NAME: AGBADU-FISHIM HANNAH NGUEVESE

MATRIC NUMBER: 16/SMS02/005

COURSE TITLE: INTERNATIONAL ACCOUNTING

COURSE CODE: ACC 406

ASSIGNMET TITLE: INTERNATIONAL FINANCIAL STATEMENT ANALYSIS

**SUMMARY OF INTERNATIONAL FINANCIAL STATEMENT ANALYSIS**

Financial statement analysis is a part of business analysis. Business analysis is the evaluation of a company’s business environment, strategies, financial position, and performance to be able to make decisions with respect to that company. Financial statements are an important source of information for conducting business analysis.

Financial statement analysis consists of the following steps: accounting analysis, financial analysis, and prospective analysis. Accounting analysis begins with an evaluation of the extent to which a company’s financial statements reflect economic reality. It included identifying distortions in financial statements and making adjustments to the financial statements where possible. The adjustments to be made are usually determined by the amount of information disclosed or provided.

Financial analysis involves the use of adjusted financial statement information to conduct cash flow analysis, profitability analysis and risk analysis of the company. Financial analysis is most times conducted through the use of ratios calculated from the financial statement and are also compared over time to know if the company is improving or not.

Prospective analysis involves the combining of result of accounting analysis and financial analysis along with the analysis of the business environment and company strategy, to forecast future financial statements information especially cash flow and income. This is very important as it makes the company have some form of direction and targets to realize.

Some reasons to analyse foreign financial statements are; foreign portfolio investments, international mergers and acquisitions, making credit decisions about foreign customers, evaluating the financial health of foreign customers and benchmarking against global competitors. The problems attached in this analysis includes; data accessibility, language, terminology, format, extent of disclosure, timeliness and differences in accounting principles.