

Chapter 12 Outline

Financial Statement Package
Notes to the Financial Statements
Accountant's Letter
The Money Illusion
Revenue, Expenses, and Net Income
Assets, Liabilities, and Equity
Overview of Analytical Methods
The Income Statement
Reading the Income Statement
Common-Size Analysis
Comparative Analysis
Ratio Analysis
The Balance Sheet
Reading the Balance Sheet
Common-Size Analysis
Comparative Analysis
Ratio Analysis
Statement of Cash Flows
Reading the SCF
Cash Flows from Operating Activities
Cash Flows from Investing Activities
Cash Flows from Financing Activities

Competencies

1. Explain the composition of a financial statement package. (pp. 349–351)
2. Explain why the monetary amounts on financial statements can give a false illusion, and describe the effect of accrual accounting on revenue, expenses, net income, assets, liabilities, and equity. (pp. 351–352)
3. Describe how to read and analyze the income statement, balance sheet, and statement of cash flows using common analytical methods. (pp. 352–366)