15 THE STEP IN THE FINANCIAL STATEMENT ANALYSIS

1. 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.

2. 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.

3. Which financial statement reports information about a company's financial position at a single point in time?
   (A) income statement.
   (B) cash flow statement.
   (C) balance sheet.

4. Which of the following would NOT require an explanatory paragraph added to the auditors' report?
   (A) Uncertainty due to litigation.
   (B) Statements that the financial information was prepared according to GAAP.
   (C) Doubt regarding the "going concern" assumption.

5. The step in the financial statement analysis framework of "processing the data" is least likely to include which activity?
   (A) Preparing exhibits such as graphs.
   (B) Acquiring the company's financial statements.
   (C) Making appropriate adjustments to the financial statements.

6. According to IFRS guidance for management's commentary, addressing the company's key relationships is:
   (A) neither recommended nor required.
   (B) required.
   (C) recommended.

7. Which of the following is least likely to be available on EDGAR (Electronic Data Gathering, Analysis, and Retrieval System)?
   (A) Corporate press releases.
   (B) Form 10Q.
   (C) SEC filings.

8. 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) analyzing and interpreting the data.
   (B) processing the data.
   (C) reporting the conclusions.

9. Which of the following is the best description of the financial statement analysis framework?
   (A) Gather data, analyze and interpret the data, process the conclusions, assess the context, report the recommendations, 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, determine the context, report the conclusions, update the analysis.

10. Which of the following is an independent auditor least likely to do with respect to a company's financial statements?
   (A) Confirm assets and liabilities contained in them.
   (B) Prepare and accept responsibility for them.
   (C) Provide an opinion concerning their fairness and reliability.

11. 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.

12. Which of the following is an analyst least likely to rely on as objective information to include in a company analysis?
    (A) Corporate press releases.
    (B) Government agency statistical data on the economy and the company's industry.
    (C) Proxy statements.

13. 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.

14. The role of financial statement analysis is most accurately described as:
    (A) a common requirement for companies that are listed on public exchanges.
    (B) the use of information from a company's financial statements along with other information to make economic decisions regarding that company.
    (C) the reports and presentations a company uses to show its financial performance to investors, creditors, and other interested parties.

15. 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.

16. Which of the following statements about proxy statements is least accurate? Proxy statements are:
    (A) not filed with the SEC.
    (B) available on the EDGAR web site.
    (C) a good source of information about the qualifications of board members and management.

17. Which of the following statements represents information at a specific point in time?
    (A) The balance sheet.
    (B) The income statement and the balance sheet.
    (C) The income statement.

18. 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.

19. Which of the following best describes financial reporting and financial statement analysis?
    (A) Financial reporting refers to how companies show their financial performance and financial analysis refers to using the information to make economic decisions.
    (B) 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.
    (C) 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.

20. 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.

21. 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.

22. 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) financial position.
    (B) comprehensive income.
    (C) cash flows.

23. 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) capital resources and liquidity.
    (B) results of operations.
    (C) unusual or infrequent items.

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

    (A) uses the information in a company's financial statements to make economic decisions.

    (B) is useful to a wide range of users.

    (C) provides information about changes in financial position of an entity.

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

    (A) Assessing the management skill of the company's executives.

    (B) Determining whether to invest in the company's securities.

    (C) To make economic decisions.