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**ASSIGNMENT TITLE: INTERNATIONAL FINANCIAL STATEMENT ANALYSIS**

One of the components of business analysis is financial statement analysis. Business analysis evaluates a company’s business environment, strategies, financial position, and performance to be able to make decisions with respect to that company. Business analysis helps the management of a company to decide whether or not to extend credit grants or to make investment decisions regarding a company’s equity. The financial statement of a company is a source of information for business analysis.

Financial statement analysis has three method for evaluating a company’s activities. These methods are; financial analysis, accounting analysis and prospective analysis.

The 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. Sources of financial statements distortions are: accounting standards that are inconsistent with economic reality and manipulation of information by managers.

The 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.

Finally, the 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.

Foreign Portfolio Investment, international mergers and acquisitions, making credit decisions about foreign customers, evaluating the financial health of foreign suppliers and benchmarking against global competitors are reasons financial statements should be analysed.

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.