TABLE OF CONTENTS

INTRODUCTION	ix
Chapter 1	
OBJECTIVES OF FINANCIAL STATEMENT	
ANALYSIS AND FINANCIAL REPORTING	1
Investor's Needs	2
Objectives of Financial Reporting	2
Qualitative Characteristics of Accounting Information	4
Elements of Financial Statements	4
Summary	8
Chapter 2	
ACCOUNTING ASSUMPTIONS, PRINCIPLES,	
PROCEDURES, AND POLICIES	9
Accounting Assumptions	9
Accounting Principles	10
Accounting Procedures and Policies	13
Other Accounting Considerations	14
Development of Accounting Standards	14
Summary	18

Table of Contents

Chapter 3	
INSIDE FINANCIAL STATEMENTS	19
Consolidated Financial Statements	20
The Balance Sheet	21
Liabilities	29
Key Definitions	33
Stockholders' Equity	39
Off-Balance-Sheet Items	41
Balance Sheet Usefulness and Limitations	42
The Income Statement	42
Statement of Cash Flows	46
Retained Earnings Statement	49
The Auditor's Report	51
The Annual Report	54
Summary	54
Chapter 4	
AN OVERVIEW OF	
FINANCIAL STATEMENT ANALYSIS	<i>5</i> 5
Basic Considerations	55
Major Tools of Analysis	56
Comparative Financial Statements	57
Common-size Statements	59
Ratio Analysis	60
Specialized Analytical Tools	63
Sources of Information	64
Summary	65
Chapter 5	
ANALYSIS OF LIQUIDITY AND ACTIVITY	67
Liquidity Ratios	67
Activity Ratios	70
Operating Cycle of a Business	74
Other Considerations	75
Summary	76

vi

Table of Contents vii

Chapter 6	
PROFITABILITY ANALYSIS	81
Profit Margin on Sales	81
Return on Investment	82
Earnings per Share	87
Market Ratios	90
Other Considerations	91
Summary	92
Chapter 7	
ANALYSIS OF CAPITAL STRUCTURE AND SOLVENCY	99
Capital Structure Ratios	100
Shareholders' Equity to Total Assets	101
Number of Times Interest Earned	101
Leverage	102
Book Value per Share	104
Other Considerations	106
Summary	107
Chapter 8	
THE CASH FLOWS STATEMENT	115
Objectives of the Statement	116
Cash and Cash Equivalents	117
Contents of the Statement	117
The Direct and Indirect Methods	118
Significant Noncash Transactions	121
Cash Flow per Share	121
Foreign Operations	121
Comprehensive Illustration	121
Financial Ratio Analysis	123
Summary	127
Chapter 9	
INTERIM STATEMENTS AND SEGMENT ANALYSIS	137
Interim Financial Reports	137
Segment Reporting	139
Summary	141

งเน้	Table of Contents
------	-------------------

Chapter 10	
CONSTANT DOLLAR	
AND CURRENT VALUE ACCOUNTING	143
Constant Dollar Accounting	144
Current Value Accounting	146
Summary	150
Chapter 11	
SPECIAL SITUATIONS	151
Personal Financial Statements	151
Development Stage Companies	152
Companies in Financial Distress	155
Business Combinations	157
Foreign Transactions and Operations	161
Related-Party Transactions	170
Subsequent Events	171 172
Fraudulent Financial Reporting	172
Summary	173
Chapter 12	
OVERVIEW PROBLEMS WITH SOLUTIONS	175
GLOSSARY	201
REFERENCES	229
Commercial	229
Federal Government	230
BIBLIOGRAPHY	231
Basic Works	231
Books and Manuals	232
Online Databases	233
INDEX	235
ABOUT THE AUTHOR	247