

Jorge Zuniga Blanco Shares Six Steps to an Effective Financial Statement Analysis

Accounting and finance expert explains how to use the points to develop an effective analysis of an organization's financial statements.

SAN JOSE, COSTA RICA, March 21, 2019 /EINPresswire.com/ -- For anyone dealing with business finances, it is imperative to realize how to successfully examine the financial statements of the company. In order to do this, it is necessary to understand three important areas – the structure of the statements, the financial qualities of the industry and the techniques employed to stand out from the competition. Accounting and finance expert [Jorge Zuniga Blanco](#), founder of EG Services Global, explains how to use the points to develop an effective analysis of an organization's financial statements.



Jorge Zuniga Blanco

The first step is to identify the economic characteristics of the industry in which the business operates. Create a value chain analysis for the industry which includes activities used in the creation, manufacture and distribution products or services.

Next, identify the company's strategies. Zuniga explains, "You have to look at the nature of the goods or services that the company is offering. This will include the product's uniqueness, the level of profit margins, cost control and the creation of brand loyalty. Also, take into account items such as supply chain integration and industry and geographic diversification."

The following step is to assess the quality of the financial statements of the company. Review key financial summaries inside the setting of the standard accounting guidelines. In looking at balance sheet accounts, recognition, valuation and characterization are keys to appropriate assessment. The fundamental question ought to be whether the balance sheet is a finished portrayal of the company's financial position. While assessing the income statement, the focal point should be to legitimately evaluate the nature of income as a total portrayal of the company's financial execution. Says Zuniga, "Assessment of the cash flow provides a better understanding of the liquidity position from the company's operations, investments and financial activities."

Continuing the process to create the analysis, the next step is to review current profitability and risk. This is where financial experts can truly include an incentive in the assessment of the firm and its financial statements. The most widely recognized investigation devices are key fiscal summary ratios that identify liquidity, profitability, risk/market valuation, asset management and debt management/coverage. Regarding profitability, there are two big questions that must be asked – how profitable are the operations relative to held assets and how profitable is the firm

judged by equity shareholders. It is equally as important to understand how to divide return measures into principle impact factors, as well as to analyze financial statement ratios comparatively. This can be done by looking at the current ratios compared to previous measurements or even other firms or averages in the industry.

After all of these steps have been completed, it is time to prepare forecasts. These can often be challenging, but are an integral part of the process. They must be based on reasonable assumptions and they must show how the assumptions could impact cash flow and funding.

Finally, the firm must be valued. There are a lot of methods for creating the valuation, but the most common is the discounted cash flow methodology. The cash flows need to be presented through projected dividends or other, more detailed techniques like free cash flows.

After the analysis of the business and the financial statements is done, there will most likely still be questions that need answers. Often, one of these is whether or not the numbers can be trusted. This can be answered only by those who have prepared the reports, but it is important to remember that any "accounting irregularities" will diminish the company's reputation and weaken its market position.

About Jorge Zuniga Blanco

Jorge Zuniga Blanco is a leading eCommerce expert who has provided his services to growing organizations throughout the world. He has a diverse background of industries to his credit, giving him the ability to relate and contribute to business owners in a variety of markets. He has more than 20 years in the eCommerce industry and, for the past nine, has dedicated his expertise and knowledge into helping executives and managers develop their business.

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