

Questions: Financial statements and MD&A

INCOME STATEMENT

- Has the company made a profit or loss? (Look at the net income line.)
- How does income compare to the same period last year?
- Did a significant portion of the income or loss come from an unusual event (for example, sale or purchase of significant assets or businesses) rather than ongoing operations (such as sales)?
- Did the company declare a dividend?
- Is the dividend higher or lower than last year?

CASH FLOW STATEMENT

- Is the company bringing in cash from operating activities?
- If it is spending more cash than it is bringing in from operating activities, how is it financing its operations (from issuing shares or debt, or selling assets)?
- Is it spending money on new equipment? (Check under investing activities.)
- How do these numbers compare to last year?

BALANCE SHEET

- Are current assets more than current liabilities?
- What proportion of total assets is comprised of intangible assets and goodwill?
- How do these numbers compare to last year?
- Is shareholder equity higher or lower than last year?

NOTES

- Has the company changed its accounting policies? If so, did that affect the company's financial statements?
- Did the company take part in any 'related-party' transactions?

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

- Do you understand the business of the company after reviewing the MD&A?
- Are there any matters addressed in the previous MD&A that the company does not discuss in this MD&A? If so, is it clear why?
- Do the nature of, and reasons for, changes discussed in the MD&A make sense to you?
- Are you comfortable with the direction management has set out in the MD&A for the future of the company?