**NAME: NONGO KEZIAH DOOYUM**

**MATRIC NO: 16/SMS02/040**

**COURSE CODE: ACC406**

**COURSE TITLE: INTERNATIONAL ACCOUNTING**

**ASSIGNMENT TITLE: INTERNATIONAL FINANCIAL STATEMENT ANALYSIS**

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.

Financial Analysis consists of the following steps;

1. Accounting analysis;
2. ii. Financial analysis; and
3. iii. Prospective analysis.

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

1. Cash flow analysis: the analysis of how a companies get money and expend it.
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.

Financial Analysis is calculated using ratios with the information gotten from statement of financial position.

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.

**Reasons to Analyses 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.

When Analysing foreign financial statement some of following statement may arise

1. Data Accessibility
2. Language
3. Terminology
4. Extent of Disclosure
5. Timeliness
6. Differences in Accounting Principles