Plaskova N.S.

THEORETICAL FOUNDATIONS OF THE ANALYSIS OF FINANCIAL STATEMENTS

TEXTBOOK

For bachelors of
“Economics”,
“Finance and Credit”,
“Finance Management”,
“State and Municipal Management”
“Economic Security”,
“Management”,
“State and Municipal Administration”

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The textbook reveals the theoretical aspects of the formation of the methodology for analyzing the company's financial statements. The book presents the concepts, types and methods of analysis, which are the methodological basis for the organization of a comprehensive analysis of the financial statements of companies, the basis for assessing its financial position, business activity and profitability. The textbook is intended for university students studying under bachelor's degree programs in the following specialties "Economics", "Finance and Credit", "Financial Management", "Economic Security", "Management", "State and Municipal Administration" and other.

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ТЕОРЕТИЧЕСКИЕ ОСНОВЫ АНАЛИЗА ФИНАНСОВОЙ ОТЧЕТНОСТИ

УЧЕБНОЕ ПОСОБИЕ

для студентов, обучающихся по направлениям
подготовки бакалавров
«Экономика», «Финансы и кредит»,
«Финансовый менеджмент»,
«Экономическая безопасность», «Менеджмент»,
«Государственное и муниципальное управление»,

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CONTENTS

PREAMBLE

Brief description of the discipline

The academic discipline is designed to form students´ knowledge of the theoretical provisions of financial analysis and practical skills for its implementation. In the course of studying the discipline, a significant place is given to the study and skills of using the financial statements of an organization as an information base for analysis, forming a system of analytical characteristics of the activities of organizations, preparing and making informed management decisions aimed at improving the system of planning and monitoring the activities of various economic entities, taking into account their specifics.

Purpose and objectives of the discipline

The purpose of the training course "Theoretical foundations of analysis of financial statements" is to master the methodological foundations of financial analysis, which is the most important function of managing companies engaged in economic activities in various sectors of the economy, acquiring skills in using financial analysis methods and their application to substantiate operational and strategic decisions in various areas of production, economic, financial, investment and innovation activities that ensure the growth of the market value of the business.

Keyword

Analysis of financial statements, system of indicators of analysis of financial statements, methods of analysis of financial statements, objects and subjects of analysis of financial statements, information support of analysis of financial statements, financial position of the organization, income, expenses, financial results, business activity, efficiency of the organization, profitability.

INTRODUCTION

Modern global economic trends and business integration require standardization of financial information that discloses the results of the activities of companies present on the international markets of goods and capital. Business entities-legal entities should form reliable financial statements that meet the requirements of international standards and are aimed at a wide range of external and internal users. The results of all business operations of the organization, recorded and accumulated in the framework of accounting, at the end of the reporting period should be systematized and presented in the form of specially prepared documents, the totality of which is the financial statements.

Financial statements are a source of information for various stakeholders – shareholders, investors, stock market participants, credit institutions, and investment companies. Financial analysis of the reporting data is also necessary for the management and managers of the reporting company itself to understand the dynamics of the financial situation and the performance of the business, to assess the impact of factors on their level.

In financial statements of different countries, there are differences caused by social, economic, legal and other conditions, which has led to the emergence and use of various approaches to the formation of indicators that characterize the results of economic activities of organizations, and in particular, such elements of the financial situation as assets, liabilities, capital, cash flows, income and expenses.

The processes of international integration of business and capital have led to the need to standardize financial statements that meet the general rules that are developed by the International Accounting Standards Board (IASB), which for several decades has created and continues to improve common unified standards – International Financial Reporting Standards (IFRS) for all countries of the world.

Financial statements prepared in accordance with IFRS provide interested users with more detailed and reliable information about the results of the organization′s activities as of the reporting date. International financial reporting indicators are studied using a wide range of analytical procedures, methods and techniques for a deep and comprehensive assessment of the company′s financial position, financial results of its activities, and identifying trends for business forecasting for management purposes.

The results of analysis of financial statements necessary for the management of organization, first of all, to summarize the activities, information security operations, and development of strategy business development. The management of any company for effective business management needs a deep analysis and assessment of the use of resource potential, equity and debt capital, fixed and working capital, etc.

In today′s difficult business conditions, even those companies that have the proper technological level of production, a stable competitive market position, may feel a lack of financial and material resources, which can disrupt the balance of its financial relationships and, as a result, reduce the liquidity of assets, violation of payment discipline in terms of repayment of obligations to creditors, the budget, social funds, banks, owners to pay dividends, etc.

Systematic analysis of financial statements helps to identify negative trends in a timely manner, and make corrective management decisions aimed at minimizing financial and business risks.

Financial analysis, carried out, as a rule, by employees of the company′s financial and economic services, is an important element of an integrated business management system, a means of identifying unused reserves and developing a program for their implementation, and also performs a control function.

This book will help readers to understand the complex issues of the theory and practice of analysis financial statements, will allow them to acquire the necessary knowledge, skills and competencies in the field of financial analysis.

The key tasks of studying of analysis of financial statements are the formation of deep knowledge about the organization and methodology for analyzing individual and consolidated financial statements, obtaining an objective view of the company´s achieved financial results and understanding the reasons for their changes, justifying management decisions for implementing financial policy and production management.

The authors hope that the proposed textbook will contribute to improving the theoretical and practical skills of financial analysis of those who have chosen a financial and economic business career.