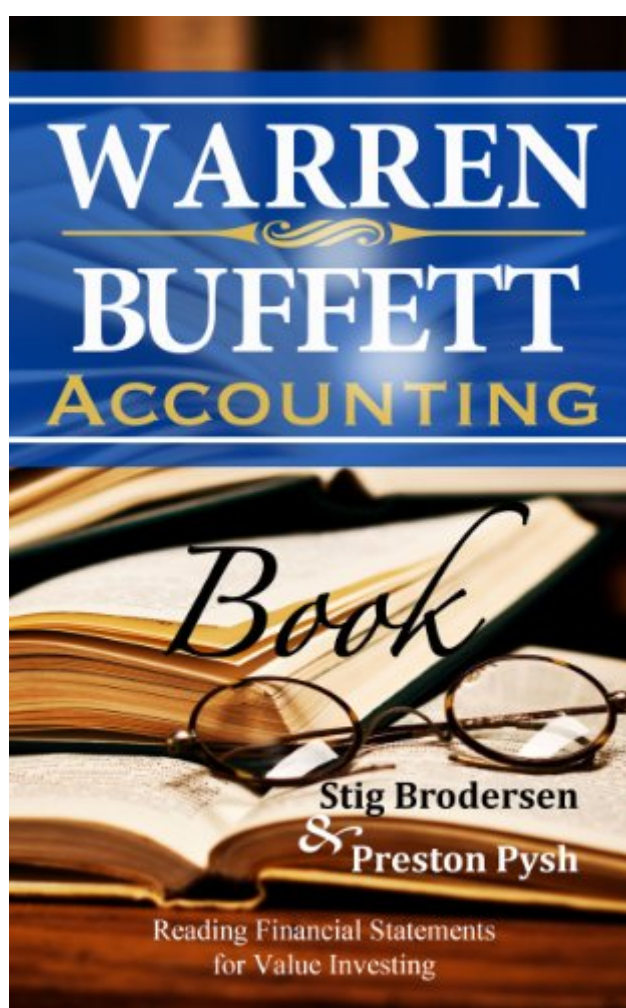


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# Warren Buffett Accounting Book: Reading Financial Statements For Value Investing (Warren Buffett's 3 Favorite Books Book 2)



## Synopsis

The Warren Buffett Accounting Book is the second volume learning experience to Warren Buffett's Three Favorite Books. This book teaches: 1. Two methods for calculating the intrinsic value of a company 2. What is a discount rate and how does it work 3. Detailed instructions on how to read an income statement, Balance sheet, and cash flow statement 4. How to calculate important ratios to properly value any business

## Book Information

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## Customer Reviews

I've read a lot of books on Warren Buffett, value investing, and financial statement analysis. In my opinion, their first book Warren Buffett's 3 Favorite Books was by far their best book and much better than this book. The first half of the WB Accounting book covers what value investing is and how to react to the market, etc. This is already covered in their first book WB's 3 Favorite Books as well as countless other value investing books on the market. The second half of the book discusses financial statement analysis. I think there are better books on the market discussing this topic. Below are a couple that are great for financial statement analysis. I think the two books mentioned below go much more in depth on the integration of how the statements are linked together. Also, I

think their discussion on Discounted Cash Flow was a little too academic. For one thing, I doubt Warren Buffett uses that calculation as he even says that he doesn't use a calculator or a computer in his office. Unless of course he does it in his head which I doubt as the algebra is fairly involved. Financial Statements: A Step-by-Step Guide to Understanding and Creating Financial Reports How to Read a Financial Report: Wringing Vital Signs Out of the Numbers I debated to give the book 3 stars but I think there are better books on the market. There are TONS of value investing books and financial statement analysis books on the market that do I think a much better job. I highly recommend though Preston's first book called WB's 3 Favorite Books.

After reading Warren Buffett's Three Favorite Books, I was excited to find installment two in the series. While the first book provides an outstanding foundation on the principles of value investing, this book takes the reader through Buffett's methods for understanding key financial statements - balance sheets, cash flow statements and income statements. The book will appeal to the seasoned investor and neophyte alike because it is written in a clear, narrative format while also detailing which data and key ratios are important to the value investor. The book balances the purely quantitative approach with the vitally important need for qualitative analysis. This book brings that elements of value investing together better than any other I've read. Finally, the authors provide a straight forward discount cash flow calculation for approximating intrinsic value. Determining intrinsic value is essential for the value investor because a company can meet all the value investing criteria and still be a poor investment if it isn't purchased at a good price. Certain key ratios can be used as indicators of a good bargain but approximating intrinsic value is the essential component in purchasing a good value that will provide the prudent investors with outstanding returns over the long run.

Having read the book I personally loved it. The first book talks about a general overview of what value investing is. It delves into a basic overview of inflation, interest rates, and how it affects you as an investor. The second half has a simple explanation for the three financial statements. This book is great for the beginning investor who isn't familiar with financial statements. I'd recommend reading Stig's other book "Warren Buffett's three books," both of the books really have good synergy - so having both of these books would be great for your investing arsenal. I really don't have any criticisms for the book as it really reinforced many of the concepts that I have learned. The book is really great at simplifying the income statement, balance sheet, and cash flow statement. I would have loved to have something on accounting fraud, but if you follow these steps the probability of

you encountering fraud is low. Overall, I recommend this book to anyone seeking to learn value investing at a beginning level - which really requires understanding accounting. This book is the way to go.

This book delivers exactly as promised. In no time I have learned how to calculate the value of any listed stock and more importantly, how to select stocks using the simple guidelines presented in the book. I always realized that the key to investing is reading financial statements. I just never found any book that could explain the concept to me in plain English. Warren Buffett Accounting Book really does the trick! Not only does it define accounting terms like revenue, equity, and cash flow. The book also uses real life examples with companies like Coca-Cola and demonstrates how the financial statements work together. This book is a MUST-READ for anyone who wants to learn about value investing. The same can be said for the person who simply needs to understand accounting in a non-technical setting - it might be equally valuable for the college student and the small business owner. I also highly recommend looking into the table of contents. Its simple structure makes it very easy to revisit sections and use the book as a tool of reference. Thank you for this great book!

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