



Financial Statement Analysis in Security Analysis and Portfolio Management

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Introduction to Financial Statement Analysis



Purpose of Financial Statement Analysis



To assess financial performance

Financial performance assessment helps students understand a company's profitability, efficiency, and overall financial health using key indicators from financial statements.



To evaluate investment potential

Evaluating investment potential involves analyzing financial statements to determine the viability of investing in a company based on projected growth and returns.



// Importance in Portfolio Management

01.

Impact on investment decisions

Investment decisions rely heavily on financial statement analysis, as it provides crucial insights into a company's stability and growth prospects that influence portfolio choices.

02.

Risk assessment techniques

Understanding risk assessment techniques through financial analysis allows students to identify potential financial risks associated with investments and how to mitigate them.

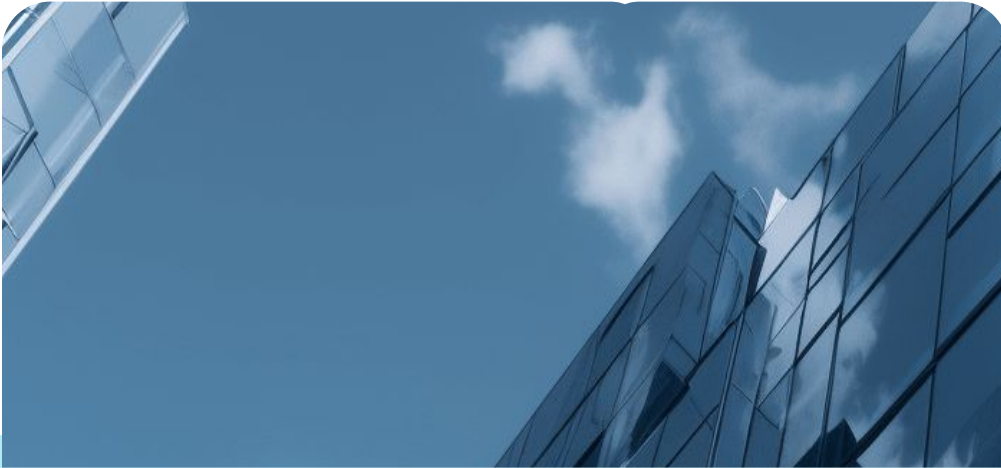
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Key Financial Statements



// Income Statement



Structure and components

The income statement outlines a company's revenues and expenses over a specific period, detailing the components such as gross income, operating income, and net income, which are crucial for understanding profitability.



Key ratios derived from the income statement

This section covers important financial ratios like the gross profit margin and net profit margin, which help assess a company's efficiency and profitability relative to its revenue, aiding in performance comparison.

Balance Sheet



Understanding assets, liabilities, and equity

The balance sheet details a company's financial position at a specific point in time, breaking down assets, liabilities, and equity, which helps in evaluating solvency and financial health.



Analysis of liquidity and solvency

This analysis focuses on a company's ability to meet short- term and long- term obligations, discussing key metrics such as the current ratio and debt- to- equity ratio, essential for assessing financial stability.

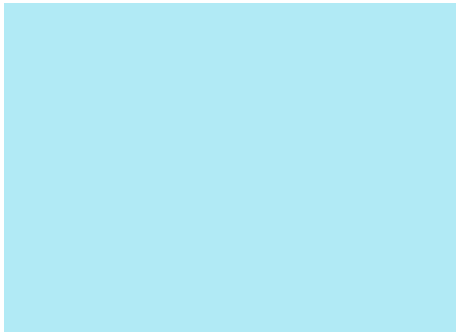
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Techniques for Financial Statement Analysis



Ratio Analysis



Profitability ratios

Profitability ratios assess a company's ability to generate profit relative to revenue, operating costs, and equity, providing insights into financial health and operational efficiency.



Liquidity and efficiency ratios

Liquidity and efficiency ratios measure a company's capacity to meet short-term obligations and manage assets effectively, highlighting operational stability and financial flexibility.

Trend Analysis

01

Historical performance evaluation

Historical performance evaluation analyzes past financial data to identify patterns and trends, helping students understand how past decisions affect current financial status.

02

Forecasting future performance

Forecasting future performance involves using historical data to project future financial outcomes, equipping students with tools to make informed predictions in business scenarios.

The background of the slide features a dark blue grid pattern overlaid on a blurred image of financial data. The data includes orange and yellow bar charts and red and blue line graphs, suggesting a technical or financial analysis theme.

Thanks

Prepared by D.Deepa

