Objectives of Financial Statement Analysis

The main objective of financial statement analysis is to provide information about the financial position, performance and changes in financial position of a company that is useful to a wide range of users in making economic decisions. By examining the past and current financial data, investors can evaluate a company’s performance and financial position as well as assessing risks. Financial statement analysis yields valuable information about trends and relationships, the quality of a company’s earnings, and the strengths and weaknesses of its financial position.

Financial statements also show the results of the stewardship of management, or the accountability of management for the resources entrusted to them by the shareholders. As investors, you must always use financial statements to assess the risk and return of your investments and take investment decisions based on sound analysis.

The Objectives of financial statement analysis include, among others:

a) Assesement Of Past Performance
   Past performance is a good indicator of future performance. As investors you should be interested in the trend of past sales, operating expenses, net income, cash flows and return on investment, among others. These trends offer a means for judging management's past performance and are possible indicators of future performance.

b) Assessment of current position
   Analysis of the current position indicates where the business stands today. Such analysis will show the types of assets owned by a business enterprise and the different liabilities due against the enterprise, the company's cash position as well as the debt the company has in relation to equity, among others.

c) Assessment of the operational efficiency
   Financial statement analysis helps to assess the operational efficiency of the management of a company. The actual performance of the firm which are revealed in the financial statements can be compared with some standards set earlier and the deviation of any between standards and actual performance can be used as the indicator of management efficiency.

Upcoming AGM

- TSL, Head office, 28 Simon Mazorodze Road, Southerton, 16 March, 1200hrs