

محاضرة (2)

❖ Types of Financial Analysis أنواع التحليل المالي

The classification of financial analysis can be made either on the basis of material used for the same or according to modus operandi of the analysis.

(A) According to Material Used طبقا للاستخدام المادي (النسبي)

(a) External Analysis التحليل الخارجي

1. This is effected by those who do not have access to the detailed accounting records of the concern.
2. This group comprising investors, credit agencies, government and public depends almost entirely on published financial statements.
3. With the recent development in the government regulations requiring business concern to make available detailed information to the public through audited accounts, the position of the external analysis has been considerably improved.

(b) Internal Analysis التحليل الداخلي

1. This is effected by those who have access to the books of accounts and other information relating to the business concern.
2. Any financial analysis conducted with reference to a part or the whole unit.
3. This type of analysis is meant for managerial purpose and is conducted by executives and employees of the business concerns as well as governmental agencies which have statutory control and jurisdiction over such units.

(B) According to Modus Operandi of Analysis طبقا لطريقة عمل التحليل

(a) Horizontal Analysis التحليل الأفقي

1. When financial statements for a certain number of years are examined and analyzed, the analysis is called "Horizontal Analysis."
2. Horizontal analysis is also called "**Dynamic Analysis**". التحليل الديناميكي.
3. This is based on the data or information spread over a period of years rather than on one date or period of time as a whole.

(b) Vertical Analysis التحليل العمودي

1. This refers to analysis of ratios developed for one date and for one accounting period.

2. *Vertical analysis* is also known "**Static Analysis**". التحليل الاستاتيكي أو الثابت
3. *Vertical analysis* does not facilitate a proper analysis and interpretation of figures in perspective and also comparisons over a period of years. As such this type of analysis is not generally resorted to by the financial analysts.

❖ **Advantages and Disadvantages of Methods of Financial Statements Analysis** مزايا وعيوب طرق تحليل القوائم المالية

There are two main methods of analyzing financial statements: horizontal or trend analysis, and vertical analysis. These are explained below along with the advantages and disadvantages of each method.

• **Horizontal Analysis** التحليل الأفقي

Horizontal analysis is the comparison of financial information of a company with historical financial information of the same company over a number of reporting periods. It could also be based on the ratios derived from the financial information over the same time span. The main purpose is to see if the numbers are high or low in comparison to past records, which may be used to investigate any causes for concern.

التحليل الأفقي هو مقارنة المعلومات المالية للشركة مع المعلومات المالية التاريخية لنفس الشركة خلال عدد من فترات إعداد التقارير. ويمكن أن يعتمد أيضًا على النسب المستمدة من المعلومات المالية على مدار الفترة الزمنية نفسها. الهدف الرئيسي هو معرفة ما إذا كانت الأرقام مرتفعة أو منخفضة مقارنة بالسجلات السابقة ، والتي يمكن استخدامها للتحقيق في أي أسباب للقلق.

This method of analysis is simply grouping together all information, sorting them by time period: weeks, months or years. The numbers in each period can also be shown as a percentage of the numbers expressed in the baseline (earliest/starting) year. The amount given to the baseline year is usually 100%. This analysis is also called dynamic analysis or trend analysis.

❖ **Advantages and Disadvantages of Horizontal Analysis**

مزايا وعيوب التحليل الأفقي

When the analysis is conducted for all financial statements at the same time, the complete impact of operational activities can be seen on the company's financial condition during the period under review. This is a clear advantage of using horizontal analysis as the company can review its performance in comparison to the previous periods and gauge how it's doing based on past results.

A disadvantage of horizontal analysis is that the aggregated information expressed in the financial statements may have changed over time and therefore will cause variances to creep up when account balances are compared across periods.

Horizontal analysis can also be used to misrepresent results. It can be manipulated to show comparisons across periods which would make the results appear stellar for the company.

❖ **Vertical Analysis** التحليل العمودي

Vertical analysis is conducted on financial statements for a single time period only. Each item in the statement is shown as a base figure of another item in the statement, for a given time period, usually for year. Typically, this analysis means that every item on an income and loss statement is expressed as a percentage of gross sales, while every item on a balance sheet is expressed as a percentage of total assets held by the firm. Vertical analysis is also called static analysis because it is carried out for a single time period.

يتم إجراء التحليل الرأسي على البيانات المالية لفترة زمنية واحدة فقط. يتم عرض كل بند في البيان كشكل أساسي لبند آخر في البيان ، لفترة زمنية محددة ، عادة للسنة. عادةً ما يعني هذا التحليل أنه يتم التعبير عن كل بند في بيان الدخل والخسارة كنسبة مئوية من إجمالي المبيعات ، بينما يتم التعبير عن كل عنصر في الميزانية العمومية كنسبة مئوية من إجمالي الأصول التي تحتفظ بها الشركة. يسمى التحليل الرأسي أيضًا التحليل الثابت لأنه يتم تنفيذه لفترة زمنية واحدة.

❖ **Advantages and Disadvantages of Vertical Analysis**

مزايا وعيوب التحليل العمودي

Vertical analysis only requires financial statements for a single reporting period. It is useful for inter-firm or inter-departmental comparisons of performance as one can see relative proportions of account balances, no matter the size of the business or department.

Because basic vertical analysis is constricted by using a single time period, it has the disadvantage of losing out on comparison across different time periods to gauge performance. This can be addressed by using it in conjunction with timeline analysis, which shows what changes have occurred in the financial accounts over time, such as a comparative analysis over a three-year period. For instance, if the cost of sales comes out to be only 30 percent of sales each year in the past, but this year the percentage comes out to be 45 percent, it would be a cause for concern.