

Analysis and Uses of Financial Statements

Course Description

Analysis and Uses of Financial Statements is designed for interested parties who must understand how to read, interpret, and analyze financial statements. This course describes in clear, concise, and understandable language the intricacies of financial statements, and their use by investors, creditors, analysts, and other interested parties.

This course can enhance your chance for success in business and investing; by enabling you to profit from the knowledge, insights, and perceptions of professionals who use financial statement analysis tools and techniques on a day-to-day basis. Realistic examples and illustrations of financial statement analysis are widely used in this course to make the subject matter crystal clear. That is the major objective of this course.

This course explains the objectives of financial statements in a meaningful manner. The accounting principles used in compiling financial statements and the qualitative characteristics of data appearing on financial statements are relevantly and reliably described. After a thorough overview of financial statements, major tools and techniques as explained, including:

- Horizontal and vertical analysis
- Common-size statements
- Ratio analysis
- Liquidity and activity ratios
- Profitability ratios
- Capital structure and solvency ratios
- Market test ratios
- Cash flow ratios

The significance of interim financial statements and segment reporting is explored, as are analysis of annual reports and management discussion and analysis (MDA). The analytical techniques discussed in this course are well within the limits of today's information technology. Once the concepts are understood, software can be used to eliminate much of the computational tedium involved.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 10 (CPA)

Category: Accounting

Prerequisite: Basic Math

Advanced Preparation: None

Course Learning Objectives

Chapter 1: Objectives of Financial Statement Analysis and Financial Reporting

After reading this chapter, you should be able to:

1. State the objectives of financial reporting.
2. Recognize the qualitative characteristics of accounting information.

Chapter 2: Accounting Assumptions, Principles, Procedures, and Policies

After reading this chapter, you should be able to:

1. Recognize the basic assumptions of accounting.
2. Identify the basic principles of accounting.

Chapter 3: Understanding Financial Statements

After reading this chapter, you should be able to:

1. Recognize the basic financial statements: the balance sheet, income statement, and statement of cash flows.
2. Identify the key balance sheet items portraying a company's financial position.
3. Recognize the most important items on the statement of cash flows.
4. Identify the annual report components, including the financial statements, footnotes, review of operations, auditor's report, and supplementary schedules
5. Assess a company's cash inflows and cash outflows.

Chapter 4: An Overview of Financial Statement Analysis

After reading this chapter, you should be able to:

1. Recognize the important aspects of financial statement analysis.
2. Compare horizontal analysis and vertical analysis.
3. Identify the basic components of ratio analysis.
4. Identify the limitations of ratio analysis.

Chapter 5: Analysis of Liquidity and Activity

After reading this chapter, you should be able to:

1. Recognize different liquidity ratios and how they can be used to compare companies.
2. Compute and interpret liquidity ratios used to analyze a company's ability to pay debt.
3. Compute and interpret activity ratios.
4. Recognize how inventory and receivable factors will affect business analysis and comparisons.

Chapter 6: Analysis of Solvency and Capital Structure

After reading this chapter, you should be able to:

1. Identify different structure ratios used to analyze the capital structure of a company.
2. Recognize operating leverage and financial leverage.
3. Recognize how financing, debt and interest affect company analysis and performance.

Chapter 7: Profitability Analysis

After reading this chapter, you should be able to:

1. Recognize and apply key ratios related to profitability.
2. Identify how to compute return on investment (ROI), and how to enhance ROI.
3. Recognize how return on assets can be used to assess management performance.

Chapter 8: Market Strength and Overall Evaluation

After reading this chapter, you should be able to:

1. Recognize a wide range of market test ratios used to measure market strength of a company.
2. Recognize how market test ratios evaluate a company's financial performance.

Chapter 9: Analysis of Cash Flows

After reading this chapter, you should be able to:

1. Recognize the key items on the statement of cash flows to analyze company performance.
2. Identify and apply the major ratios used to evaluate the cash flow of a company.

Chapter 10: Interim Statements and Segment Analysis

After reading this chapter, you should be able to:

1. Recognize the accounting limitations associated with interim reporting.
2. Identify the disclosure requirements for major segments of a business.