

## Problems in financial statement analysis and improvement measures

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**Abstract:** With the development and perfection of market economy system and the deepening of enterprise reform process, the requirements of financial statement analysis are getting higher and higher. Financial statements are the main sources of information for enterprise managers to understand and master the business status of enterprises. Financial statement analysis is a compulsory course for accounting majors. Through the study of the course, students are required to apply the principles and methods of financial analysis to analyze and evaluate the past financial information of the enterprise, to reflect the present situation of the financial information of the enterprise and to predict the development situation and trend of the enterprise in the future. The content and information that can express in the financial statements themselves is limited. In order to provide more valuable reference materials, we must use scientific methods to analyze the financial statements, and doing a good job of financial statement analysis can correctly evaluate the business situation and development expectations of enterprises. Based on the contents and analysis methods of financial statements, this paper analyzes the problems existing in the analysis of current financial statements, and puts forward some corresponding improvement methods in order to perfect the analysis of financial statements and provide help for the correct improvement of the function of financial statements.

### 1. The Concept and Function of Financial Statement Analysis

Financial statement analysis based on financial statements and other accounting information, using professional and systematic methods to analyze and evaluate the production and management situation and financial situation of enterprises. The purpose of financial statement analysis is to make enterprises predict the development of enterprises combined with market conditions on the basis of fully understanding the operating performance, and to provide guiding suggestions for enterprise management decisions. The classification of financial statements is a work that provides help for managers to make correct business decisions by sorting out and analyzing the data in the financial statements and by specific methods and according to the established financial indicators to analyze the operating status, profitability and cash flow of the enterprise. Financial statement analysis needs to be large Quantity data are processed and sorted, and useful information finally obtained through calculation, comparison and analysis. In the complex economic environment of fierce competition, the analysis of financial statements is becoming more and more and more paid more attention from the enterprise, both in the daily management of enterprises and the decision-making of foreign investment. The resources that the financial statements themselves can reflect are limited, reflecting only certain aspects of the economic data of the enterprise in a given period. For those who have not trained in financial expertise, the terminology is also difficult to understand, and it is even more difficult to find operating problems in the statements. Only by comparing, the data of the financial statements with the professional financial indicators can the economic connotation of the statementse truly revealed. The analysis of financial statements is the need for the sustainable management and development of enterprises under the fierce market economy system.

The starting point of financial statement analysis and most of the data sources are financial statements. In order to do a good job of financial statement analysis, we must accurately prepare

and fully understand the financial statements. The analysis of financial statements mainly analyzes and evaluates the operating conditions of enterprises from many aspects, such as solvency, profitability and anti-risk ability, and its analytical function has important guiding significance for the development of enterprises. However, the analysis of financial statements affected by many factors, and the results are not accurate. Therefore, in order to give full play to the role of financial statement analysis, it is not only necessary for the quality of accounting information to be more true and reliable. It is more necessary for report analysts and users to have objective and comprehensive professional skills and

## **2. The Characteristics of the Analysis of the Financial Statements**

### **2.1 And relates to the wide range of knowledge.**

The analysis of the financial statements is a comprehensive subject for students to study after the courses of “Basic Accounting> Financial Accounting> <Financial Management> <Management Accounting> <Statistical Principle>.” The subject involves a wide range, not only the content of the balance sheet and the profit statement in the Financial Accounting>, but also the statistical knowledge in the statistical principle>; not only the financial information of the enterprise but also the environment and economic information of the enterprise. Not only relates to the information inside the enterprise, but also relates to the information outside the enterprise. The students only have the knowledge of the relevant theoretical knowledge, and they can used in a flexible way the financial statement analysis method provides the basis for the decision-making of the manager of the enterprise.

### **2.2 The calculation formula is much.**

The financial statement analysis is that the data in the report needs to use in a certain special analysis method, and the corresponding financial index can obtained after the calculation to provide reliable information to the user of the report. Such as the debt-paying ability of the enterprise, the strength of the debt-paying ability must calculate through the formula. The short-term debt-paying ability mainly includes financial indicators such as operating capital, current ratio, quick-action ratio, cash ratio, and enterprise payment coefficient. Each indicator will have a corresponding interest, but in the process of public information disclosure, progress is slow. Therefore, it is also necessary to make the university fully aware of its own responsibility for the disclosure of financial information and secondly, the relevant department needs to be set up, the content of the financial information disclosure of the university audited, and the inappropriate content corrected; and the missing part required to supplement. Therefore, it can better supervise the public responsibility of the financial information of the university, and the third, the information that is not disclosed in the university, for example, the information related to the academic activity, and the privacy of the school running, so the university should not disclose the information. The masses also need to know the relevant content so that they can answer their questions about the financial information of the university in time Questions during the opening.

## **3. The main problems in the Analysis of Financial statements**

The whole process of financial statement analysis is artificial and restricted by the content and analysis method of financial statements and its analysis is not perfect. At present, there are the following problems in the analysis of financial statements in our country:

### **3.1 Problems with the contents and data of the financial statements themselves.**

Financial personnel according to the data calculate the contents and data of financial statements in an accounting period. The accuracy of calculation can verified correctly, but the problems that can reflected are limited in many aspects: First, the timeliness of the financial statements is limited. The data of the financial statements is an accounting period. The average span is one month. The data reflected in the financial statements is of a certain lag, and the analysis of the financial

statements is an analysis of the past data. Second, the report data has restricted by the authenticity. The data of the financial statement is derived from various original vouchers, and the error rate of the voucher is reduced very low during the transfer process, but it is not possible to completely put an end to the error, which may lead to the incomplete accuracy of the data of the financial statements; Third, the actual comparability of report data is limited. The data in the financial statements measured in currency and based on the unit value, but in practice, inflation will cause the deviation between the statement data and the market value. If it is not processed, it is likely to misunderstand the users of the statements. Fourth, the integrity of the report data is limited. The subject level requirements of the financial statements category are limited, and it is impossible to reflect all the required financial data in the limited Tables. Some items that not measured in currency not reflected in the financial statements, but these items may have a significant impact on managers' decisions.

### **3.2 The current data of the financial statements is not perfect.**

The asset has reported in a historical cost manner, assuming that the value of the currency remains constant and cannot be indicative of its current cost or value of realization. A basic premise of modern accounting is the measurement of the currency, which is conditional on the stability of the value or the change of the value. However, in the modern market economy, the currency will often change, especially in the case of inflation or deflation, the price change is very fast, which causes the advantages of the historical cost accounting model no longer exist. This financial statement is essentially equivalent to a summary of a historical data that does not enable it to be implemented And the effective analysis and judgment of various investment risks. The disclosure of non-financial information ignored and the information reflected in the financial statements is not comprehensive. Many non-financial information and the future financial and operating conditions of the enterprise are closely connected, but the financial statements not reflected, such as the information of the market economy, the information of the industry, the information of human resources, the information of the national economic policy, and the like.

### **3.3 There are problems in the analytical method of the financial statements.**

The analytical methods of the current financial statements are not sound and are not comparable. When performing the comparative analysis, the basis of the comparative analysis should clearly select as the standard for evaluating the current actual data of the enterprise. As historical data used to evaluate the present situation of the enterprise and the future financial situation, the result is often impractical; in the same industry, due to the difference in technology and equipment level, it is obvious that the financial situation of the enterprise cannot evaluated in a constant industry data. The main methods for analyzing the financial statements of the enterprise include the comparative analysis method, the ratio analysis method, the trend analysis method and the factor analysis method. The analysis method, each method has its own unique analysis advantage, also has its own limitations. For example, in the process of using the comparative analysis method, the same enterprise is different in the different development period, the enterprise operation condition of the same enterprise is different, and there may be a phenomenon of data loss due to various reasons.so as to influence the analysis result; in the process of using the ratio analysis method. Two types of projects, but in reality obtain the result of the ratio analysis, because it is the data of the two types of projects. the factors that affect the result are also relatively large, resulting in lower data credibility and no comprehensive display of the financial position of the enterprise; and In the process of using trend analysis, with the acceleration of globalization process. the development of enterprise in the early stage can not fully represent the future business situation of enterprises, so the results analyzed by trend analysis can easily deviate from the reality. In the process of using factor analysis, the part that needs to participate in the analysis is complex and huge, and will limited by many factors in the process of analysis, which has some disadvantages. The financial statement analysis mainly aims at the operating ability, profitability, development ability and solvency of the enterprise and its analysis method serves for these aspects. At present, the ratio analysis method is the most commonly used in the analysis of financial statements of enterprises.

And trend analysis, these two methods have some problems: first, the proportional analysis method is limited by the ratio system, the financial ratio system is not strict, and the analysis standard and calculation caliber are not uniform; second, the trend analysis method is restricted by the business environment of the enterprise. If the inflection point occurs in a certain accounting period, it may cause the financial statements in different periods to be not comparable.

### **3.4 Engaged in financial analysis of staff issues.**

At present, the business level and professional quality of the staff engaged in the analysis of financial statements are intermingled, and their ability to analyze financial statements is not the same. When analyzing the financial information generated by an enterprise over a period, the professional knowledge, analysis methods and attention to details are also different. A variety of factors may cause staff to affect to some extent when they further understand and understand the results of the analysis. In addition, it is possible that the analytical data indicators of financial statements will be modified artificially. Professional financial statement analysts can calculate different analytical data through different professional methods. As a result, a part of the mind-oriented enterprise can be used to whitewash the financial information of the enterprise, to beautify the enterprise image and give people the illusion that the operation benefit is good, which is likely to endanger the interests of the enterprise's customers and even the whole society.

## **4. An improved method for the problems existing in the Analysis of Financial statements**

In view of the problems existing in the process of financial statement analysis, we can put forward the corresponding improvement methods, which can be realized from the following aspects:

### **4.1 Improve the content of the financial statements themselves.**

In the process of preparing financial statements, we must abide by the principles of objectivity, integrity and adequacy, and provide useful information for users of financial statements. In the process of disclosure, we should put an end to the misstatement of data caused by human factors, and at the same time, we should be careful in the process of financial processing to ensure the correctness and completeness of each account, and should also be verified by a special person before the disclosure of the statement to ensure the correctness of accounting data information and reduce the existence of data errors. In providing financial statements, the possible impact of market changes on the data should be taken into account as much as possible, and adjustments can be made through, inter alia, "current price accounting". Explain and disclose in the notes to the financial statements, explain and perfect the contents of the financial statements that cannot be fully displayed in the notes, and make up for the shortcomings of the financial statements themselves. In general, the possible impact of market changes on data should be taken into account as much as possible when providing financial statements.

### **4.2 Optimization analysis method.**

In order to improve that analysis of the financial statement, the analytical method of the financial statement must be optimized. The analysis of the financial statements is based on the past information data, so it is necessary to combine the changing market operation environment in actual operation, so that the index of the report analysis is consistent with the economic environment. A separate financial analysis method may be defective in a certain aspect, so the enterprise is to build an analysis system of the scientific system to which it is adapted, and the method of combining quantitative analysis and qualitative analysis method can be adopted in the selection of the analysis method of the financial statements. The quantitative analysis result based on the data and the non-measurable qualitative factors comprehensively analyzed, and the correction carried out. The structure of the quantitative analysis is more practical, and in the selection process of the analysis method, some mutual contact and complementary methods can be selected to be combined and used, so that the analysis structure is more scientific and reliable.

### **4.3 Combined with the enterprise industry environment and operating environment analysis.**

The industry environment plays a decisive role in the analysis of the enterprise, and the analysis of the index of the sunrise industry and the sunset industry is not to be treated in the same way. The business environment of the enterprise should be fully considered in the financial analysis to provide the correct data reference. In addition, the business environment of the enterprise is constantly changing. The new financial index improved in comparison with the history, but it is not necessarily the improvement of management or operation. In the analysis and comparison, the enterprise-operating environment should fully consider, and the financial index and the enterprise-operating environment should combine.

### **4.4 Improve the disclosure of financial statements.**

The disclosure of the financial statements is an important part of the analysis of the financial statements. The enterprise should follow the development needs to increase the disclosure content, such as the commitment, the matter and other matters, and also pay attention to the timeliness of the disclosure of the financial statements, as far as possible from the “In the past” to the “Now”, Emphasis is placed on the substance of the analysis of the financial statements.

### **4.5 Do well in the skill training and professional ethics education of the financial personnel.**

As the staff of enterprise financial statement analysis, it is the core of financial statement analysis and holds a series of true information in enterprise finance. Therefore, the managers of enterprises should pay more attention to and strictly manage the personnel responsible for financial statement analysis, and should pay more attention to the professional ethics and working attitude of the relevant personnel engaged in financial statement analysis. Through the training of financial statement analysts, we can improve the comprehensive quality of analysts, improve their ability to interpret and judge the report indicators, improve their professional ethics, and fundamentally solve the problem of wealth. At the same time, the establishment of correct analytical ideas in practice, the gradual cultivation and improvement of their own judgment ability to the problems analyzed and the ability to collect and master comprehensive data can greatly provide a true and reliable basis for the management and decision-making of enterprises and do correct trading activities. To improve the comprehensive quality of staff in an all-round way, first, enterprises should carry out the assessment and training of professional knowledge and professional quality of personnel engaged in financial statement analysis, in order to improve their ability to deal with sudden problems and accurate judgment. In addition, the number of financial statement analysts trained to use high-tech electronic technology According to the analysis tool, the working pressure reduced, the working efficiency is improved, the data analysis result is more accurate, and the better analysis effect achieved.

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