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COURSE: INTERNATIONAL ACCOUNTING

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**SUMMARY ON INTERNATIONAL FINANCIAL STATEMENT ANALYSIS**

From what I understood from the note;

Financial statement analysis is the process of reviewing and analysing a company’s financial statements to make better economic decisions to earn income in future. These statements include the income statement, balance sheet, statement of cash flows, notes to accounts and statement of changes in equity.

Financial statement analysis consists of the following steps:

* **Accounting analysis**: Accounting analysis involves identifying distortions in financial statements and making adjustments to the financial statements where possible. The ability to make adjustments will be determined by whether a company discloses adequate information to allow an adjustment to be made.
* **Financial Analysis**: Refers to an assessment of the viability, stability, and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports.
* **Prospective Analysis**: involves combining the results of accounting analysis and financial analysis, along with an analysis of the business environment and company strategy, to forecast future financial statement information, especially cash flows and income. 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.

**Reasons to Analyse Foreign Financial Statements**

* Foreign Portfolio Investment
* International Mergers and Acquisitions
* Making credit decisions about foreign customers.
* Evaluating the financial health of foreign suppliers.
* Benchmarking against global competitors.

**Potential Problems in Analysing Foreign Financial Statements**

Some of the potential problems that may arise in analysing foreign financial statements include;

* Data Accessibility
* Language
* Terminology
* Format
* Extent of Disclosure
* Timeliness
* Differences in Accounting Principles