**SUMMARY OF INTERNATIONAL FINANCIAL STATEMENT ANALYSIS**

**DIKE Thelma Mesoma**

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**INTERNATIONAL ACCOUNTING**

**ACC406**

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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 statement analysis consists of the following steps:
	+ 1. Accounting analysis- which begins with an evaluation of the extent to which a company’s financial statements reflect economic reality.
		2. Financial analysis- which involves the use of adjusted financial statement information to conduct cash flow analysis, profitability analysis and risk analysis.
		3. Prospective analysis- which 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.
* **The following are reasons to analyze foreign financial statements;**
	+ 1. Foreign Portfolio Investment
		2. International Mergers and Acquisitions
		3. Making credit decisions about foreign customers.
		4. Evaluating the financial health of foreign suppliers
		5. Benchmarking against global competitors.
* **Problems in analyzing foreign financial statements include;**
	+ 1. Data Accessibility
		2. Language
		3. Terminology
		4. Format
		5. Extent of Disclosure
		6. Timeliness