

## **CHAPTER 1: OBJECTIVES OF FINANCIAL STATEMENT ANALYSIS**

### **LEARNING OBJECTIVES**

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

### **TOPICS COVERED**

- The Focus of Financial Statement Analysis
- Assessment of Past Performance and Current Position
- Assessment of Future Potential and Related Risk
- Investor's Needs
- Objectives of Financial Reporting
- Qualitative Characteristics of Accounting Information

## **CHAPTER 2: ACCOUNTING ASSUMPTIONS, PRINCIPLES, PROCEDURES, POLICIES**

### **LEARNING OBJECTIVES**

- Recognize the basic assumptions of accounting.
- Identify the basic principles of accounting.

### **TOPICS COVERED**

- Accounting Assumptions
- Accounting Principles
- Accounting Procedures and Policies
- Other Accounting Considerations

## **CHAPTER 3: UNDERSTANDING FINANCIAL STATEMENTS**

### **LEARNING OBJECTIVES**

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

### **TOPICS COVERED**

- What and Why of Financial Statements
- Consolidated Financial Statements
- The Balance Sheet
- Stockholders' Equity
- The Income Statement
- Retained Earnings Statement
- Statement of Cash Flows
- Other Sections of the Annual Report
- The Auditors' Report
- Notes to the Financial Statements (Footnotes)
- Management's Discussion and Analysis (MD&A)
- The Sarbanes-Oxley Act

## **CHAPTER 4: AN OVERVIEW OF FINANCIAL STATEMENT ANALYSIS**

### **LEARNING OBJECTIVES**

- Recognize the important aspects of financial statement analysis.
- Compare horizontal analysis and vertical analysis.
- Identify the basic components of ratio analysis.
- Identify the limitations of ratio analysis.

### **TOPICS COVERED**

- Basic Considerations
- Major Tools of Analysis
- Sources of Information
- Comparative Financial Statements
- Ratio Analysis
- Cash Flow Analysis
- Specialized Analytical Tools

## **CHAPTER 5: ANALYSIS OF LIQUIDITY AND ACTIVITY**

### **LEARNING OBJECTIVES**

- Recognize different liquidity ratios and how they can be used to compare companies.

- Compute and interpret liquidity ratios used to analyze a company's ability to pay debt.
- Compute and interpret activity ratios.
- Recognize how inventory and receivable factors will affect business analysis and comparisons.

#### **TOPICS COVERED**

- Liquidity Ratios
- Activity Ratios
- Operating Cycle of a Business
- Interrelationship of Liquidity and Activity to Earnings
- Other Considerations

### **CHAPTER 6: ANALYSIS OF SOLVENCY AND CAPITAL STRUCTURE**

#### **LEARNING OBJECTIVES**

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

#### **TOPICS COVERED**

- Solvency (Leverage and Debt Service)
- Leverage
- Cash Flow Ratios and Solvency

### **CHAPTER 7: PROFITABILITY ANALYSIS**

#### **LEARNING OBJECTIVES**

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

#### **TOPICS COVERED**

- Quality of Earnings
- Return on Investment

### **CHAPTER 8: MARKET STRENGTH AND OVERALL EVALUATION**

#### **LEARNING OBJECTIVES**

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

#### **TOPICS COVERED**

- Earnings per Share
- Market Test Ratios
- Other Considerations
- An Overall Evaluation – Summary of Financial Ratios

### **CHAPTER 9: ANALYSIS OF CASH FLOWS**

#### **LEARNING OBJECTIVES**

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

#### **TOPICS COVERED**

- Preparing and Analyzing the Statement of Cash Flows
- Trend Analysis and Industry Comparison
- Cash Flow Coverage (Adequacy) Ratios
- Cash Flow Performance Measures

### **CHAPTER 10: INTERIM STATEMENTS AND SEGMENT ANALYSIS**

#### **LEARNING OBJECTIVES**

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

#### **TOPICS COVERED**

- Interim Financial Report
- Segment Reporting