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SUMMARY ON INTERNATIONAL FINANCIAL STATEMENT ANALYSIS

Review of financial statements is part of an overview of companies. Business research is the examination of the market situation, policies, financial status and results of an organization in order to be able to make decisions about that product. Financial statements provide an essential knowledge source for the implementation of market research.

Analysis used in financial statement are:

1. Accounting analysis: This analysis starts with an estimation of the degree to which the financial statements of an organization represent economic fact. Financial statements present three growing sources of distortion: Accounting standards which contradict economic reality; Managers have made estimation errors in implementing accounting principles; The executives deliberately distort financial statements; also referred to as earnings management.

Accounting analysis includes finding irregularities in financial statements and, if possible, making corrections to the financial statements. The right to make changes can be determined by how a corporation is sharing appropriate details to warrant an improvement.

1. Financial Analysis: Financial analysis includes the use of updated facts on the financial statements to perform cash flow analysis, risk analysis and profitability analysis.

A lot of financial analysis is performed by using ratios calculated from the financial statements. Ratios are often measured across firms competing in the same industry to measure businesses relative to their peers.

1. Prospective Analysis: Prospective Analysis entails combining the findings of accounting research and financial analysis, along with an overview of the market environment and company policy, to predict potential financial statement information, in particular cash flows and sales.

The major reasons to analyse financial statement are for; Foreign portfolio investment, international mergers and acquisitions, making credit decisions about foreign customers, evaluating the financial health of foreign suppliers, benchmarking against global competitors.

Many of the possible issues that could emerge when evaluating foreign accounts include: Data accessibility, language, terminology, format, extent of disclosure, timeliness, differences in accounting principles.