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**17/SMS02/066**

**ACC 406**

**ASSIGNMENT TITLE ; INTERNATIONAL FINANCIAL STATEMENT ANALYSIS**

**Summary of the note**

Financial statement play vital role when sourcing for information for business analysis. Business analysis means the evaluating of a company’s business environment also the strategies and the financial position of a company so as to be able to make decision with respect to that company. Financial statement Analysis has three steps which are;

* Accounting analysis
* Financial analysis and;
* Prospective analysis

**Accounting analysis** – this means identifying distortions to financial statement and making relevant adjustment to that financial statement. To be able to make this relevant adjustment the information on the financial statement that was given must show a true and fair view,

Further more , several accounting standards and rules are applied but this accounting standards differ from country to country because they all have different accounting rules also the differences in countries differ in regards to the amount and type of disclosures required in the financial statement.

**Financial analysis** – financial analysis involves the use of adjusted financial statement to know how well a company is doing through their cash flow analysis , profitability analysis, risk analysis. This ratios are used to compare a company’s performance time to time. They are gotten from the financial statement also they can be used to compare company’s in the same industry .

**Prospective analysis** - Preparing forecasted future financial statements is a very important part of business analysis because decisions made today about a company are based on forecasts of the company’s future prospects. Prospective analysis combines that of financial analysis and accounting analysis alongside business strategy

**The following are the reasons to analyze foreign financial statement**

* Benchmarking against global competitors
* Foreign portfolio investment
* International mergers and acquisitions
* Making credit decisions about foreign customers

There are also some potential problems one can encounter when analyzing foreign financial statement these problems are stated below

* Data accessibility
* Language
* Format
* Extent of disclosure
* Timelines
* Difference in accounting principles