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财务与会计系列

# 财务报表分析 (第七版)

FINANCIAL STATEMENT ANALYSIS  
USING FINANCIAL ACCOUNTING INFORMATION

(SEVENTH EDITION)

CHARLES H. GIBSON



世界财经与管理教材大系



东北财经大学出版社

世界财经与管理教材大系  
财务与会计系列·英文版

# 财务报表分析

## (第七版)

**Financial Statement Analysis**

查尔斯·吉普森 著

*Charles H. Gibson*

东北财经大学出版社

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## 出版者的话

但凡成事，均缘于势。得势则事成，失势则事不顺。顺势而行，如顺水行舟；借势而动，如假梯登高；造势而为，如太空揽月。治学、从政、经商、置业，均不可一日失势。势者，长处、趋势也。

今日中国，是开放的中国；当今世界，是开放的世界。改革开放，大势所趋，势不可挡。经济开放、文化开放、政治开放，世界需要一个开放的中国，中国更要融入开放的世界。借鉴国际惯例，学习他人之长，已经到了不可不为之时。

借鉴国际惯例，学习他人之长，已属老生常谈，但学什么、如何学、以何为蓝本为众多志士仁人所关注。可喜的是，由赤诚图文信息有限公司精心策划，ITP、McGraw-Hill及Simon & Schuster等国际出版公司特别授权，东北财经大学出版社荣誉出版的“世界财经与管理教材大系”现已隆重面世！她以“紧扣三个面向，精选五大系列，奉献百部名著，造就亿万英才”的博大胸襟和恢弘气势，囊括经济学、管理学、财务与会计学、市场营销学、商务与法律等财经、管理类主干学科，并根据大学教育、研究生教育、工商管理硕士（MBA）和经理人员培训项目（ETP）等不同层次的需要，相应遴选了具有针对性的教材，可谓体系完整，蔚为大观。所选图书多为哈佛、斯坦福、麻省理工、伦敦商学院、埃维商学院等世界一流名校的顶尖教授、权威学者的经典之作，在西方发达国家备受推崇，被广为采用，经久不衰，大有“洛阳纸贵”之势。

借鉴国际惯例，毕竟只是因势而动；推出国粹精品，才是造势而为。在借鉴与学习的同时，更重要的是弘扬民族精神，创建民族文化。“民族的，才是国际的”。我们提倡学他人之长，但更希望立自己之势。

势缘何物，势乃人为。识人、用人、育人、成人，乃人本之真谛。育人才、成能人，则可造大势。育人、成人之根本在教育，教育之要件在教材，教材之基础在出版。换言之，人本之基础在书本。

凡事均需讲效益，所谓成事，亦即有效。高效可造宏基，无效难以为继，此乃事物发展之规律。基于此，我们崇尚出好书、出人才、出效益！

东北财经大学出版社

1998年4月

# Preface

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*Tell me, I'll forget.  
Show me, I may remember.  
Involve me, I'll understand.*

This old proverb describes the approach of the 7th edition—involving students in actual financial statements and their analysis and interpretation. Its premise is that students are better prepared to understand and analyze real financial reports when learning is not based on oversimplified financial statements.

## ACTUAL COMPANIES

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The text explains financial reporting differences among industries, including manufacturing, retailing, and service firms, and regulated and nonregulated industries. Statements of actual companies, such as Delta Air Lines (page 129), Lands' End (page 149), and Intel Corporation (page 373) are used in illustrations, problems, and cases. The actual financial statements highlight current financial reporting problems, including leases, pensions, options, postretirement benefits, financial instrument disclosures, deferred taxes, and the harmonization of international accounting standards. The text includes a new section on using the Internet in financial analysis (pages 221-223).

## EXTENSIVE USE OF ONE FIRM

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An important feature of this text is that one firm, Cooper Tire & Rubber Company, is used extensively as an illustration. By using Cooper's 1995 financial statements and industry data, readers become familiar with a typical competitive market and a meaningful example for viewing financial statement analysis as a whole. (See Chapters 6 and 12 and pages 126, 273, 386, 482, and 572.) In addition, in an appendix at the end of the text, another actual company—Worthington Industries—is used as the basis for a comprehensive case.

## **FLEXIBLE ORGANIZATION**

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This book provides the flexibility necessary to meet the needs of accounting and finance courses varying in content and length. Sufficient text, problem materials, and cases are presented to allow the instructor latitude in the depth of coverage. Accounting principles are the basis for all discussion so that students may understand the methods used as well as the implications for analysis.

Chapter 1 develops the basic principles of accounting on which financial reports are based. A review of the evolution of GAAP and the traditional assumptions of the accounting model helps the reader understand the statements and thus analyze them better.

Chapter 2 describes the forms of business entities and introduces financial statements. This chapter also reviews the sequence of accounting procedures completed during each accounting period. This chapter includes other financial reporting topics that contribute to the understanding of financial reporting, such as the auditor's report, management's responsibility for financial statements, and the SEC's integrated disclosure system.

Chapter 3 presents an in-depth review of the balance sheet and introduces consolidated statements and problems in balance sheet presentation. This chapter gives special emphasis to inventories and tangible assets.

Chapter 4 presents an in-depth review of the income statement, including special income statement items. Other topics included are the reconciliation of retained earnings and dividends and stock splits.

Chapter 5 is an introduction to analysis and comparative statistics. Techniques include ratio analysis, common-size analysis, examination of relative size among firms, comparison of results with other types of data, study of differences of components of financial statements among industries, and review of descriptive material.

Chapter 6 introduces Cooper Tire & Rubber Company and information about the tire industry. Information from Cooper's financial statements is used in illustrations of ratios in subsequent chapters. Chapter 12 summarizes the analysis of Cooper.

Chapter 7 covers short-term liquidity. This chapter includes suggested procedures for analyzing short-term assets and the short-term debt-paying ability of an entity. This chapter includes a detailed discussion of four very important assets: cash, marketable securities, accounts receivable, and inventory.

Chapter 8 covers long-term debt-paying ability. Topics reviewed in this chapter include: financial instruments with off-balance-sheet risk, financial instruments with concentrations of credit risk, and disclosures about fair value of financial instruments.

Chapter 9 covers the analysis of profitability, which is of vital concern to stockholders, creditors, and management.

Chapter 10, although not intended as a comprehensive guide to investment analysis, introduces analysis useful to the investor.

Chapter 11 reviews the statement of cash flows, including ratios that relate to this statement. A brief historical presentation conveys a perspective on the development of the statement of cash flows.

Chapter 13 covers an expanded utility of financial ratios. This includes the perception of financial ratios, the degree of conservatism and quality of earnings, forecasting financial failure, analytical review procedures, management's use of analysis, use of LIFO reserves, and graphing financial information.

Chapter 14 reviews the impact of changing prices on financial statements.

Chapter 15 covers problems in analyzing six specialized industries: banks, electric utilities, oil and gas, transportation, insurance, and real estate. The chapter notes the differences in statements and suggests changes or additions to their analysis.

Chapter 16 covers personal financial statements and financial reporting for governments and other not-for-profit institutions.

Worthington Industries, another actual company, is used as the basis for a comprehensive case at the end of the text.

An extensive glossary defines terms frequently found in annual reports. The text also includes a bibliography of references that can be used in exploring further the topics in the text.

## SUPPLEMENTARY MATERIALS

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### For the student:

A Study Guide includes objective problems that aid in reviewing chapter material. The types of problems provided are: (1) fill-ins, (2) multiple choice, (3) true/false, (4) matching, (5) classification, (6) effect of selected transactions, and (7) problems.

### For the instructor:

1. A Solutions Manual includes a suggested solution for each question, problem, and case.
2. A Test Bank includes problems, multiple-choice, true/false, and other objective material for each chapter. The Test Bank is available in both printed and microcomputer versions.

## ACKNOWLEDGMENTS

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I am grateful to many people for their help and encouragement during the writing of this book. Comments received from colleagues and students who used the first six editions resulted in many changes. I especially want to thank Susan Mangiero of Sacred Heart University for her valuable comments, and Jim Emig of Villanova University for verifying the Solutions Manual, Test Bank, and Study Guide. I also want to extend my appreciation to Cooper Tire & Rubber Company for permission to use its statements as illustrations. I am grateful to the numerous other firms and organizations that granted permission to reproduce their materials. Special thanks go to the American Institute of Certified Public Accountants, the Institute of Chartered Financial Analysts, the Institute of Certified Management Accountants, and the Financial Accounting Standards Board.

Charles H. Gibson



## ACTUAL COMPANIES

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Real-world business examples were used extensively in the text, illustrations, problems, and cases. Organizations and companies include the following:

AMP	Honeywell, Inc.
Aetna Life & Casualty	Houston Industries Incorporated
Amerada Hess Corporation	Huntington Bancshares
American Accounting Association	Institute of Management Accountants, Inc.
American Airlines	Intel
American Institute of Certified Public Accountants (AICPA)	The Interpublic Group of Companies
American Maise-Products Company	JC Penney
Amgen	JLG Industries
Arbor Drugs, Inc.	Johanson Company
Ashland Coal, Inc.	LTV Corporation
Bassett Furniture Industries	Lands' End, Inc.
Best Buy Co., Inc.	La-Z-Boy Chair Company
Bristol-Myers Squibb Company	Lucas County, Ohio
Chesapeake Utilities Corporation	Lufkin Industries, Inc.
Chevron Corporation	McDonnell Douglas Corporation
Chrysler Corporation	Micron Technology, Inc.
Cooper Tire & Rubber Company	Mid Am, Inc.
Crown Cork & Seal Company, Inc.	The Money Store Inc.
Dana Corporation	Mosinee Paper Corporation
Delta Air Lines	Motorola
Dibrell Brothers, Inc.	Nacco Industries
Eastman Kodak Company	New England Electric System
Electronic Data Systems Corporation	Nordson Corporation
Financial Accounting Standards Board (FASB)	Norfolk Southern
Flowers Industries, Inc.	Novell
Fluor	Orange and Rockland Utilities, Inc.
Foote, Cone & Belding Communications, Inc.	Osmonics
Ford Motor Company	Overseas Shipholding Group, Inc.
Freeport-McMoran Inc.	Potash Corporation
General Dynamics	Procter & Gamble Company
General Motors Corporation	Public Service Company of Colorado
Georgia Power Company	Quanex
HFS Incorporated	Reeves Industries, Inc.
Harsco Corporation	The Roose Company
Hewlett-Packard Company	Seaway Food Town, Inc.
	Securities and Exchange Commission (SEC)

Snap On, Inc.  
The Southern Company  
Southern Indiana Gas and Electric  
Company  
Southern New England  
Telecommunications Corpora-  
tion  
Spectrum Control, Inc.  
Sylvania Savings Bank  
Telephone and Data Systems, Inc.  
City of Toledo  
Tribune Company  
Tyco International Ltd. Company  
Union Carbide  
Union Texas Petroleum Holdings  
United Airlines Corporation

United Realty Trust  
United States Surgical Corporation  
United Technologies  
Utilicorp United  
Vivra  
W. T. Grant  
Warford Corporation  
Warner-Lambert  
Wausau Paper Mills Company  
Wisconsin Energy Corporation  
Worthington Industries  
York  
Zapata  
Zurn

# About the Author

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Charles Gibson is a certified public accountant who practiced with a big six accounting firm for four years and has had more than twenty-five years of teaching experience. His teaching experience encompasses a variety of accounting courses, including financial, managerial, tax, cost, and financial analysis.

Professor Gibson teaches seminars on financial analysis to financial executives, bank commercial loan officers, lawyers, and others. He has also taught financial reporting seminars for CPAs and review courses for both CPAs and CMAs.

Dr. Gibson has written more than sixty articles in such journals as the *Journal of Accountancy*, *Accounting Horizons*, *Journal of Commercial Bank Lending*, *CPA Journal*, *Ohio CPA*, *Management Accounting*, *Risk Management*, *Taxation for Accountants*, *Advanced Management Journal*, *Taxation for Lawyers*, *California Management Review*, and *Journal of Small Business Management*. He is a co-author of the Financial Executives Research Foundation Study entitled "Discounting in Financial Accounting and Reporting."

Dr. Gibson has co-authored *Cases in Financial Reporting*, published by PWS-KENT Publishing Company. He has also co-authored two continuing education courses consisting of books and cassette tapes, published by the American Institute of Certified Public Accountants. These courses are entitled "Funds Flow Evaluation" and "Profitability and the Quality of Earnings."

Professor Gibson is a member of the American Accounting Association, American Institute of Certified Public Accountants, Institute of Management Accountants, Ohio Society of Certified Public Accountants, Institute of Internal Auditors, and Financial Executives Institute. He has been particularly active in the American Accounting Association and the Ohio Society of Certified Public Accountants.

Dr. Gibson received the 1989 Outstanding Ohio Accounting Educator Award jointly presented by The Ohio Society of Certified Public Accountants and the Ohio Regional American Accounting Association. In 1993, he received the College of Business Research Award at The University of Toledo. In 1996, Dr. Gibson was honored as an "Accomplished Graduate" of the College of Business at Bowling Green State University.

# Dedication

This book is dedicated to my wife Patricia and daughters  
Anne Elizabeth and Laura.

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