

## محاضرة (1)

### ❖ Introduction to Financial Analysis

Financial Statement Analysis is a method of reviewing and analyzing a company's accounting reports (financial statements) in order to gauge its past, present or projected future performance. This process of reviewing the financial statements allows for better economic decision making.

تحليل القوائم المالية هو طريقة لمراجعة وتحليل التقارير المحاسبية للشركة (القوائم المالية) من أجل قياس أدائها المستقبلي أو الحالي أو المتوقع في المستقبل. تتيح عملية مراجعة الكشوف المالية اتخاذ قرارات اقتصادية أفضل.

Globally, publicly listed companies are required by law to file their financial statements with the relevant authorities. For example, publicly listed firms in America are required to submit their financial statements to the Securities and Exchange Commission (SEC). Firms are also obligated to provide their financial statements in the annual report that they share with their stakeholders. As financial statements are prepared in order to meet requirements, the second step in the process is to analyze them effectively so that future profitability and cash flows can be forecasted.

الغرض الرئيسي من تحليل القوائم المالية هو استخدام المعلومات حول الأداء السابق للشركة من أجل التنبؤ بكيفية حدوثها في المستقبل. ومن الأهداف المهمة الأخرى لتحليل البيانات المالية تحديد مجالات المشاكل المحتملة واستكشاف الأخطاء وإصلاحها.

The main purpose of financial statement analysis is to utilize information about the past performance of the company in order to predict how it will fare in the future. Another important purpose of the analysis of financial statements is to identify potential problem areas and troubleshoot those.

- Financial Statement Analysis (Meaning)

1. Financial statement analysis is an analysis which highlights the important relationships in the financial statements.
2. It focuses on evaluation of past operations as revealed by the analysis of basic statements.
3. Financial statement analysis embraces the methods used in assessing and interpreting the result of past performance and current financial position as they relate to particular factors of interest in investment decisions.
4. Financial statement analysis is an important means of assessing past performance and in forecasting and planning future performance.
5. Financial statement analysis is a systematic and specialized arrangement of information for the purpose of its interpretation.

- **Definitions of Financial Statement Analysis**

تعريف تحليل القوائم المالية

(a) "Financial statement analysis is an information processing system designed to provide data for decision-making models, such as the portfolio selection model, bank lending decision models and corporate financial management models."

" تحليل القوائم المالية هو نظام لمعالجة المعلومات مصمم لتوفير بيانات لنماذج اتخاذ القرار ، مثل نموذج اختيار المحفظة ، ونماذج قرارات الإقراض المصرفي ونماذج الإدارة المالية للشركات " .

(b) "Financial statements analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trends of these factors as shown in series of statements."

" تحليل القوائم المالية يمثل بشكل واسع دراسة العلاقة بين مختلف العوامل المالية في المنشأة التجارية كما هو مفصّل عنه في مجموعة واحدة من الكشوفات ودراسة اتجاهات هذه العوامل كما هو مفصّل عنه في سلسلة من الكشوفات " .

- **Users of Financial Statements Analysis** مستخدمو تحليل القوائم المالية

There are different users of financial statement analysis. These can be classified into internal and external users. Internal users refer to the management of the company who analyzes financial statements in order to make decisions related to the operations of the company. External users do not necessarily belong to the company but still hold some sort of financial interest. These include owners,

investors, creditors, government, employees, customers, and the general public. These users are elaborated on below:

### **1. Management** الإدارة

The managers of the company use their financial statement analysis to make intelligent decisions about their performance. For instance, they may gauge cost per distribution channel, or how much cash they have left, from their accounting reports and make decisions from these analysis results.

### **2. Owners** المالكين

Small business owners need financial information from their operations to determine whether the business is profitable. It helps in making decisions like whether to continue operating the business, whether to improve business strategies or whether to give up on the business altogether.

### **3. Investors** المستثمرين

Investors who have purchased shares in a company need financial information to know the method which used by the company in performance evaluation process. The investors use financial statement analysis to determine what to do by through their investments in the company, So depending on how the company is doing, the investors will either hold onto their shares, sell them or buy more.

### **4. Creditors** الدائنين

Creditors are interested in knowing if a company will be able to pay its debts or loans as they become due. The creditors use cash flow analysis of the company's accounting records to measure the company's liquidity, or its ability to make short-term payments.

### **5. Government** الحكومة

Governing and regulating bodies of the state look at financial statement analysis to determine how the economy is performing in general so they can plan their financial and industrial policies. Tax authorities also analyze a company's statements to calculate the tax burden that the company has to pay.

#### **6. Employees**      **العاملين**

Employees need to know if their employment is secure and if there is a possibility to increase their salaries. The employees want to be abreast of their company's profitability and stability. Employees may also be interested in knowing the company's financial position to see whether there may be plans for expansion and hence, career prospects for them.

#### **7. Customers**      **المستهلكين**

Customers need to know about the ability of the company to service its clients into the future. The need to know about the company's stability of operations is heightened if the customer (i.e. a distributor of specialized products) is dependent wholly on the company for its supplies.

#### **8. General Public**      **الجمهور العام**

Anyone in the general public, like students, analysts and researchers, may be interested in using a company's financial statement analysis. They may wish to evaluate the effects of the firm on the environment, or the economy or even the local community. For instance, if the company is running corporate social responsibility programs for improving the community, the public may want to be aware of the future operations of the company.