**OLUGBODI DEBORAH IBIRONKE**

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**SUMMARY OF INTERNATIONAL FINANCIAL STATEMENT ANALYSIS NOTE**

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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**: Accounting analysis begins with an evaluation of the extent to which a company’s financial statements reflect economic reality. 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:** Financial Analysis involves the use of adjusted financial statement information to conduct cashflow, profitability, risk analysis. Much of financial analysis is conducted through the use of ratios calculated from the financial statements. Financial ratios are compared within a company over time to determine whether the company’s ability to generate cash flows, earn a return on invested capital, and so on, is improving or deteriorating.

**Prospective Analysis:** Prospective Analysis involves combining the results of accounting analysis and financial analysis, alongwith an analysis of the business environment and company strategy, to forecast future financialstatement information, especially cash flows and income.

Some reasons for analysing foreign financial statements includes making credit decisions about foreign customers, evaluating the financial health of foreign suppliers, benchmarking against global competitors. Some potential problems that may arise in the analysis of foreign financial statement includes barriers or differences in language, terminology, format, timeliness and difference in accounting principles.