



Short Answer Type Questions

Q1. List the techniques of Financial Statement Analysis.

Solution:

Commonly used techniques of Financial Statement Analysis:

1. Comparative Financial Statements
2. Common Size Financial Statements
3. Trend Analysis
4. Ratio Analysis
5. Cash Flow Statement
6. Fund Flow Statement

The above listed techniques can be classified on the following basis:

A. On the basis of Comparison

1. Inter-firm Comparison

- a. Comparative Statement (Balance Sheet, Profit and Loss Account)
- a
- b. Common Size Statement (of the same period)
- c. Ratio of Two or More Competitive Firms (of the same period)
- d. Cash Flow Statement of Two or More Competitive Firms
- e. Polygon, Bar Diagram

2. Intra-firm Comparison

- a. Comparative Statement (Balance Sheet, Profit and Loss Account)
- a
- b. Common Size Statement (of the same period)
- c. Ratio of Two or More Competitive Firms (of the same period)
- d. Cash Flow Statement of Two or More Competitive Firms
- e. Polygon, Bar Diagram

3. Horizontal Comparison

4. Vertical Comparison

B. On the basis of Time

1. Inter-period Comparison

- a. Comparative Statement (two or more periods)
- b. Cash Flow Statement (two or more periods)

2. Cross Sectional (Intra period) Comparison

- a. Common Size Statement
- b. Ratio Analysis

C. Horizontal Analysis

1. Time Series
2. Bar Diagram
3. Polygon
4. Comparative Statement
5. Ratio Analysis

D. Vertical Analysis

1. Common Size Statement
2. Pie Diagram

***** END *****

