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**Question**
Summarise, in not more than 450 words, the note on International Financial Statement Analysis

Summary

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. Whether to extend credit to a company or to invest in a company’s equity securities are important decisions based on business analysis. Business analysis is conducted using relevant information available about a company. Financial statements are an important source of information for conducting business analysis. There are three steps which constitute a financial statement analysis, there include; Accounting analysis, financial analysis and Prospective analysis.

Accounting analysis involves checking for distortions in the financial statement and making necessary adjustments to them. The ability to make adjustments will be determined by the level of information the company discloses in other to make the adjustments.

Financial Analysis involves the use of adjusted financial statement information to conduct:

1. Cash flow analysis: the analysis of how a company generates and uses cash.
2. Profitability analysis: with a focus on return on invested capital.
3. Risk analysis: including an evaluation of liquidity and solvency to assess a company’s ability to meet its obligations.

The diversity of accounting principles and practices that exists across countries hampers the ability to directly compare companies operating in the same industry but located in different countries.

Prospective Analysis 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.

There are reasons to Analyze Foreign Financial Statements, they include; Foreign Portfolio Investment, International Mergers and Acquisitions ,Making credit decisions about foreign customers. Etc.

Potential Problems associated in Analyzing Foreign Financial Statements include; Data Accessibility, Language, Terminology, Format. Etc.