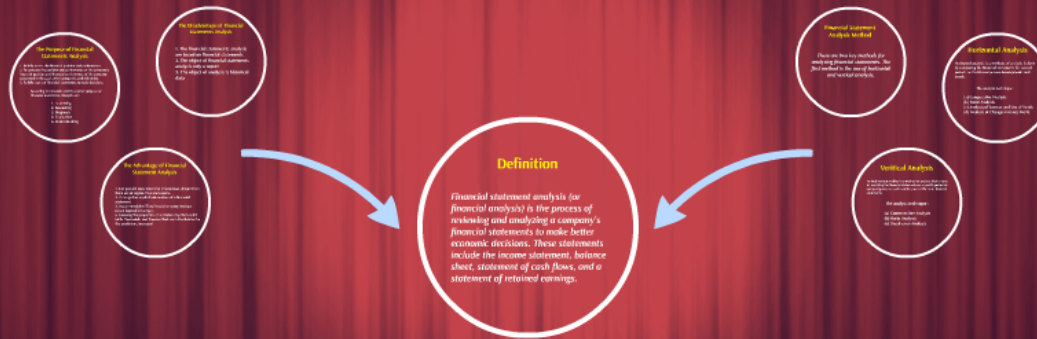




Analysis of Income Statement Harvard Case Solution & Analysis

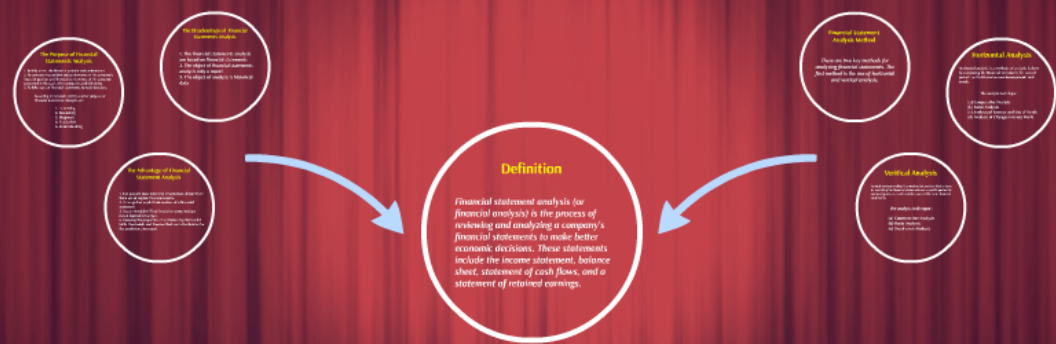


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Definition

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions. These statements include the income statement, balance sheet, statement of cash flows, and a statement of retained earnings.



The Purpose of Financial Statements Analysis

- 1. To help assess the financial position and performance.
- 2. To compare the position and performance of the company's financial position and financial performance of the company concerned in the past, other companies and industries.
- 3. To help users of financial statements to make decisions.

According to Bernstein (1963) another purpose of financial statements analysis are:

- 1. Screening
- 2. Forecasting
- 3. Diagnosis
- 4. Evaluation
- 5. Understanding

The Disadvantage of Financial Statements Analysis

- 1. The financial statements analysis are based on financial statements
- 2. The object of financial statements analysis only a report
- 3. The object of analysis is historical data

The Advantage of Financial Statement Analysis

- 1. Can provide more extensive information, deeper than there are of regular financial reports.
- 2. It can gather explicit information of a financial statement.
- 3. Dapat mengidentifikasi masalah yang terdapat dalam laporan keuangan.
- 4. Knowing the properties of a relationship that could birth the models and theories that are in the field as for the prediction, increased.



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Financial Statement Analysis Method

*There are two key methods for
analyzing financial statements. The
first method is the use of horizontal
and vertical analysis.*

Horizontal Analysis

Horizontal analysis is a methods of analysis is done
by comparing the financial statements for several
periods so that it can be seen developments and
trends.

The analysis technique :

- (a) Comparative Analysis
- (b) Trend Analysis
- (c) Analysis of Sources and Use of Funds
- (d) Analysis of Changes in Gross Profit

Vertical Analysis

Vertical analysis method is a method of analysis that is done
by analyzing the financial statements on a specific period by
comparing one post with another post on the same financial
statements.

The analysis technique :

- (a) Common Size Analysis
- (b) Ratio Analysis
- (c) Break-even Analysis

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