How Much Did You Learn?

Review what you learned from this chapter, answer the following questions in your own words, then compare your answers with the answer key in the next page.

1. How would you describe the two main financial statements? What is the Balance Sheet formula? What does the Balance Sheet balance? How is an Income (or Earnings) Statement organized?

2. What differe[illegible] intangibles?

3. What is the [illegible] compa-nies w[illegible]

4. Is it possible for a company's tot[illegible] Would you consider a company a good investment if [illegible]

5. Describe a Statement of Cash Flows. What useful information does it reveal to investors about a company's earnings? What is meant by quality of earnings?

6. Which of the financial ratios mentioned in this mini-book reveal information about how a company finances its operations, that is, its capital structure? Which ratios identify a company's profitability?

7. Return on equity (ROE) is probably the most important financial ratio. Why? Under what circumstances might a financial analyst conclude that a company may be worth more to an investor if it were dead than if it were alive?

8. What can an investor learn about a company by applying the principles of vertical (page 2) and horizontal analysis to financial statements?

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