

Analysis of financial statements

There are many ways to assess the performance of a company. You may consider the following chapters

1. Executive summary
2. Assess the industry

You may use different tools to assess the industry, such as the value chain analysis, the Porter's Five Forces, the industry life cycle, etc

3. Identify the corporate strategy

Products and services of the company, uniqueness of products of the company, level of process and margins, if the company has brands that create loyalty, level of costs efficiency. Analysis of the integration of the supply chain, geographic diversification and products diversification, etc. Cost leadership, differentiation and focus

4. Assess the quality of the financial statements

Review the financial statements and the use of accounting standards. Is the balance sheet a proper and complete representation of the firm's financial position? The quality of earnings? Is the income statement representing appropriately the firm's economic performance? Is the cash flow statement helping to understand the impact of the firm's liquidity position from its operations, investments and financial activities over the period?

You may also obtain financial statements from major competitors to do a benchmarking on the five major topics for assessing the financial performance of the firm

5. Analyse financial strength
6. Analyse current profitability
7. Analyse operational and financial risk
8. Analyse growth sustainability
9. Analyse economic value creation
10. Recommendations to board of management

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