



# Financial Statements

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# Why do companies prepare financial statements?

**01** **Health Check**  
To evaluate the financial performance and position

**02** **Cash flows**  
Cash Flows from operating, investing and financing activities

**03** **Comparison**  
To compare the performance with peer companies in the same industry

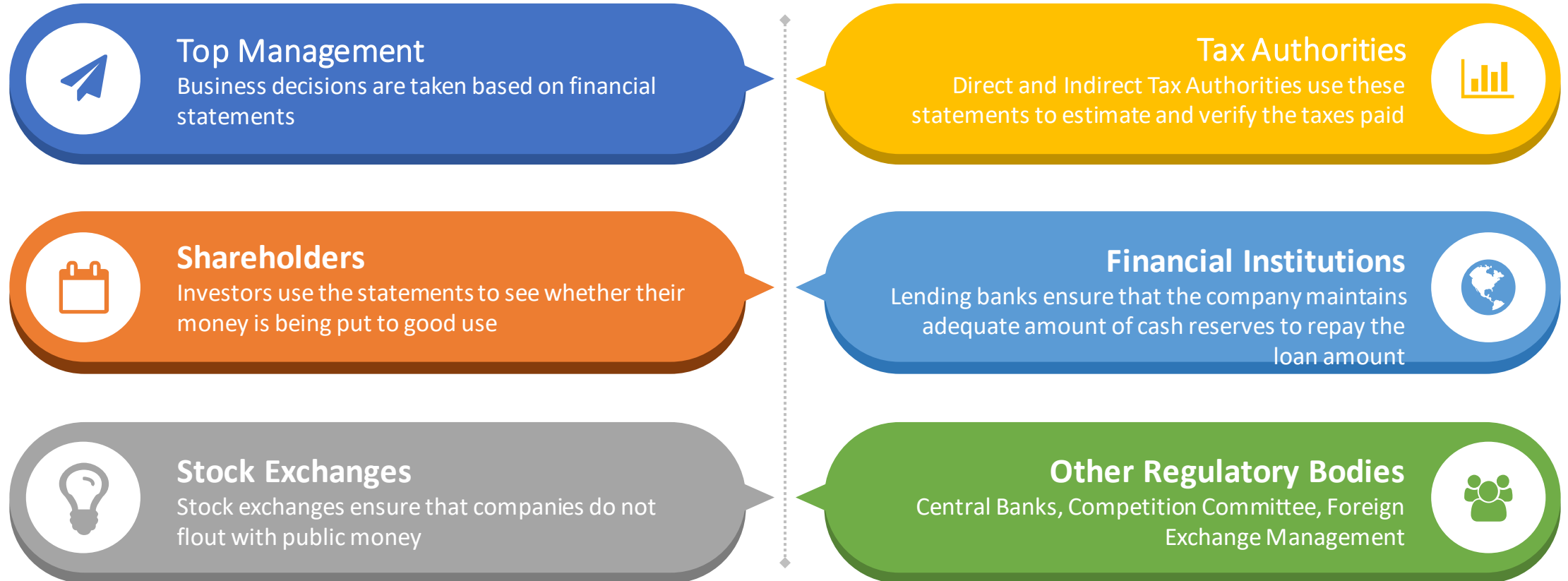
**04** **Trend Analysis**

**05** **Credit Decisions**  
To understand the liquidity, debt and funding situation

**06** **Business Decisions**  
Various aspects of the statements are used to make business decisions like expansion, diversification, etc.

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# Users of Financial Statements



# Microsoft- Financial Statements 2020



**Financials**

# Profitability Ratios

1

Gross Margin =  
(Revenue – Cost  
of Sales)/Sales

2

Net Profit Margin  
= (Gross Profit –  
Other Expenses) /  
Revenue

3

Return on Assets  
= Net Profit/  
Average Total  
Assets