

Reading 21: Financial Statement Analysis: An Introduction

Question #1 of 24

Question ID: 413991

Which of the following *best* describes financial reporting and financial statement analysis?

- A) Financial reports assess a company's past performance in order to draw conclusions about the company's ability to generate cash and profits in the future.
 - B) The objective of financial analysis is to provide information about the financial position of an entity that is useful to a wide range of users.
 - C) Financial reporting refers to how companies show their financial performance and financial analysis refers to using the information to make economic decisions.
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Question #2 of 24

Question ID: 414001

Which of the following would NOT require an explanatory paragraph added to the auditors' report?

- A) Statements that the financial information was prepared according to GAAP.
 - B) Doubt regarding the "going concern" assumption.
 - C) Uncertainty due to litigation.
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Question #3 of 24

Question ID: 713757

Which of the following statements regarding footnotes to the financial statements is *least* accurate? Financial statement footnotes:

- A) may contain information regarding contingent losses.
 - B) provide information about assumptions and estimates used by management.
 - C) typically include a discussion of the firm's past performance and future outlook.
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Question #4 of 24

Question ID: 413997

Which of the following statements concerning the notes to the audited financial statements of a company is *least* accurate? Financial statement notes:

- A) include management's assessment of the company's operating performance and financial results.
 - B) are audited.
 - C) contain information about contingent losses that may occur.
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Question #5 of 24

Question ID: 413995

Which of the following statements represents information at a specific point in time?

- A) The income statement and the balance sheet.
 - B) The income statement.
 - C) The balance sheet.
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Question ID: 413994

A company's operating revenues for a reporting period are *most likely* to be shown on its:

- A) balance sheet.
 - B) cash flow statement.
 - C) income statement.
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Question #7 of 24

Question ID: 414005

Which of the following is *least likely* to be available on EDGAR (Electronic Data Gathering, Analysis, and Retrieval System)?

- A) SEC filings.
 - B) Form 10Q.
 - C) Corporate press releases.
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Question #8 of 24

Question ID: 414002

Which of the following is an independent auditor *least likely* to do with respect to a company's financial statements?

- A) Provide an opinion concerning their fairness and reliability.
 - B) Prepare and accept responsibility for them.
 - C) Confirm assets and liabilities contained in them.
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Question #9 of 24

Question ID: 492015

A firm's internal controls are *most accurately* described as:

- A) outside the scope of an audit report under IFRS and U.S. GAAP.
- B) a responsibility of the firm's board of directors.
- C) directly affecting the firm's financial reporting quality.

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Question ID: 460643

Information about a company's financial position at a point in time is *most likely* found in the:

- A) income statement.
 - B) balance sheet.
 - C) cash flow statement.
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Question #11 of 24

Question ID: 413990

Which of the following statements about financial statement analysis and reporting is *least* accurate?

- A) Providing information about changes in a company's financial position is a role of financial reporting.
 - B) Deciding whether to recommend a company's securities to investors is a role of financial statement analysis.
 - C) Financial statement analysis focuses on the way companies show their financial performance to investors by preparing and presenting financial statements.
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Question #12 of 24

Question ID: 414004

Which of the following is an analyst *least likely* to rely on as objective information to include in a company analysis?

- A) Government agency statistical data on the economy and the company's industry.
 - B) Proxy statements.
 - C) Corporate press releases.
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Question #13 of 24

Question ID: 414009

In the financial statement analysis framework, using the data to address the objectives of the analysis and deciding what conclusions or recommendations the information supports is *best* described as:

- A) reporting the conclusions.
 - B) analyzing and interpreting the data.
 - C) processing the data.
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Question ID: 414006

Which of the following is the *best* description of the financial statement analysis framework?

- A) Gather data, analyze and interpret the data, determine the context, report the conclusions, update the analysis.
 - B) State the objective and context, gather data, process the data, analyze and interpret the data, report the conclusions or recommendations, update the analysis.
 - C) Gather data, analyze and interpret the data, process the conclusions, assess the context, report the recommendations, update the analysis.
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Question ID: 414007

The step in the financial statement analysis framework that includes making any appropriate adjustments to the financial statements and calculating ratios is *best* described as:

- A) analyzing and interpreting the data.
 - B) gathering the data.
 - C) processing the data.
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Question #16 of 24

Question ID: 414003

Which of the following statements about proxy statements is *least* accurate? Proxy statements are:

- A) available on the EDGAR web site.
 - B) a good source of information about the qualifications of board members and management.
 - C) not filed with the SEC.
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Question #17 of 24

Question ID: 413993

According to the IASB, which of the following *least* accurately describes financial reporting? Financial reporting:

- A) is useful to a wide range of users.
 - B) uses the information in a company's financial statements to make economic decisions.
 - C) provides information about changes in financial position of an entity.
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Question #18 of 24

Question ID: 413992

Which of the following is *least likely* to be considered a role of financial statement analysis?

- A) To make economic decisions.
- B) Assessing the management skill of the company's executives.
- C) Determining whether to invest in the company's securities.

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Question ID: 414008

The step in the financial statement analysis framework of "processing the data" is *least likely* to include which activity?

- A) Acquiring the company's financial statements.
 - B) Making appropriate adjustments to the financial statements.
 - C) Preparing exhibits such as graphs.
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Question ID: 765489

For publicly traded firms in the United States, the Management Discussion and Analysis (MD&A) portion of the financial disclosure is *least likely* required to discuss:

- A) results of operations.
 - B) capital resources and liquidity.
 - C) unusual or infrequent items.
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Question ID: 492014

An analyst who wants to examine a firm's financing transactions during the most recent period is *most likely* to evaluate the firm's statement of:

- A) comprehensive income.
 - B) cash flows.
 - C) financial position.
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Question #22 of 24

Question ID: 414000

The standard auditor's report is *most likely* required to:

- A) provide reasonable assurance that management is reliable.
 - B) provide an "unqualified" opinion if material uncertainties exist.
 - C) provide reasonable assurance that the financial statements contain no material errors.
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Question ID: 485769

In addition to the audited financial statements included in a firm's annual report, which of the following sources of information is *most likely* to contain audited data?

- A) Interim financial statements filed with the SEC.
 - B) Management's commentary.
 - C) Footnotes to the annual financial statements.
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Question #24 of 24

Question ID: 765490

According to IFRS guidance for management's commentary, addressing the company's key relationships is:

- A) neither recommended nor required.
- B) recommended.
- C) required.