
Class #6

“Turbo Accounting: Reading Financial Statements

Where Now?

- Where have we been?
 - Know how to value a company, but now we need to understand the financials (to get the numbers!)
- Where Next?
 - Today – Overview of Income Statement, and Balance Sheet.
 - Next Two Classes: Detecting Accounting Manipulations

Components of Financial Statements

- MD&A, Letter to Shareholders
- Selected Financial Data
- What is meant by “Consolidated”
 - 1) Balance Sheet
 - 2) Statement of Income
 - 3) Statement of Cash Flows
 - 4) Statement of Shareholders’ Equity
- Footnotes

Where Next?

- Next Class – “How Companies Cook the Books”
- Readings:
 - Skim Course Reader pages 594-606 of Section (E) “The Quality of Current Earnings”.
- Handout Today: Sample Questions for Quiz #1