FOUNDATIONS SERIES

Baratelli Foundations: Financial Statement Analysis Reference

Reading the Income Statement, Balance Sheet, and Cash Flow Statement Like a Practitioner

For: small business owners, finance students, early-career analysts, search-fund buyers, business buyers

Three statements run the modern business: the **Income Statement** (what was earned), the **Balance Sheet** (what is owned and owed), and the **Cash Flow Statement** (what cash actually moved). This guide teaches you to read all three, compute the ratios that matter, and run a five-minute scan of any company's 10-K. The focus is mechanical fluency first, judgment second — learn the structure cold, then use the worked examples to develop a practitioner's eye for quality of earnings and red flags.

	Topic	What's Covered
Section 1	**Reading the Income Statement**	Revenue recognition, gross margin, operating margin, EBITDA bridge, common-size IS
Section 2	**Reading the Balance Sheet**	Working capital, debt structure, equity components, common-size BS
Section 3	**Reading the Cash Flow Statement**	OCF, CapEx, FCF, financing flows, indirect-method walk
Section 4	**The Five Ratio Families**	Liquidity, activity, leverage, profitability, valuation
Section 5	**Common-Size & Trend Analysis**	Vertical, horizontal, base-year, indexed comparisons
Section 6	**Quality of Earnings Basics**	DSO/DIO drift, rev-rec shifts, accruals, non-recurring items, EBITDA adjustments
Section 7	**Putting It Together**	Five-minute walkthrough on any public 10-K

Section 1 - Reading the Income Statement

From revenue at the top to net income at the bottom: the story of a period

The income statement tells you what a business **earned** over a period — not what cash it received. Revenue is recognized when control of a good or service transfers to the customer, not when cash hits the bank. Below revenue, costs are arranged in a deliberate order: those that scale directly with revenue (cost of revenue), those that support operations (SG&A, R&D), non-operating items (interest, gains, losses), and tax. The discipline is to read the statement line by line and ask, at each row, 'why is this number what it is?'

#01 Revenue Recognition - The Five-Step Model

Under ASC 606 / IFRS 15, revenue is recognized when a performance obligation is satisfied. The five steps are: (1) identify the contract, (2) identify the performance obligations, (3) determine the transaction price, (4) allocate the price to the obligations, and (5) recognize revenue when (or as) each obligation is satisfied. For most product sales the answer is at point of delivery; for SaaS subscriptions revenue ratably accrues over the service period; for long construction it accrues over time using a measure of progress.

Business Type	When Revenue Is Recognized
Retail / Wholesale product sale	At delivery (transfer of control)
SaaS subscription	Ratably over subscription period
Construction (long-term)	Over time, by percentage of completion
Professional services (fixed-fee)	Over time, by milestone or input measure
License (functional IP)	At point in time when license activates

Key Insight: *Cash collection does NOT equal revenue. A subscription paid in advance creates deferred revenue (a liability) and is earned in pieces each month. This is where most rev-rec games hide.*

#02 Gross Profit and Gross Margin

Gross profit is revenue minus cost of revenue (also called cost of goods sold or COGS). Gross margin is gross profit divided by revenue, expressed as a percent. It is the single most important indicator of pricing power and unit economics — it tells you how much of every dollar of sales survives after the direct cost of producing what was sold.

Gross Margin

Gross Margin (%) = (Revenue - COGS) / Revenue

COGS = Direct costs: materials, direct labor, factory overhead, freight-in

Key Insight: *Software companies commonly run gross margins of 70-85%; retail grocery sits at 25-30%; distribution wholesale 15-25%. Compare to peers, not across industries.*

#03 Operating Income and Operating Margin

Operating income (EBIT) is gross profit minus operating expenses (SG&A, R&D, depreciation, amortization). It measures profitability from the core business before financing decisions and taxes. Operating margin = operating income divided by revenue.

Operating Margin

Operating Margin (%) = Operating Income / Revenue

Key Insight: *If gross margin is healthy but operating margin is thin, the business has an SG&A or overhead problem — not a pricing problem. The fix is different in each case.*

#04 EBITDA and the EBITDA Bridge

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) is a non-GAAP metric intended to approximate operating cash earnings before capital structure and non-cash charges. The bridge from operating income to EBITDA simply adds back D&A. The bridge from net income to EBITDA adds back interest, taxes, AND D&A.

EBITDA Bridge (from Net Income)

EBITDA = Net Income + Interest + Taxes + Depreciation + Amortization

Bridge Line	Worked Example ($M)
Net Income	$120
+ Interest Expense	+$30
+ Income Tax Expense	+$40
+ Depreciation	+$60
+ Amortization	+$10
EBITDA	**$260**

Key Insight: *EBITDA is a useful cross-company comparison metric because it strips out capital structure and tax differences. But it is NOT cash flow - it ignores working-capital swings, CapEx, and lease payments. Never use EBITDA alone to evaluate cash-burn risk.*

#05 Common-Size Income Statement

A common-size income statement expresses every line item as a percent of revenue. This makes year-over-year comparisons immediate and lets you compare businesses of vastly different scale. Trends in common-size IS often reveal margin compression long before they show up in absolute dollars.

Line Item	FY24 ($M)	FY24 (%)	FY25 ($M)	FY25 (%)
Revenue	$1,000	100.0%	$1,150	100.0%
COGS	$400	40.0%	$483	42.0%
Gross Profit	$600	60.0%	$667	58.0%
SG&A;	$280	28.0%	$330	28.7%
R&D;	$80	8.0%	$95	8.3%
Operating Income	$240	24.0%	$242	21.0%
EBITDA	$320	32.0%	$335	29.1%

Key Insight: *In the example above, revenue grew 15% but operating margin fell 300 bps. The story is in common-size form: COGS rose 200 bps and SG&A rose 70 bps - input-cost pressure plus overhead creep.*

CROSS-REFERENCE | From Foundations: Journal Entries Reference

Every line on the income statement is the result of journal entries posted during the period. If a number looks wrong, walk back to the entries: revenue (#1-#5), COGS (#11-#15), payroll (#16-#20), depreciation (#21-#23). See the Journal Entries Reference for the exact entries that produce each IS line.

Section 2 - Reading the Balance Sheet

A snapshot at a point in time: what is owned, what is owed, what remains for owners

The balance sheet is governed by one identity: **Assets = Liabilities + Equity**. Every transaction touches at least two of those buckets and the identity always holds. Read the balance sheet from top to bottom looking for three things: (1) liquidity - can the company pay its bills in the next 12 months? (2) debt structure - how is the business financed and when does the debt come due? (3) equity composition - how was capital raised and what has been returned to owners?

#06 Working Capital

Working capital is current assets minus current liabilities — the short-term liquidity cushion. A positive working capital position means the business can meet short-term obligations from short-term assets. Negative working capital is fine for certain business models (think subscription businesses with prepaid revenue, or retailers that turn inventory fast and pay vendors slowly) but a red flag for most others.

Working Capital

Working Capital = Current Assets - Current Liabilities

Key Insight: *Costco, Amazon, and McDonalds have historically operated with negative working capital because vendor payables exceed inventory days — vendors are financing the business. For a normal small business, negative working capital usually signals stress.*

#07 Debt Structure - Current vs Long-Term

Debt on the balance sheet is split between current (due within 12 months) and long-term (due beyond 12 months). The 'current portion of long-term debt' is critical — it tells you how much principal must be refinanced or paid off in the next year. A maturity wall hidden in the footnotes is one of the most common causes of distress.

Debt Line	Where on BS	What It Tells You
Notes payable (short)	Current liab	Working-capital line drawn
Current portion of LTD	Current liab	Principal due in next 12 mo
Long-term debt	Non-current	Term loans, bonds, notes >12mo
Operating lease liab	Both	Right-of-use lease obligations
Finance lease liab	Both	Capital-lease-style obligations

Key Insight: *Always check the debt footnote for the maturity schedule. A company with $500M of LTD might have $400M due in the next 18 months — that is a refinancing story, not a leverage story.*

#08 Equity Components

Shareholders equity tells the funding-and-returns story. **Common stock + APIC** is what investors paid in at issuance. **Retained earnings** is cumulative net income minus cumulative dividends - the company's reinvestment history. **Treasury stock** is the cost of shares repurchased and held. **Accumulated OCI** captures items that bypass the income statement (FX translation, available-for-sale gains, pension remeasurement).

Equity Line	What It Represents
Common stock (par)	Legal par value of issued shares
Additional paid-in capital	Amount paid above par by investors
Retained earnings	Cumulative NI - cumulative dividends
Treasury stock	Cost of repurchased shares (contra-equity)
Accumulated OCI	FX, pension, AFS items

Key Insight: *If retained earnings is negative ('accumulated deficit'), the business has lost more than it has earned cumulatively. Common for venture-stage companies, alarming for a mature business.*

#09 Common-Size Balance Sheet

A common-size balance sheet expresses every line as a percent of total assets. This reveals capital intensity and capital structure at a glance. A software company might show 5% PP&E and 70% intangibles; a manufacturer 40% PP&E and 25% inventory; a bank 80% loans receivable.

Line Item	Co. A (Software) %	Co. B (Manufacturing) %
Cash & equivalents	32%	8%
Accounts receivable	12%	15%
Inventory	0%	25%
PP&E;, net	6%	38%
Goodwill & intangibles	42%	8%
Other assets	8%	6%
Total Assets	100%	100%

Key Insight: *Capital intensity (PP&E / total assets) drives the cost of growth. Heavy-PP&E businesses need cash from operations to fund maintenance CapEx before any expansion.*

Section 3 - Reading the Cash Flow Statement

Where cash actually came from and where it actually went

Cash is fact; earnings are opinion. The cash flow statement reconciles net income (accrual) to the change in cash (fact) and groups every cash movement into three activities: **Operating** (cash from running the business), **Investing** (cash spent on long-term assets and acquisitions), and **Financing** (cash to and from lenders and owners). Most public filers use the indirect method, which starts from net income and adjusts back to cash.

#10 Operating Cash Flow (Indirect Method)

The indirect method starts with net income and walks to operating cash flow by adding back non-cash items (D&A, stock-based comp) and adjusting for changes in working capital (receivables, inventory, payables, accrued liabilities). A company with high reported earnings and weak OCF is converting revenue to cash poorly — usually because receivables or inventory are growing faster than sales.

OCF Bridge Line	Worked Example ($M)
Net Income	$120
+ Depreciation & Amortization	+$70
+ Stock-Based Compensation	+$25
- Increase in Accounts Receivable	-$40
- Increase in Inventory	-$15
+ Increase in Accounts Payable	+$10
+ Increase in Accrued Liabilities	+$5
Operating Cash Flow (OCF)	**$175**

Key Insight: *The 'NI to OCF gap' is one of the most useful quality-of-earnings signals. If OCF chronically lags NI, ask why. Common answers: aggressive revenue recognition, inventory buildup, customer credit problems.*

#11 CapEx and Free Cash Flow

Capital expenditures (CapEx) are the cash a business spends on long-lived assets - property, plant, equipment, capitalized software. CapEx appears in the investing section. **Free Cash Flow** is OCF minus CapEx: the cash the business throws off after maintaining and growing its asset base. FCF is the number that matters for valuation, debt service, dividends, and buybacks.

Free Cash Flow

FCF = Operating Cash Flow - Capital Expenditures

Key Insight: *Distinguish maintenance CapEx (replace what wears out, keep the lights on) from growth CapEx (expand capacity, enter new markets). Public filers rarely split this; you have to estimate. Rule of thumb: maintenance CapEx approximates depreciation.*

#12 Financing Cash Flows

The financing section captures cash from and to lenders and owners: debt issuance and repayment, equity issuance and buybacks, and dividends. A mature business should show consistent debt service and capital returns; an early-stage business will show net inflows from equity or debt raises. Look at financing flows together with the equity and debt rolls on the balance sheet to see the full capital picture.

Financing Activity	Sign Convention	What It Tells You
Proceeds from debt issuance	+	Cash in from new borrowing
Repayment of debt	-	Principal paid to lenders
Proceeds from equity issue	+	Cash in from share sale
Share repurchases	-	Buybacks (return capital)
Dividends paid	-	Cash distributions to owners

Key Insight: *If a business pays dividends AND repurchases shares AND issues debt in the same period, the buybacks/dividends are being debt-funded. Sometimes that is fine; sometimes it is a red flag.*

CROSS-REFERENCE | From Foundations: Accounting Reference

The cash flow statement is produced by the accounting cycle (steps 7-8: trial balance + closing). If OCF reconciles to net income only after large 'other' adjustments, the accounting cycle has noise. See the Accounting Cycle section of the Foundations: Accounting Reference for the eight steps that close into these statements.

CROSS-REFERENCE | Companion workbook - Cash Flow Calculation Schedule (XLSX)

Download the free Cash Flow Calculation Schedule companion workbook at baratelliinstitute.com/foundations to build the indirect-method walk from a real balance sheet. Type your PY and CY balance sheet into the input cells; the cash flow lines, OCF/ICF/FCF subtotals, and the column-by-column Check row recalculate. If a Check cell turns red, you have an unallocated balance sheet movement - the diagnostic for a missing line in your cash flow.

Section 4 - The Five Ratio Families

Liquidity. Activity. Leverage. Profitability. Valuation.

Ratios are the working vocabulary of financial analysis. The five families below cover 90% of what a practitioner uses day to day. Always compute ratios as a trend (3+ years) and against peers — a single-period number in isolation is nearly useless.

Family 1 - Liquidity Ratios

Ratio	Formula	What It Measures
Current Ratio	Current Assets / Current Liabilities	Coverage of short-term obligations by short-term assets
Quick Ratio	(Current Assets - Inventory) / Current Liabilities	Coverage without relying on inventory turnover

Key Insight: *Rule of thumb: current ratio of 1.5-2.0 is comfortable; below 1.0 means current liabilities exceed current assets and must be financed somehow. Industry varies widely; benchmark to peers.*

Family 2 - Activity (Efficiency) Ratios

Ratio	Formula	What It Measures
DSO (Days Sales Outstanding)	(AR / Revenue) * 365	Days to collect a sale
DIO (Days Inventory Outstanding)	(Inventory / COGS) * 365	Days inventory sits before sale
DPO (Days Payable Outstanding)	(AP / COGS) * 365	Days to pay vendors
Cash Conversion Cycle (CCC)	DIO + DSO - DPO	Days cash is tied up in the operating cycle

Key Insight: *Watch trends, not absolutes. DSO rising while revenue is flat means collections are slowing. DIO rising while sales are flat means inventory is bloating. Both are early-warning signals.*

Family 3 - Leverage (Solvency) Ratios

Ratio	Formula	What It Measures
Debt / Equity	Total Debt / Total Equity	Capital structure mix
Debt / EBITDA	Total Debt / EBITDA	Years of EBITDA to pay off debt
EBITDA / Interest	EBITDA / Interest Expense	Coverage of interest payments
Net Debt / EBITDA	(Debt - Cash) / EBITDA	Leverage net of cash on hand

Key Insight: *Most middle-market debt covenants are set on Debt/EBITDA (often 3.0x-5.0x ceiling) and EBITDA/Interest (often 2.0x-3.0x floor). Know these for any leveraged business you analyze.*

Family 4 - Profitability Ratios

Ratio	Formula	What It Measures
ROA (Return on Assets)	Net Income / Avg Total Assets	Profit per dollar of assets
ROE (Return on Equity)	Net Income / Avg Equity	Profit per dollar of equity
ROIC (Return on Invested Capital)	NOPAT / Invested Capital	Profit per dollar of operating capital
Gross / Operating / Net Margin	GP / Op Inc / NI / Revenue	Margin at each level of the IS

Key Insight: *ROIC is the cleanest profitability metric for comparing companies of different leverage. Sustained ROIC above the cost of capital is the definition of a value-creating business.*

Family 5 - Valuation Ratios (Brief)

Ratio	Formula	When to Use
P/E	Price / EPS	Quick equity comparison for profitable companies
EV / EBITDA	Enterprise Value / EBITDA	Cross-leverage comparison; standard middle-market multiple
EV / Revenue	Enterprise Value / Revenue	Early-stage or unprofitable businesses
P / Book	Price / Book Value of Equity	Banks, insurers, asset-heavy financials

Key Insight: *Valuation is a separate craft. For deep treatment of WACC, terminal value, DCF, and trading vs transaction multiples, see Foundations: Corporate Finance Reference, Sections 4 and 6.*

Section 5 - Common-Size and Trend Analysis

Three lenses: vertical, horizontal, indexed

Raw financials are hard to interpret at scale. Three normalization techniques make them readable. **Vertical analysis** (common-size) expresses each line as a percent of a base (revenue for IS, total assets for BS). **Horizontal analysis** expresses each line as a percent change from the prior period. **Indexed analysis** sets a base year = 100 and shows every later year as a multiple of base.

#13 Vertical Analysis

Vertical analysis answers 'what is the mix?' Each IS line as % of revenue tells you cost structure and margin composition. Each BS line as % of total assets tells you capital intensity and capital structure. The mix can change even when absolute dollars look stable — that is often where the story is.

Key Insight: *A retailer whose inventory rose from 20% of assets to 28% over three years is building up stockpile risk, even if sales were flat. Vertical analysis surfaces it; absolute comparison hides it.*

#14 Horizontal Analysis (Year-over-Year)

Horizontal analysis computes the percent change in each line item from one period to the next. A small change in revenue paired with a large change in inventory is a flag. A large change in accounts receivable that outpaces revenue growth is a flag.

Year-over-Year Growth

YoY Growth (%) = (Current Period - Prior Period) / Prior Period

Line	FY24	FY25	YoY %
Revenue	$1,000	$1,150	+15.0%
COGS	$400	$483	+20.8%
AR	$110	$160	+45.5%
Inventory	$80	$130	+62.5%

Key Insight: *In the example, revenue grew 15% but AR grew 45% and inventory grew 62%. The business is either selling on much longer terms or sitting on unsold goods. Either way: collections and inventory management need attention.*

#15 Indexed (Base-Year) Analysis

Indexed analysis sets a base year = 100 and rebases every later year as a multiple. It is the cleanest way to see multi-year trends across multiple line items on one chart. A revenue index of 150 in Year 5 means revenue is 1.5x the base year; if the OpEx index sits at 180, OpEx is growing faster than revenue and margin is compressing.

Line	Y1 (Base)	Y2	Y3	Y4	Y5
Revenue Index	100	108	118	130	150
COGS Index	100	110	122	138	160
OpEx Index	100	112	128	148	180
NI Index	100	104	108	110	112

Key Insight: *In the example, revenue indexed 150 but NI indexed 112: top-line grew well, bottom-line did not keep pace. The cost structure is leveraging the wrong way.*

Section 6 - Quality of Earnings Basics

Where the polish meets the dirt: what is real, what is engineered, what is one-time

Quality of earnings (QoE) is the practitioner's discipline of asking 'how real is this number?' It matters most in a business sale (the buyer wants to know what is repeatable) and in equity analysis (the investor wants to know what is sustainable). The simplest QoE question: is reported earnings converting to cash? If not, why not?

#16 DSO and DIO Drift

Days Sales Outstanding rising over time means revenue is being booked faster than cash is collected — either credit terms are loosening, the customer base is deteriorating, or channel-stuffing is occurring (booking shipments to distributors that may come back as returns). Days Inventory Outstanding rising means goods are sitting in the warehouse longer — either demand is softening, inventory is becoming obsolete, or production is outpacing sales.

HIGH QoE	LOW QoE
DSO & DIO stable or improving. Earnings quality intact. Reported revenue likely real.	DSO and/or DIO drifting up. Quality of earnings deteriorating. Probe further before trusting NI.

Key Insight: *A 5-day DSO drift on a business with $200M of annual revenue is roughly $2.7M of cash trapped in receivables. Repeated quarter after quarter, it indicates a structural problem, not noise.*

#17 Revenue Recognition Shifts

Read footnote 1 (significant accounting policies) and the revenue footnote. Any change in revenue-recognition timing — from point-in-time to over-time, from gross to net, from shipping to delivery — can materially restate growth optics without changing the underlying business. These are legitimate when justified by economics but a known earnings-management lever.

Key Insight: *Cross-check management's revenue commentary against the policy footnote. If revenue growth accelerates the same quarter the policy changed, take the growth with salt.*

#18 Accruals and Non-Cash Earnings

The accruals ratio = (Net Income - OCF) / Total Assets. Sustained positive accruals (NI > OCF) means earnings depend on accruals not collected in cash — receivables, deferred items, capitalized costs. Sustained negative accruals (OCF > NI) is usually a healthy sign of conservative accounting.

Accruals Ratio

Accruals Ratio = (Net Income - Operating Cash Flow) / Avg Total Assets

Key Insight: *Academic research (Sloan 1996 and successors) documents that companies with high accruals tend to underperform — the earnings do not persist. This is one of the cleanest quality-of-earnings signals available from public statements.*

#19 Non-Recurring Items and EBITDA Adjustments

Reported EBITDA is often adjusted by management for 'one-time' items: restructuring charges, litigation settlements, M&A costs, asset write-downs, founder add-backs. Some are legitimate; others are recurring costs in disguise. In sale processes, the buyer's QoE provider scrubs the seller's 'adjusted EBITDA' line by line.

Adjustment Type	Usually Legitimate?	Common Abuse
Restructuring charge (one event)	Yes	Recurring every year
Litigation settlement (specific)	Yes	Routine legal costs
M&A; transaction costs	Yes	Ongoing biz-dev costs
Founder/owner comp normalization	Often	Inflated normalization
Stock-based compensation	No	Treated as non-cash & non-real

Key Insight: *Stock-based compensation IS a real cost — it dilutes existing owners or requires buybacks to offset. Beware any 'adjusted' metric that strips it out.*

Section 7 - Putting It Together: A One-Statement Read

Five minutes on any 10-K. The practitioner's first pass.

Below is the five-minute scan a practitioner runs on any 10-K before doing detailed work. It is not a substitute for deep analysis — it is the screen that decides whether deep analysis is warranted. Run it in order; do not jump around. Each step takes about a minute.

#20 Step 1 - Revenue Growth and Margin Trend

Pull the three-year IS. Compute revenue growth, gross margin, operating margin, and EBITDA margin for each year. Note any margin compression or expansion of more than 100 bps. Read management's MD&A commentary for the matching explanation - if the explanation does not exist or feels evasive, flag it.

Key Insight: *A one-minute revenue-and-margin scan tells you whether you are reading about a growing healthy business, a stable mature one, or a declining one. The MD&A should tell the same story; if it does not, trust the numbers.*

#21 Step 2 - OCF vs. Net Income

Pull the cash flow statement. Compare three years of operating cash flow against three years of net income. The ratio OCF / NI should hover around 1.0 (above for businesses with heavy D&A; below for businesses with growing working capital). A persistent gap below 0.7 is a red flag.

Key Insight: *Apple, Microsoft, Costco run OCF / NI well above 1.0 - heavy D&A and disciplined working capital. A persistent ratio below 0.7 usually points to receivables or inventory issues.*

#22 Step 3 - Leverage and Liquidity Snapshot

From the balance sheet and CF statement: compute Net Debt / EBITDA, EBITDA / Interest, and Current Ratio. Read the debt footnote for the maturity schedule - any large amount due in the next 18 months means the company has a refinancing event to manage.

Key Insight: *Net Debt / EBITDA above 4.0x in a non-investment-grade business is a stress flag. Above 6.0x is distress territory. In private credit, covenants typically kick in around 5.0x-6.0x.*

#23 Step 4 - CapEx Intensity and FCF Conversion

Compute CapEx / Revenue and CapEx / Depreciation for the last three years. CapEx / Revenue > 10% is heavy. CapEx / Depreciation > 1.5x means the business is in growth mode (investing more than it depreciates). Then compute FCF = OCF - CapEx and FCF / Revenue. That is the cash margin of the business.

Key Insight: *Mature, capital-light businesses run FCF / Revenue of 15-25%. Heavy industrials 5-10%. Growth-stage capital-intensive businesses can run negative for years.*

#24 Step 5 - Quality Check - DSO, DIO, Accruals

Compute DSO, DIO, and the accruals ratio for the last three years. Trends matter more than absolute levels. Any drift of more than 5-7 days in DSO or DIO without an explanation in MD&A is a follow-up question. Sustained positive accruals ratio is a yellow flag.

Key Insight: *If steps 1-5 all check out, the business is worth a deeper look. If any single step fails, you have a specific question to drive the next phase of analysis.*

CROSS-REFERENCE | From Foundations: Corporate Finance Reference

FSA tells you what the company HAS earned. Valuation tells you what it is WORTH. After running the five-minute scan, the next step is a DCF or multiples analysis — see Foundations: Corporate Finance Reference, Sections 4 (Cost of Capital), 5 (Capital Structure), and 6 (Valuation).

NEXT STEP

From Foundations to Flagship

PRIMARY PATH

CFO & Controller's Guide (489 pages)

Ready to go from reading statements to running the finance function that produces them? The CFO & Controller's Guide is the full practitioner manual: deep financial statement analysis with industry-specific ratio anchors, quality-of-earnings methodology used by buy-side QoE providers, the controller seat that builds and closes the books, technical accounting on revenue recognition and leases, and the financial-planning discipline that ties forecasts to the three statements. This is the operator's manual for the seat that owns the numbers.

ALSO CONSIDER

Business Buyer's Guide

If you are evaluating a target's financials as a buyer — search-fund, family office, PE platform, or strategic acquirer — the Business Buyer's Guide walks the diligence process from QoE through working-capital peg to definitive-agreement negotiation. It is FSA in the context of an actual transaction.

Visit www.baratelliinstitute.com for the full library. *Mentoring at Scale.*