ANALYZING THE STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

The following is an example of a spreadsheet you should prepare in the completion of the analysis of the statement of changes in stockholders' equity.

ABC Corporation Statement of Changes in Stockholders' Equity For the Year Ending December 31, CY					
	Common Stock, $x Par	APIC - CS	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance, January 1					
Issuance for additional shares for cash					
Purchase of treasury stock					
Net income (loss)					
Cash dividends					
Treasury stock					
Balance, December 31					

	2 Years Prior (2YP)	Prior Year (PY)	Current Year (CY)
Number of shares outstanding			

Based on the information in the statement of changes in stockholders' equity, respond to the following questions.

1. Were there significant changes in the company's common stock? What were the reasons for these changes?

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2. Did the company repurchase any of its own stocks? Why?

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3. Where there significant changes in the number of shares outstanding? If so, what are the reasons for these changes?

4. Were there any other significant observations from your review of the statements of changes in stockholders' equity?

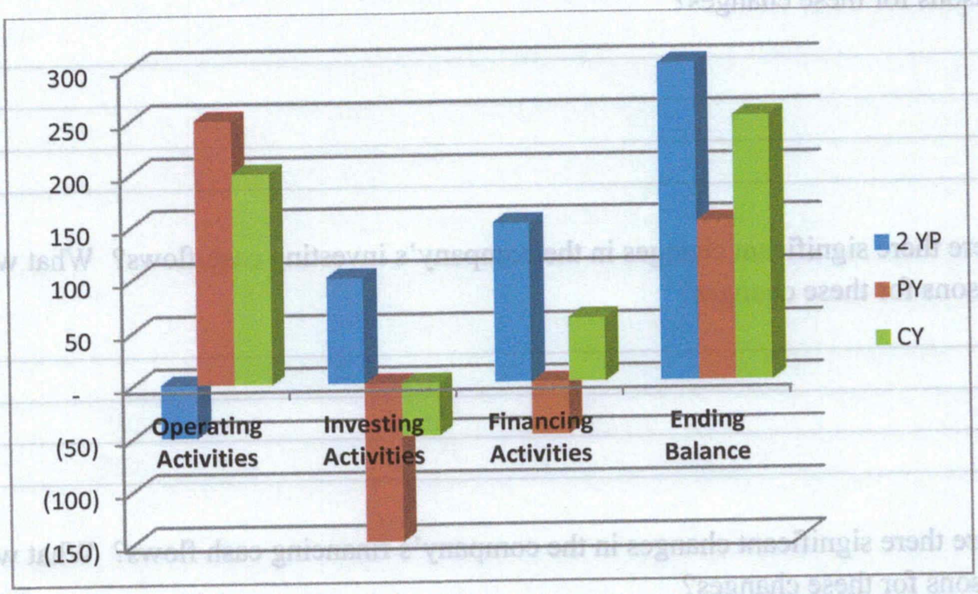
To assist in your responses to the above you should consult both the management discussion and analysis (MD&A) and notes to the financial statements sections of the annual reports.

ANALYZING THE STATEMENT OF CASH FLOWS

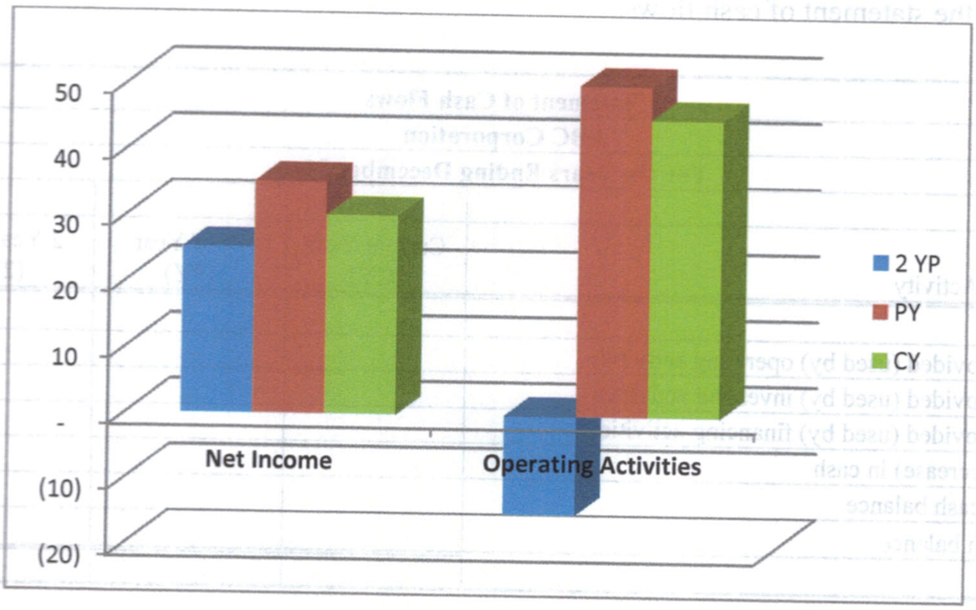
The following is an example of a spreadsheet you should prepare in the completion of the analysis of the statement of cash flows.

Statement of Cash Flows			
ABC Corporation			
For the Years Ending December 31			
Cash Flow Activity	Current Year (CY)	Prior Year (PY)	2 Years Prior (2YP)
Net cash provided (used by) operating activities			
Net cash provided (used by) investing activities			
Net cash provided (used by) financing activities			
Increase (decrease) in cash			
Beginning cash balance			
Ending cash balance			

Below is a sample comparison of the statement of cash flows items of operating, investing, financing activities along with the ending balance of cash for the period. Your analysis should include a similar comparison, in the form of either a chart like this one or of a line graph.



Below is a sample comparison of the net income with the operating activities cash flow. Your analysis should include a similar comparison, in the form of either a chart like this one or of a line graph.



Based on the information in the statement of cash flows, respond to the following questions.

1. Were there significant changes in the company's operating cash flows? What were the reasons for these changes?

2. Were there significant changes in the company's investing cash flows? What were the reasons for these changes?

3. Were there significant changes in the company's financing cash flows? What were the reasons for these changes?

4. What were the most significant sources of cash?

5. What were the most significant uses of cash?

6. What were the most significant reasons for the differences between net income and cash flows from operating activities?

7. Were there any other significant observations from your review of the statements of cash flows?

To assist in your responses to the above you should consult both the management discussion and analysis (MD&A) and notes to the financial statements sections of the annual reports.

RATIO ANALYSIS

Ratio analysis is an important tool for investors and other stakeholders who are interested in the performance of a company. Ratio analysis is generally used to evaluate a company's financial and operating performance. Ratio analysis is used to evaluate a company's liquidity, profitability, efficiency, and solvency.

There are numerous ratios that can be used to perform financial analysis. The table on the next page lists some important ones. These should assist in determining the following information about a company:

- short-term and immediate short-term debt paying ability;
- ability to pay off current liabilities in a given year from operations;
- liquidity of receivables and inventory;
- efficiency of the use of assets to generate sales;
- profitability as measured by sales, average assets, and equity;
- earnings per share and dividend payout;
- percentage of debt to assets and the ability to meet associated interest payments;
- ability to repay liabilities and amount per share available to each share held by investors.