

## Topic 17 - Analysis of Published Accounts

### Activity 17.1

Seeing Beyond the Numbers

Objective

To introduce students to the idea that **published financial statements are not just numbers**, but meaningful information that must be **analyzed and interpreted** to understand a company's true financial position and performance.

Activity Description

Begin the lesson by asking students to think about a **company they recognize** (such as a retail store, food brand, or manufacturing firm).

Ask them:

- Why do people trust this company?
- Would you invest your money in it?
- Would you lend money to this business?

Now display a **short extract** from a company's published accounts on the board (for example: total revenue, profit, assets, and liabilities).

Think & Respond

Ask students to answer the following questions individually or in pairs:

1. The company shows a profit this year.

Does this automatically mean the company is financially strong?

2. If total assets have increased, does it always mean growth?
3. Can two companies with the same profit be in very different financial conditions?

### Class Discussion

Guide students to observe that:

- Profit alone does not show the complete picture
- Growth must be compared over time
- Financial strength depends on relationships between figures, not isolated numbers

Highlight that **raw financial data becomes meaningful only after analysis.**

### Key Insight

Published accounts provide financial data, but **analysis of published accounts transforms data into information** that supports sound economic and managerial decisions.

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الداعي الاجل سيدنا عالي قدر مفضل سيف الدين طع فرماوے چھے۔

"رازق تو خدا چھے نے ، خدا تو سگلو دیکھے چھے نے ، رازق خدا چھے ، یر روزی اے چھے ،  
 تو تمیں جتنو جتنو تماری جہ دین داری کرسو تو دنیا ماتمیں گھنا سعادہ تھاسو ، احسن فیر  
 صاحب نا وسیلہ سی تمیں مالا مال تھاسو۔ تمیں ایمل حساب ما بھی تماری۔ چوکھو حساب ہوئی  
 تماری۔ لکھو تو اھو و چوکھو کہ ام ذرہ بھی اندر کوئی فرق نہ ہوئی ، کہ چلو۔ ہنا جیم رفوگر۔  
 جیم رفو اپنے کری لیسو تو چالی جاسے ، نہ ! ایم نہیں ، یر تو دیکھے چھے ، امام الزمان ناداعی  
 سگلو دیکھے چھے ، خبر پڑی جے جاسے ، ہنا بعض وقت تھورا ورس خبر نہ پڑی ، مگر چھیلے تو  
 خبر پڑسے جے ، انے اھنو نقصان تمنے اھاو و پڑسے ، کئی چھوٹی نہیں سکو کوئی دن۔ کہ چلو  
 ہاں ، اتا ہنا اچھے ، ام ذرہ ودھارے لکھی لو حساب ما ، نے ام کائی لو نے بھائی ، ایم نہیں چلی  
 سکے ، خدا نا نزدیک کوئی بھی ہوئی۔ فرق پڑسے نے پڑسے نے پڑسے ، چارپانچ ورس مھلہ ملی  
 جائی بعض وقت ، جو اپنے کتنو فائدہ اھاو ی لیدو نے ام ، اتنا لکھی دیدا نے اپنا اتنو فائدہ تھی  
 گیو ، کئی فائدہ کہوئی جے نہیں ، اھا برکتہ تھائی جے نہیں ، تماری چھے۔ تر بھی سگلو چلو جاسے  
 پاچھو ، خدا سگلا نے توفیق انے یاری اچھو ، ایک ایک مؤمن نے یاری اچھو ، ایک ایک خدمتہ  
 گزار نے یاری اچھو ، مکرر کہون کہ کوئی دن بھی دغونہیں کروانو ، سچی وات جہ ہوئی تر

کروانی ، حساب بھی اپنو چوکھو ہوئی برابر ، من وعن لکھیلو ہوئی کر جو ام ام خرچ تھیو  
چھے ، ”

ایمان مبارک سی واضح تھائی چھے کر وپار کرتی وقت حسابات برابر ہوا جوئیے ، اہانفع انے نقصان  
برابر لکھوو ، ایم نہ بنے کر حساب زیادہ لکھی لے تاکہ فائدہ تھائی ، بلکہ حساب چھو کو ہوو  
جوئیے ذرہ بھی اندر کوئی فرق نہ ہوئی ، یہ حسابات نے maintain کروا واسطے دنیا ما  
published accounts نو system موجود چھے جہر ناسی وپار ما finance متعلق تمام چیزوالگ  
الگ شاکلہ سی نوئدھ کروا ما اوے چھے انے وقتاً فوقتاً اھنے analyze کروا ما اوے چھے۔  
اعنوان نے ہجی بہتر شاکلہ سی سمجھوا واسطے اھنے مایلی عناوین ما تقسیم کیدا چھے:

1. Introduction to Published Accounts
2. Why the Preparation of Published Accounts Is Important?
3. Types of Analysis of Published Accounts
4. Analysis of Published Accounts Across the Supply Chain
5. Published Account Systems in Different Countries

## Introduction to Published Accounts



The image shows a black calculator with a numeric keypad and function keys, placed on top of a financial statement document. The document contains a table with columns for years (2018, 2017, 2016) and rows for various financial categories. The visible text includes 'ASSETS AND OWNER'S EQUITY' and 'LIABILITIES'. The table data is as follows:

	2018	2017	2016	2015
ASSETS AND OWNER'S EQUITY				
515,618	211,122	322,545	120,000	
20,000	20,000	20,000	20,000	
162,256	628,468	644,686	644,686	
100,000	100,000	100,000	100,000	
300,000	400,000	400,000	300,000	
722,877	544,688	457,857	1,845,080	
1,820,751	1,904,278	1,845,080		
LIABILITIES				
Payable				
Loans				
Res Payable				
Salaries and Wages				
Interest				
Debt				

Figure 1: Published Accounts<sup>2</sup>

Published accounts are the **financial statements** that companies are legally required to prepare and make available to their stakeholders. These stakeholders include **shareholders, investors, lenders, employees, regulators, and the general public**. The main components of published accounts are:

- **Balance Sheet** – showing the financial position of the business at a specific point in time
- **Income Statement (Profit and Loss Account)** – showing the operating performance over a period
- **Cash Flow Statement** – showing inflows and outflows of cash from operating, investing, and financing activities.

These statements provide essential financial information about a business.

However, **published accounts in their raw form do not fully explain how well a**

<sup>2</sup> Dobran, J. (2025) *The Way Small Companies file annual accounts is changing*, *Quality Company Formations Blog*. Available at: <https://www.qualitycompanyformations.co.uk/blog/small-companies-annual-accounts-filing-changes/>, (Accessed: 29 December 2025)

**business is performing.** They present figures, but they do not interpret them.<sup>3</sup>

## Why Analysis Is Necessary

A company may report sales growth, profits, or increased assets, but these numbers alone do not reveal:

- Whether the business is financially strong or weak
- Whether profits are sustainable in the long term
- Whether the company can meet its short-term obligations
- Whether resources are being used efficiently
- Whether the company is exposed to excessive financial risk

Therefore, simply reading financial statements is not sufficient. **Analysis of published accounts is required to convert financial data into meaningful information.**

## Meaning of Analysis of Published Accounts

Analysis of published accounts refers to the **systematic examination and interpretation of financial statements** using analytical tools such as:

- Ratio analysis
- Trend analysis
- Comparative statements

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<sup>3</sup> *Report of investigation by the Special Investigative Committee of the Board of Directors of Enron Corp.* / worldcat.org. Available at:  
<https://search.worldcat.org/title/report-of-investigation-by-the-special-investigative-committee-of-the-board-of-directors-of-enron-corp/oclc/179293268>

- Common-size statements

The purpose of analysis is to assess:

- **Financial strength and stability**
- **Profitability and return on investment**
- **Liquidity and solvency position**
- **Operational efficiency**
- **Risk, gearing, and sustainability**

You will learn about the tools and purposes in detail in further chapter.

### Example 17.1

Consider two companies that each report a **net profit of ₹10 crores** in their published accounts, at first glance, both companies may appear equally successful. However,

- After detailed analysis, Company A may have **high borrowings**, weak liquidity, and rising interest costs
- Company B may have **low debt**, strong cash flows, and efficient asset utilization

This shows that Profit figures alone are misleading; comprehensive analysis is essential to determine a company's financial health, risk, and long-term viability.

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Did you know?

Some global investors make **no investment decision** without analyzing at least **five years of published accounts**.

## Why the Preparation of Published Accounts Is Important?

### Kalemaat Nooraniyah 17.2

الداعي الاجل سيدنا محمد برهان الدين رضايك بيان ما فرماوے چھے۔

"ايك لطيف رواية كرىء اهما دعاة نا حدود ني شان واضح تھائي چھے مؤمن واسطے اهما بھلي اسوة چھے ، عجب سكهامن چھے ، المولى الاجل جبرني قبر شريف اديپور ما چھے ، عالم علامه تھالانے رياضه ني ذروة پر تھالانے ، رتبه گھنوبلند ، تارے اهو وسخت امتحان تھيو۔ خانجي فيرنو ، مولى يہ احمد اباد موکلا ، والي بني نے لوگو نے علم پڑھاوانے ، سياسته بھي گھني هتي ، مزاج مبارك بھي سگلا امور نے کيم سنبھالوا ، احمد اباد ما اهل الخلاف بھي هتا ، 'اخانجي فير پوتانا حزم سي عقلندي سي کام برابر کرتا تھالانے ، مگر اهما خرچ گھنو تھئي جائی ، خدمه کروا ما کتني طرح نا نفقات مگر حساب نہ لکھائي سکو ، کاموني کثره ناسب خرچہ نا حساب برابر جمباوي نہ سکا ، سيدنا پدهارا ، حساب مانگو ، سيدي خانجي فير يہ حساب اپو مگر Satisfaction تھائي اهو نو تو ، تو سيدنا يہ فرمايو کہ تمیں اتنا مھوٹا منزله ما چھوانے امثل حساب کيم برابر نہ تھي کيدو ، سيدنا يہ فقط اتوج فرمايو دھارے نہيں ،"

الداعي الاجل سيدنا عبد الطيب زكي الدين رض نواعمل دعوة نا اخراجات تها - اهنو امثل حساب مانگوو ايم واضح كرے چھے كر امثل accounts راكھواني اهمية سونر چھے، ير ۛ مثل وپارما بهي اهني اهمية چھے.

The preparation of **published accounts** is a vital responsibility of every business organization. Published accounts are the formal financial statements—such as the **Balance Sheet, Income Statement (Profit and Loss Account), and Cash Flow Statement**—that are made available to stakeholders and the public. Their importance goes far beyond legal compliance; they form the foundation for transparency, trust, and informed decision-making.

### 1. Legal and Statutory Requirement

Most countries mandate companies to prepare and publish financial accounts under company laws and accounting standards.

- In India, companies must comply with the **Companies Act, 2013**
- Listed companies must follow **SEBI regulations**
- Accounts must be audited and disclosed annually

### **Importance:**

Failure to prepare published accounts can lead to penalties, loss of credibility, and legal action.

### 2. Transparency and Accountability

Published accounts ensure that a company is accountable to its stakeholders.

They disclose:

- How money has been earned
- How resources have been used
- Whether profits are genuine or manipulated

**Importance:**

Transparency builds trust among investors, lenders, employees, and society.

3. Basis for Financial Analysis

Published accounts provide the raw data required for **analysis of published accounts**.

Without published accounts:

- Ratio analysis cannot be performed
- Trends cannot be studied
- Financial strengths and weaknesses cannot be identified

**Importance:**

Analysis converts accounting data into meaningful information for decision-making.

4. Decision-Making for Stakeholders

Different stakeholders rely on published accounts for different decisions:

- **Investors:** Decide whether to buy, hold, or sell shares
- **Banks and lenders:** Decide whether to grant loans
- **Management:** Evaluate performance and plan future strategies
- **Government:** Assess tax liability and regulatory compliance

**Importance:**

Accurate accounts lead to better economic and managerial decisions.

### 5. Measurement of Performance

Published accounts help measure:

- Profitability over time
- Growth in assets and revenues
- Efficiency of operations

By comparing accounts year after year, stakeholders can judge whether the business is improving or declining.

### 6. Comparability Across Companies

Standardized published accounts allow comparison:

- Between companies in the same industry
- Across different time periods
- Across countries (when international standards are followed)

**Importance:**

This helps investors and analysts benchmark performance.

### 7. Creditworthiness and Financial Reputation

A company with properly prepared and audited published accounts:

- Appears financially disciplined
- Gains easier access to loans and credit
- Attracts long-term investors

Banks and financial institutions rely heavily on published accounts to assess **risk and repayment capacity**.

## 8. Long-Term Sustainability and Planning

Published accounts reveal:

- Capital structure
- Cash flow stability
- Ability to survive economic downturns

### **Importance:**

They support long-term strategic planning and sustainable growth.

#### **Quick tip**

Well-prepared published accounts do not guarantee success—but poorly prepared or unreliable accounts almost always signal trouble.

## Types of Analysis of Published Accounts

The analysis of published accounts can be carried out using different methods, each serving a specific purpose. These methods help users compare financial performance over time, understand cost structures, and evaluate financial strength. Broadly, analysis is classified into **Horizontal Analysis, Vertical Analysis, and Ratio Analysis**.<sup>5</sup>

### 1. Horizontal Analysis (Trend Analysis)

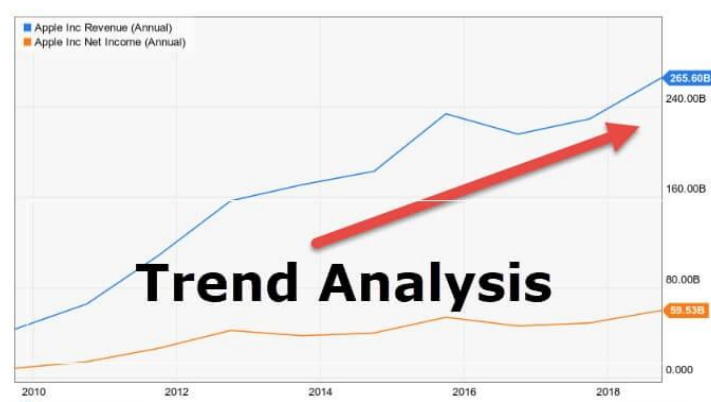


Figure 2: Horizontal Analysis<sup>6</sup>

Horizontal analysis involves comparing financial information of a company over **two or more accounting periods**. The objective is to identify **growth patterns, trends, and changes** in performance over time.

This method focuses on:

- Increase or decrease in revenues
- Changes in expenses
- Growth or decline in profits

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<sup>5</sup> Financial Statement Analysis, 13th Edition Paperback – 1 October 2014 by [Charles H. Gibson](#)

<sup>6</sup> Team, W. (2025) *Trend analysis, What Is It, Examples, Types, Uses, Benefits*. Available at: <https://www.wallstreetmojo.com/trend-analysis/>, (Accessed: 29 December 2025)

- Expansion or contraction of assets and liabilities

Figures are usually compared in:

- Absolute terms (₹ increase or decrease)
- Percentage terms (growth rate)

### Example 17.2

One prominent example of a Dawoodi Bohra community-owned business that utilizes horizontal analysis in its published financial accounts is **Aisha Steel Mills Limited (ASML)**

#### Application of Horizontal Analysis at ASML

As a public limited company, Aisha Steel Mills publishes annual reports that typically include a section for "Horizontal Analysis of Financial Statements." This analysis evaluates trends across multiple years (usually a 6-year period) to track growth and performance.

- **Trend Monitoring:** The company compares line items like Revenue, Cost of Sales, and Gross Profit across consecutive years to identify percentage increases or decreases.
- **Operating Performance:** By using horizontal analysis, ASML assesses how its capacity utilization and sales volume have evolved over time compared to a base year.
- **Financial Health:** The analysis allows stakeholders to see if the company's liabilities are growing faster than its assets (liquidity trends) or if the debt-to-equity ratio is improving over a multi-year trajectory.

Horizontal analysis helps stakeholders assess whether a company's performance is improving, stagnant, or declining over time.

## 2. Vertical Analysis (Common Size Analysis)

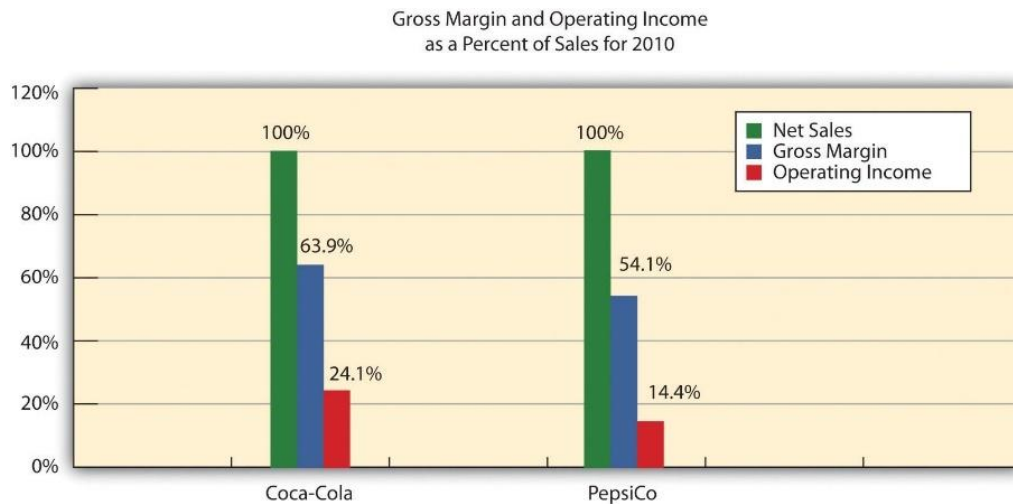


Figure 3: Vertical Analysis<sup>7</sup>

Vertical analysis expresses each item in a financial statement as a **percentage of a common base figure**.

- In the **Income Statement**, all items are expressed as a percentage of **Revenue**
- In the **Balance Sheet**, all items are expressed as a percentage of **Total Assets**

This method helps understand the **internal structure** of financial statements.

### Example 17.3

#### Amazon Inc.'s Income Statement

<sup>7</sup> (No date) *Common-size analysis of financial statements*. Available at: [https://saylordotorg.github.io/text\\_managerial-accounting/s17-02-common-size-analysis-of-financ.html](https://saylordotorg.github.io/text_managerial-accounting/s17-02-common-size-analysis-of-financ.html), (Accessed: 29 December 2025)



Figure 4: Amazon Logo<sup>8</sup>

Item	Amount (\$ bn)	% of Revenue
Revenue	574	100%
Cost of Sales	350	61%
Operating Expenses	180	31%
Net Profit	44	8%

### Interpretation:

- Operating expenses consume **20% of revenue**, indicating high logistics and technology costs.
- Profit margin of **10%** reflects Amazon's strategy of **high volume, low margin** operations.
- Vertical analysis helps compare Amazon's cost structure with competitors like Walmart or Alibaba, regardless of company size.

Vertical analysis is especially useful for **inter-firm comparisons**.

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<sup>8</sup> Amazon (2024) *Online Shopping site in India: Shop Online for Mobiles, Books, Watches, Shoes and More - Amazon.in, Amazon.in*. Available at: <https://www.amazon.in/>, (Accessed: 29 December 2025)

### 3. Ratio Analysis

Ratio analysis is the most widely used and powerful tool for analysing published accounts. It establishes relationships between different financial figures to evaluate performance, position, and efficiency.

Ratios convert raw numbers into **meaningful indicators**, making financial statements easier to interpret.

#### Major Categories of Ratios

##### 1. Liquidity Ratios

Liquidity ratios measure a firm's ability to meet its **short-term financial obligations** as and when they fall due. These ratios are especially important for **suppliers, lenders, and short-term creditors**, as they indicate whether the business has sufficient current assets to cover current liabilities.

#### Common Liquidity Ratios

- **Current Ratio** = Current Assets ÷ Current Liabilities
- **Quick Ratio (Acid Test Ratio)** = (Current Assets – Inventory) ÷ Current Liabilities

A healthy liquidity position ensures smooth day-to-day operations and protects the firm from cash flow disruptions.

#### Example 17.4

Flipkart (Retail Sector)



Figure 5: Flipkart Logo<sup>9</sup>

Flipkart operates in a high-volume retail environment where large inventories and frequent supplier payments are required. By maintaining strong liquidity:

- Suppliers are paid on time, maintaining trust and continuity of supply
- Inventory can be replenished quickly during peak sales seasons
- Short-term obligations such as logistics costs and warehousing expenses are met without stress

Strong liquidity enables Flipkart to manage operational volatility in the competitive e-commerce market.

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## 2. Profitability Ratios

Profitability ratios measure the firm's ability to generate **profits from sales and capital employed**. These ratios are crucial for **investors, shareholders, and management**, as they reflect the overall success of business operations.

### Common Profitability Ratios

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<sup>9</sup> (No date a) *Flipkart logo, symbol, meaning, history, PNG, Brand*. Available at: <https://logos-world.net/flipkart-logo/>, (Accessed: 29 December 2025)

- **Gross Profit Ratio**
- **Net Profit Ratio**
- **Return on Capital Employed (ROCE)**

Higher profitability ratios indicate efficient cost control, strong pricing power, and effective utilization of resources.

### Example 17.5

Apple Inc.



*Figure 6: Apple Logo<sup>10</sup>*

Apple Inc. consistently reports a high **ROCE**, reflecting its strong profitability.

This is due to:

- Premium pricing strategy for products like iPhones and MacBooks

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<sup>10</sup> *Apple Inc: Over 559 Royalty-Free Licensable Stock Illustrations & Drawings / Shutterstock (2025) Shutterstock.* Available at:

[https://www.shutterstock.com/search/apple-inc?image\\_type=illustration&dd\\_referrer=https%3A%2F%2Fwww.google.com%2F](https://www.shutterstock.com/search/apple-inc?image_type=illustration&dd_referrer=https%3A%2F%2Fwww.google.com%2F), (Accessed: 29

December 2025)

- Efficient supply chain and cost management
- Strong brand loyalty that allows higher margins

Even with high production costs, Apple's operations generate superior returns on invested capital, making it highly attractive to investors.

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### 3. Financial Efficiency Ratios

Efficiency ratios (also called activity ratios) assess how effectively a company uses its **assets and resources** to generate revenue. These ratios are vital for evaluating **operational efficiency**.

#### Common Efficiency Ratios

- **Inventory Turnover Ratio**
- **Receivables Turnover Ratio**
- **Asset Turnover Ratio**

Higher efficiency ratios usually indicate better management of working capital and assets.

#### Example 17.6

ZARA



Figure 7: ZARA Store<sup>11</sup>

Zara is known for its exceptionally high **inventory turnover ratio**, which results from:

- Short fashion cycles and rapid product launches
- Efficient logistics and centralized distribution
- Minimal inventory holding and quick response to trends

By converting inventory into sales quickly, Zara reduces storage costs, minimizes obsolete stock, and improves profitability.

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#### 4. Gearing Ratio

The gearing ratio shows the **proportion of debt to equity** in a company's capital structure. It measures financial risk and long-term solvency.

<sup>11</sup> *Zara business model* (no date) *Business Model*. Available at: <https://www.strategyzer.com/library/zara-business-model>, (Accessed: 29 December 2025)

- High gearing indicates heavy reliance on borrowed funds
- Low gearing suggests greater financial stability and lower risk

This ratio is important for **long-term lenders and investors**.

### Example 17.7

Tesla



Figure 8: Tesla Company<sup>12</sup>

In its early years, Tesla relied heavily on debt to fund expansion and innovation.

Over time, the company:

- Reduced its gearing ratio by increasing equity and profits
- Lowered interest burden
- Improved investor confidence and financial stability

This strategic reduction in gearing helped Tesla strengthen its balance sheet and long-term sustainability.

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<sup>12</sup> Al Jazeera (2021) *Tesla beats quarterly revenue expectations on robust demand*, Al Jazeera. Available at:

<https://www.aljazeera.com/economy/2021/4/26/tesla-beats-quarterly-revenue-expectations-on-robust-demand>, (Accessed: 29 December 2025)

## 5. Investment Ratios

Investment ratios are primarily used by **existing and potential shareholders** to evaluate the attractiveness of a company's shares.

### Common Investment Ratios

- **Earnings Per Share (EPS)**
- **Price–Earnings (P/E) Ratio**
- **Dividend Yield**

These ratios help investors judge **returns, growth potential, and market valuation**.

### Example 17.8

ITC Ltd - is suitable for conservative, long-term investors due to its stable earnings, consistent dividends, strong diversified cash flows, and focus on stability over aggressive growth.

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#### Quick tip:

**Compare ratios within the same industry—never across unrelated sectors.**

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## **Analysis of Published Accounts Across the Supply Chain**

Different participants in the supply chain—**manufacturers, wholesalers, retailers, and service providers**—have **different business models, cost structures, and risks**. Therefore, the **focus of financial analysis** also varies for each.

Analysis of published accounts helps each entity understand its financial performance, control costs, manage resources efficiently, and support strategic decision-making.<sup>13</sup>

### 1. Manufacturers

Manufacturers convert **raw materials into finished goods**, which makes them operations capital-intensive. Their financial analysis focuses on controlling production costs and improving efficiency.

#### Key Areas of Analysis

Manufacturers mainly analyses:

- **Cost of production** (raw materials, labour, overheads)
- **Capacity utilization** (use of plant and machinery)
- **Inventory efficiency** (raw materials, work-in-progress, finished goods)

#### *Important Ratios Used*

- Gross Profit Ratio
- Inventory Turnover Ratio

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<sup>13</sup> Financial Statement Analysis, 13th Edition Paperback – 1 October 2014 by [Charles H. Gibson](#)

- Fixed Asset Turnover Ratio

## 2. Wholesalers

Wholesalers act as a **link between manufacturers and retailers**. Their profitability depends on fast stock movement and effective credit management.

### *Key Areas of Analysis*

Wholesalers focus on:

- **Liquidity position**
- **Inventory turnover**
- **Receivables management**

### *Important Ratios Used*

- Current Ratio
- Receivables Turnover Ratio
- Inventory Turnover Ratio

## 3. Retailers

Retailers sell goods directly to consumers. Their success depends on **high sales volume, efficient stock movement, and cost control**.

### *Key Areas of Analysis*

Retailers mainly analyse:

- **Profit margins**
- **Sales efficiency**

- **Inventory turnover**

#### Important Ratios Used

- Net Profit Ratio
- Inventory Turnover Ratio
- Sales per Square Foot

#### 4. Service Providers

Service providers do not deal with physical goods. Their main assets are **human resources and intellectual capital**.

#### *Key Areas of Analysis*

Service firms focus on:

- **Employee costs**
- **Asset utilization**
- **Profit margins**

#### *Important Ratios Used*

- Operating Profit Margin
- Revenue per Employee
- Return on Assets

Did you know?

Companies applying lean principles can reduce operational costs by **15–30%** while improving product quality and delivery speed.

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## Published Account Systems in Different Countries

Published accounts are governed by each country's **company law, accounting standards, and regulatory framework**. While the objective—**transparency, accountability, and informed decision-making**—remains common, the **systems and standards differ across countries**.

### 1. United Arab Emirates (UAE)

In the UAE, companies are regulated under the **UAE Commercial Companies Law**. Listed companies must prepare and publish financial statements in accordance with **International Financial Reporting Standards (IFRS)**.

- Annual audited Balance Sheet, Income Statement, and Cash Flow Statement are mandatory.
- Oversight is provided by authorities such as the **Securities and Commodities Authority (SCA)**.

- Strong emphasis is placed on **true and fair disclosure** to attract global investors.

## 2. Kuwait

Kuwait follows **IFRS standards** under the supervision of the **Capital Markets Authority (CMA)**.

- Listed companies must publish audited annual and quarterly accounts.
- High focus on **banking, oil, and investment companies**.

## 3. Bahrain

Bahrain has a well-developed financial reporting system aligned with **IFRS**.

- Companies are regulated by the **Central Bank of Bahrain (CBB)**.
- Strong disclosure norms, especially for Islamic financial institutions.

## 4. Kenya

Kenya mandates published accounts under the **Companies Act, 2015**, using **IFRS**.

- Listed companies publish annual and interim financial reports.
- Oversight by the **Capital Markets Authority (CMA Kenya)**.

## 5. Tanzania

Tanzania follows **IFRS** under the **Companies Act**.

- Public companies must publish audited accounts.
- Emphasis on transparency for foreign investors.

## 6. Uganda

Uganda also adopts **IFRS** for financial reporting.

- Accounts are regulated by **the** Institute of Certified Public Accountants of Uganda (ICPAU).
- Published accounts are essential for banks and listed firms.

## 7. Madagascar

Madagascar uses a **national accounting system** aligned partly with IFRS principles.

- Public interest entities publish audited financial statements.
- Focus remains on tax compliance and transparency..

## 8. India

India follows **Companies Act, 2013** and **Indian Accounting Standards (Ind AS)** (converged with IFRS).

- Mandatory publication of audited Balance Sheet, P&L, Cash Flow, and Notes.
- Regulated by **SEBI, MCA, and ICAI**.

## 9. Pakistan

Pakistan uses **IFRS-based standards** under the **Companies Act, 2017**.

- Listed companies publish quarterly and annual accounts.
- Oversight by the **Securities and Exchange Commission of Pakistan (SECP)**.

## 10. **Bangladesh**

Bangladesh follows **Bangladesh Financial Reporting Standards (BFRS)**, aligned with IFRS.

- Companies publish audited annual accounts.
- Supervised by the **Bangladesh Securities and Exchange Commission (BSEC)**.

## 11. **Sri Lanka**

Sri Lanka adopts **Sri Lanka Accounting Standards (SLFRS)**, converged with IFRS.

- Published accounts are mandatory for listed companies.
- Strong emphasis on corporate governance.

## 12. **Malaysia**

Malaysia follows **Malaysian Financial Reporting Standards (MFRS)** aligned with IFRS.

- Regulated by the **Securities Commission Malaysia**.
- High disclosure quality in annual reports.

## 13. **United States of America (USA)**

The USA follows US Generally Accepted Accounting Principles (US GAAP).

- Mandatory filing with the **Securities and Exchange Commission (SEC)**.
- Companies publish Form **10-K (annual)** and **10-Q (quarterly)** reports.

## 14. **Canada**

Canada follows **IFRS** for public companies.

- Regulated by provincial securities commissions.
- Strong audit and disclosure framework.

## 15. Australia

Australia uses **Australian Accounting Standards (AASB)** aligned with IFRS.

- Regulated by **ASIC** and **ASX**.
- High transparency and governance standards.

**purpose of published accounts remains universal:**

- To provide reliable financial information
- To enable meaningful analysis
- To support informed decisions by investors, lenders, regulators, and management

This global consistency makes **analysis of published accounts a powerful and essential business tool worldwide.**

### Case Study 17.1

Collapse of Enron Corporation (USA)

Background

“Enron Corporation was once one of the largest energy trading companies in the United States. Founded in 1985, Enron operated in electricity, natural gas, and energy trading markets and was regarded as a highly innovative and profitable organization.

## Problem in Published Accounts

Although Enron **published its financial statements**, the accounts were **misleading and lacked transparency** due to:

- Use of **off-balance-sheet entities** to hide massive debts
- Overstating profits through **aggressive accounting practices**
- Complex financial disclosures that concealed true financial risk

As a result, the published accounts **did not present a true and fair view** of the company's financial position.

Failure of Analysis-Because of distorted accounts:

- Investors could not correctly assess profitability and risk
- Banks underestimated Enron's debt exposure
- Analysts failed to detect liquidity and solvency problems in time

Proper **analysis of published accounts was impossible** due to manipulated data.

## Consequences

- In 2001, Enron declared bankruptcy
- Shareholders lost billions of dollars
- Thousands of employees lost jobs and pensions
- Arthur Andersen, Enron's audit firm, collapsed due to loss of credibility

Truthful and transparent reporting is the essential foundation of financial analysis, as ratios and trends become meaningless if the underlying data is misleading. The

failure of corporations like Enron proves that without accurate accounts, analytical insights lead to disastrous decisions and total collapse. You can find more information on the importance of honest disclosure of published accounts.”<sup>14</sup>

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<sup>14</sup> *Report of investigation by the Special Investigative Committee of the Board of Directors of Enron Corp.* | [worldcat.org](https://search.worldcat.org/title/report-of-investigation-by-the-special-investigative-committee-of-the-board-of-directors-of-enron-corp/oclc/179293268). Available at: <https://search.worldcat.org/title/report-of-investigation-by-the-special-investigative-committee-of-the-board-of-directors-of-enron-corp/oclc/179293268>

ا session نا شروع ما حضور اعلى نا بيان مبارك سي استنارة كرتا هو ايم ذكر تهئي كر حساب چو كهو را كهو جوئي انے اها كم زياده نر كرو جوئي، دنيا ما بهي ير ۷ مثل حساب ني نونده را كهو واسطے متفرق systems رائج هے، اها سي ايك published accounts هے، تر بعد ايم ذكر تهئي كر امثل نو accounting كروا ني اهمية ايم هے كر اها سبب legal requirements تمام تهائي هے، وپار ما transparency اوے هے، financial analysis كرى سكا ئي هے، وپار نے لمبان وقت لگ sustain كروا ما مدد كرى هے انے وپار واسطے صحيح فيصله ليو ما مدد كرى هے،

ثانياً كئي شاكلة سي analysis تهئي سكه هے جيم vertical analysis، horizontal analysis انے ratio analysis ني ذكر تهئي، انے اها مزيد ratios نا متفرق اقسام جيم liquidity ratio، profitability ratio، financial efficiency ratio انے gearing ratios ني معلومات حاصل كيدي، اخر ما manufacturers، wholesalers، retailers انے service providers كئي شاكلة سي published accounts نے استعمال كرى هے انے اها سي فائده لے هے، تر سا ه ايم ذكر تهئي كر متفرق بلاد ما كيا accounting system effective هے،

نتيجة ايم حاصل هيو كر چو كهو حساب را كهو وير اولياء الله ني سيرة هے انے مؤمن كئي طرح اهنے استعمال كرى اها وپار ما نمو حاصل كرى سكه هے.

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Sr No.	Glossary
1	<b>Companies Act, 2013:</b> Is the principal legislation that governs the incorporation, functioning, regulation, and winding up of companies in India. It replaced the Companies Act, 1956 and introduced stricter governance norms, enhanced transparency, and better protection of stakeholders.
2	<b>SEBI Regulations:</b> are the rules and guidelines issued by the Securities and Exchange Board of India (SEBI) to regulate the securities market, protect investor interests, and promote fair, transparent, and efficient capital markets in India.
3	<b>Gross Profit Ratio:</b> is a profitability ratio that shows the relationship between gross profit and net sales. It measures how efficiently a business produces and sells its goods or services.
4	<b>Net Profit Ratio (NPR):</b> is a profitability ratio that shows the relationship between net profit and net sales. It indicates the overall efficiency of a business after considering all operating and non-operating expenses.
5	<b>Return on Capital Employed (ROCE):</b> is a profitability and efficiency ratio that measures how effectively a business uses its total capital employed to generate operating profits.
6	<b>Earnings Per Share (EPS):</b> is a profitability ratio that shows the portion of a company's net profit attributable to each equity share. It is one of the most important indicators of a company's financial performance for shareholders.

7	The <b>Price–Earnings Ratio (P/E Ratio)</b> : is a market ratio that shows the relationship between the market price of a company’s equity share and its earnings per share (EPS). It indicates how much investors are willing to pay for ₹1 of current earnings.
8	<b>Dividend Yield</b> : is a market ratio that shows the return earned by shareholders in the form of dividend in relation to the market price of a share. It helps investors assess the income-generating capacity of a share.
9	<b>The Receivables Turnover Ratio</b> : shows how quickly a business collects cash from its debtors.
10	<b>The Fixed Asset Turnover Ratio</b> : measures how effectively a business uses its fixed assets to generate sales.
11	<b>IFRS</b> : are international accounting standards issued by the International Accounting Standards Board (IASB) to ensure uniformity, transparency, and comparability in financial reporting worldwide.
12	<b>Capital Markets Authority (CMA)</b> : is a statutory regulatory body established to regulate, supervise, and develop the capital markets of a country. Its primary role is to ensure that capital markets operate in a fair, transparent, efficient, and orderly manner, while protecting the interests of investors.
13	<b>ICPAU</b> : stands for <b>Institute of Certified Public Accountants of Uganda</b> . It is the professional accountancy body in Uganda responsible for regulating and developing the accounting profession in the country.

14	<b>BFRS:</b> stands for Bangladesh Financial Reporting Standards. These are the accounting and reporting standards that companies in Bangladesh must follow when preparing their financial statements.
15	<b>Sri Lanka Accounting Standards (SLAS / LKAS / SLFRS):</b> Sri Lanka has adopted a set of accounting standards to regulate the preparation and presentation of financial statements. These standards are largely based on International Financial Reporting Standards (IFRS).
16	<b>MFRS stands for</b> Malaysian Financial Reporting Standards: It is the framework of accounting standards used in Malaysia to ensure that financial statements are transparent, consistent, and comparable. MFRS is largely converged with the International Financial Reporting Standards (IFRS), meaning that Malaysia adopts standards similar to IFRS with some local modifications.
17	<b>The</b> Australian Accounting Standards (AAS): are the set of accounting rules and guidelines that govern the preparation and presentation of financial statements in Australia. They are designed to ensure that financial reports are transparent, consistent, and comparable across companies.

## About HQHB & TR

We are a department formed by the 52nd Dai-al-Mutlaq Syedna Mohammed Burhanuddin RA as a part of the chain of events that took place on the auspicious occasion of His Golden Jubilee to commemorate 50 years tenure as the leader of the Dawoodi Bohra Community. We educate mumineen about Qardan Hasana and doing Business compliant with Fiqh-e-Fatemi and its benefits in the world and, thereafter, fostering economic and social growth. To summarise, AL-TIJAARAT-AL-RAABEHAH & IDAARAH HASANAAT AL-QARD AL-HASAN AL-BURHANIYAH are non-commercial, religious departments.



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