# Module: Financial Statement Analysis

### Topics

This module includes the following four topics:

Topic 1: Ratio Analysis

Topic 2: Vertical and Horizontal Analysis

Topic 3: Cash Flow Analysis

Topic 4: Comprehensive Financial Statement Analysis

## Topic 1: Ratio Analysis

This topic examines the liquidity, asset management, long-term debt-paying ability, profitability, and market valuation ratios used to evaluate a company’s operational and financial performance.

### Readings

Introduction, Sections 1.1, 1.2, 1.3, 1.4, 1.5, and 1.6

### Learning Problems

Financial Statement Analysis at ABC

Appropriate Current Ratio

Window Dressing

Year-End Versus Monthly Averages

Segmental Reporting at Radisson Electric

5-Way Analysis of ROE at Camden

5-Way Analysis of ROE at Excel

Basic and Diluted Earnings per Common Share

**Answer Keys**

Financial Statement Analysis at ABC

Appropriate Current Ratio

Window Dressing

Year-End Versus Monthly Averages

Segmental Reporting at Radisson Electric

5-Way Analysis of ROE at Camden

5-Way Analysis of ROE at Excel

Basic and Diluted Earnings per Common Share

## Topic 2: Vertical and Horizontal Analysis

This topic investigates how vertical and horizontal analysis of the income statement and balance sheet can be used to evaluate a company’s operational and financial performance.

**Readings**

Section 1.7

### Learning Problems

None

## Topic 3: Cash Flow Analysis

This topic looks at how analyzing the cash flow statement and substituting cash flow from operations for accounting income in different financial ratios helps to evaluate a company’s operational and financial performance more thoroughly.

**Readings**

Section 1.8

### Learning Problems

### Preparing a Cash Flow Statement

Analyzing a Cash Flow Statement

Cash Flow-Based Financial Ratios

### Answer Keys

### Preparing a Cash Flow Statement

Analyzing a Cash Flow Statement

Cash Flow-Based Financial Ratios

## Topic 4: Comprehensive Financial Statement Analysis

This topic combines the different financial statement analysis tools to appraise a company’s operational and financial performance. The limitations of industry average financial ratios are also examined.

**Readings**

Sections 1.9 and 1.10

**Learning Problems**

Financial Statement Analysis at Durable

Financial Statement Analysis at Acme Furniture

Financial Statement Analysis at Lamar

Financial Statement Analysis at The RV Store

**Answer Keys**

Financial Statement Analysis at Durable

Financial Statement Analysis at Acme Furniture

Financial Statement Analysis at Lamar

Financial Statement Analysis at The RV Store

## Module Summary

In this module, you learned how to analyze the financial statements of a company using ratio analysis, vertical and horizontal analysis, cash flow statement analysis, and different cash flow-based financial ratios.