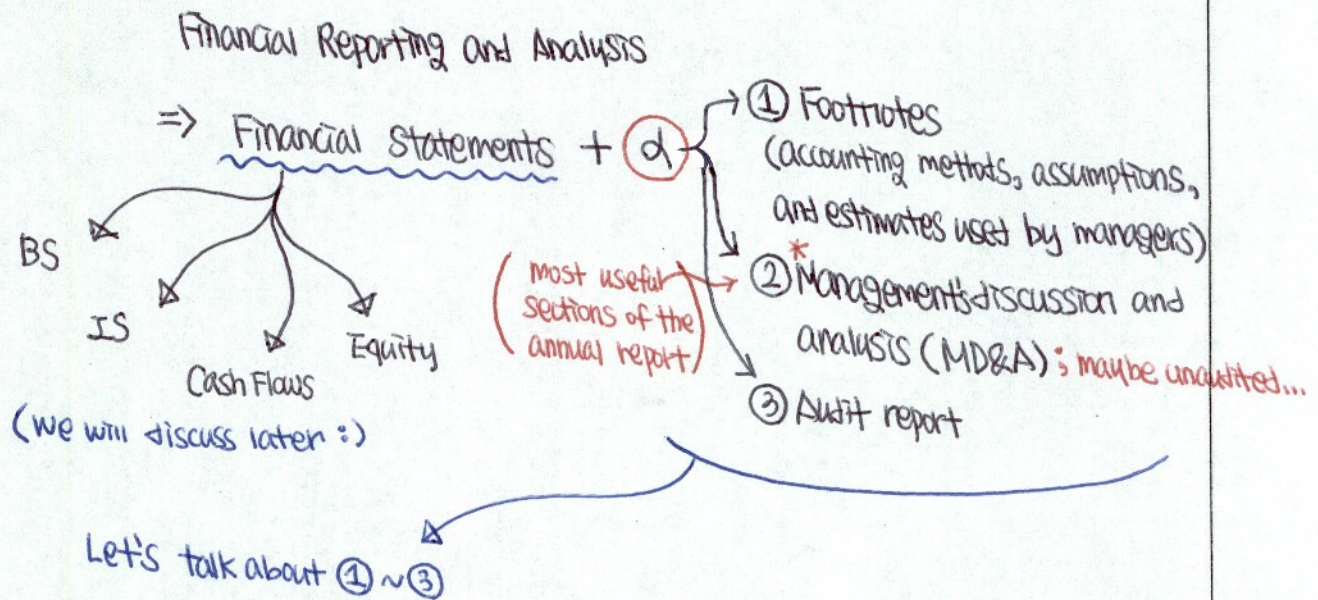


Financial Reporting and Analysis

* Financial Reporting?

It refers to the way firms/companies show their financial performance to investors, creditors, and other interested parties ^{*} by preparing and presenting financial statements.

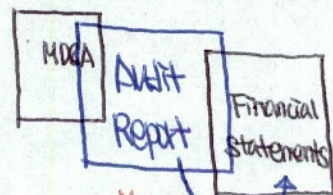
* The role of financial statement analysis is to use the information in a firm's financial statements, along with other relevant information, to make economic decisions.



① "Footnotes" allow investors or any users to improve their assessments of the amount, timing, and uncertainty of the estimates reported in financial statements.

② Usually, "MD&A" discuss trends and some important events. Also, MD&A discuss uncertainties that affect the firm's liquidity, capital resources, and results of operations. Lastly, MD&A discuss forward-looking expenditures and divestitures.

③ "Audit" is an independent review of an entity's financial statements.



Provide ^{*} opinions

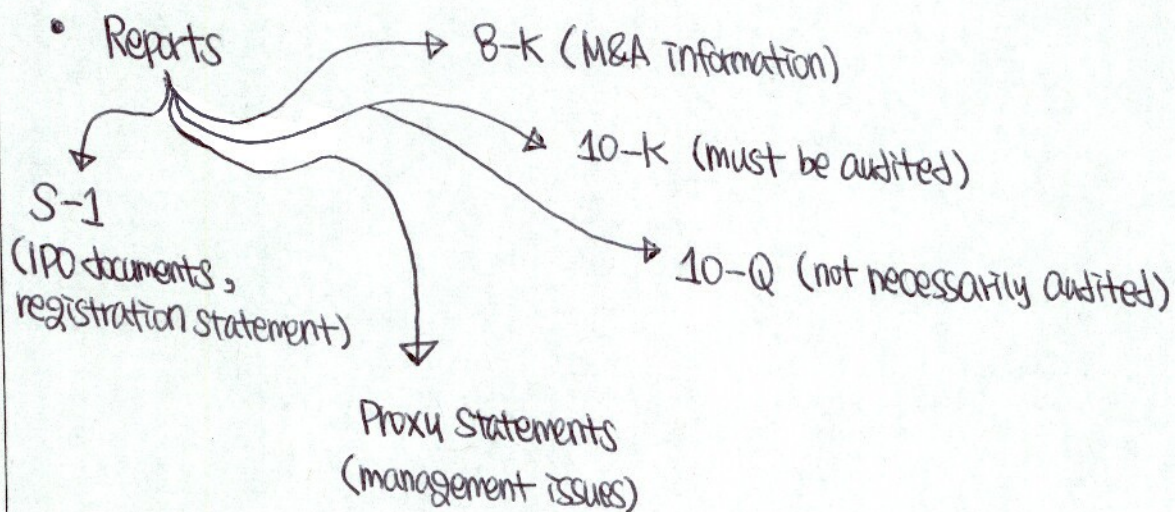
4 different opinions exist!!

Financial Reporting and Analysis

~~***~~ 4 opinions?

- ① "unqualified opinion" (clean opinion) indicates that the statements are free from material omissions and errors.
- ② "qualified opinion" indicates that the statements make (any) exceptions to the accounting principles.
- ③ "adverse opinion" indicates that the statements are not presented fairly or are materially non-conforming.
- ④ "disclaimer opinion" indicates that CPAs is unable to express an opinion.

+ explanatory paragraph (emphasis of matter) when a material loss is probable, but the amount cannot be reasonably estimated. These uncertainties may relate to the going concern assumption. In this case, analysts or managers need to examine potential problems.



- "Internal controls" are the processes by which the firm ensures that it presents accurate financial statements. In other words, a firm's management is responsible for maintaining an effective internal control system to ensure the accuracy of its financial statements. Auditor must express an opinion on the firm's internal controls if the firm is a publicly traded firm.