



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

*Stig Brodersen , Preston Pysh*

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

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# From Reader Review Warren Buffett Accounting Book: Reading Financial Statements for Value Investing (Warren Buffett's 3 Favorite Books) for online ebook

## Suhrob says

This is a kind of beginner/intermediate business accounting / valuation book.

I don't know if it is a good pick for a first book on this topic. I've read the Lemon Stand book before so it was the appropriate level, kind a half-step forward from that one. It conveys all the needed info, but likely not to good enough depth to function like a good starting point (unlike the Lemon book, which is great for the basics, but a bit too removed from the real-world financial statements).

The writing was clear and simple (maybe even too cautious and over-explaining trivial things, but better on this side).

Overall a good reference for a beginner.

I wish they included at the end a full real case study as an exercise/demonstration.

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## ??t Tiêu says

Excellent book for rookie investors. Some notes:

### A. Must-know Concepts

#### 1. Interest rate

- > [when contraction] Low: easier to borrow money -> demand up -> spending up -> supply up -> GDP up
- > unemployment down -> wealth up -> inflation up -> price up -> currency down
- > bubbles on the way
- > stocks are cheap -> buy stocks
- > [when expansion] High: discourage in borrowing money -> demand down -> spending down -> supply down -> GDP down
- > unemployment up -> wealth down -> inflation down -> price down -> currency up
- > Buy bonds

#### 2. Inflation

- > more money in the circle -> consume more -> demand up -> spending up -> ...
- > more (hidden) tax to government
- > pay debt (use real inflated currency to pay off nominal debt)
- > stock return down
- > bond interest down

#### 3. Bonds

- > good when interest rate is high and/or inflation is low

### B. Core principles of value investing

### 1. Vigilant leadership

- Low debt: -> low debt-2-equity ( $\leq 1$ ) -> good solvency -> OK in long run
- Big working capital -> high current ratio ( $\geq 1.5$ ) -> good liquidity -> OK in daily business routine
- Strong and consistent return -> high and consistent ROE ( $\geq 8\%$  in 5-10 years, depends on specific industry) -> good profitability
- Appropriate management incentives -> management board is good and dedicated to business

### 2. Long-term prospects

- Persistent products: -> do technology advance affect somehow on products?
- Tax efficiency: -> Long-term investment cost less tax

### 3. Stock stability

- > Business: understandable and stable
- Stable book value: -> high and consistent owner earning -> EPS growth, FCF growth
- Economic moats: -> durable competitive advantages -> overcome competition in long run

### 4. Buy at attractive prices

- wide margin of safety to intrinsic value -> buffer for any error in value estimation and risk assessment
- Low price multiples: low P/E ( $\leq 15$ ), low P/B ( $\leq 1.5$ ) (depends on specific industry) -> likely undervalued stocks
- Set a safe discount rate: -> a kind of risk coefficient -> the riskier the investment, the higher the discount rate
- > also equivalent to the ROI (required rate of return)
- > use a benchmark like bond interest
- Estimate intrinsic value: -> DCF model or Buffet adjusted DCF model
- Sell if stocks break any core principle

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## Dr. Cock'n Ballz says

Pretty good book. Quick read.

Two authors and basically two parts to this book. The first half is an overview of how Warren Buffet invests and looks at companies. What kind of metrics he focuses on, and how he reads financial statements. If you've followed that topic before, nothing new here... I do like to see when people show the math for their intrinsic value calculations. That's the highlight of the first half.

Second half is all about accounting and financial statements, which for non-accountants, can be very confusing! But - as investors, is also very important. I liked the way they presented the material. Just the right amount of depth for me (a beginner). Quick read. I took a lot of notes and will come back to them later.

I'd recommend this book - but I certainly wouldn't call it a 'must read'.

Misc thoughts... Does Warren Buffet own his own name? Can anyone who wants to, write a book claiming to explain his methods... and just capitalize on Warren's success? Obviously hundreds of authors have done so... and I'm guessing he isn't giving them permission? Or receiving a cut? Interesting... and maybe a little crooked?

PET PEEVE TIME! - This guys have a website with some 'tools' on it... who gives a fuck? I went to the library to read a book - don't fill it with links to your website!! I CAN'T CLICK ON THEM. And I'm sure as hell not going to t...y...p...e... them into a browser. Is the website even still up? How would I know! It's not a blog fellas, don't treat it like one. I know they aren't the only ones, and its probably somewhat common. It's just insulting to my intelligence. I know how to use google. I could find your stupid website if I wanted to - but I didn't, I got a book instead. Don't embarrass yourselves.

On a lighter note - I checked out this book without noting the authors... turns out I used to listen to these guys' podcast. So that was a fun coincidence. The podcast was OK - but far from top notch. Production quality was so-so, and ultimately the topics and guests just weren't cutting it for my tastes. And nothing against Stig, but his accent is tough. Maybe stick to the books?

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## **Saumik Chakrabarti says**

### **Crisp and Insightful**

A very dumbed down version rxplaining all relevant high finance concepts necessary for a layman to start value investing. The best part is that the advice applies to all markets and is not limited to American markets alone.

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## **Marquis Calmes says**

### **Excellent information in an easily digestible form**

Lots of insight and wisdom plus very clear explanations of the key accounting concepts. Definitely worth the read to get this intro to business and investing with the wisdom of Buffett baked in for context.

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## **Kelly says**

Highly recommended for any investor. I've taken many finance and accounting classes in undergrad and MBA, plus worked in finance. I still found that the synthesis of basic accounting principles with value investing principles taught me some new things, and more so presented them in a way that is more memorable. Well written and structured.

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## **Colin Burkins says**

My book, Warren Buffett Accounting Book: Reading Financial Statements for Value Investing, is a great read for anyone who is looking to learn more about investing. This book helps readers get a better understanding of what how the stock market works, while being able to learn, from a name that almost everybody knows. Warren Buffett, arguably, if not, the most successful investor in our current time, shares a few of his details, on what led him to become a multi billionaire. This book also references his professor in college, who also gives in an input of his investing techniques. One of my favorite parts of this book is when

he describes the few steps of how to read the stock market. I liked this part because it went into great depth of how most parts of the stock market works, as well as making sure reader who might not be able to understand it with the technical term, could understand it. Another thing I liked about the book was that it went into detail about the different ways to make money from the stock market, including if it has a higher payoff, or if it has a lower, while also including the stability of it. One thing that I didn't like about the book was that some part, which I thought were interesting, they didn't go into that great of depth describing it, or using examples to help further the understanding of it. Overall this book is a great beginner book, which allows readers to gain a sense of knowledge of reading financial statements, as well as learning a few tricks, from the brilliant investor himself, Warren Buffett. I would recommend this book to reader who are trying to get a sense of how the stock market work, and if they would want to learn more about, they could read more of the author's books, or actually try and invest in the stock market, to make some extra money.

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### **NIRAJ KUMAR says**

#### **Great book to understand Accounting**

The author has done good job while explaining the financial statements with respect to Value Investing. I have gone through their educational videos and they are bonus after reading this book.

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### **Alex says**

Good introduction to reading financial statements. It explains different ratios and calculations to assess a company based on its 10Ks & 10Qs.

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### **Dreslan says**

#### **Actaul examples from a value investors vantage point**

This book uses accounting statements from real companies and dives into them from the vantage point of a value investor. I love the discussion around key ratios for each of the three accounting statements, and relative comparison examples to competitors. I'll likely use the latter half of this book as a reference going forward. This is a great book for investors new and old.

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### **Pureum Kim says**

#### **Good book for rookie investors**

Love their podcast. Super helpful and insightful. The book is great for beginners. It explains accounting, FSA, and investing well. Also, it does explain Buffetts approach reasonably well. However, I disagree with their assessment about leverage mostly being bad. In fact the high return from private equity comes from optimal leverage. Also, the book does not do a good job of explaining finding good moat. You really need to

know the industry and the business model.

Still the book is a great book for beginner investors. Also, it is a good book for those who just started studying FSA.

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### **Mir Mostafa Ahmad says**

#### **Great Book !**

Great Book for beginners, I enjoyed reading it, although I was confused in some chapters but overall now I have better understanding of the stocks and value investment.

Thank you

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### **Charlie Mcdonald says**

This book is probably the most underrated Accounting book I've read. I have an MBA but Stig and Preston have summed up reading financial statements and Buffett's methods in an easy way without it sounding condescending.

I would recommend this book for anyone who wants to learn not only about Buffett but if they want to learn how to read financial statements better.

The only issue I have with it is its title and cover art. That mislead me to think it was going to be dry and boring - which it certainly wasn't.

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### **Sean Mitchell says**

A lot of really good information, but this was really aimed at someone with little to no experience with financial statements or accounting. I would've liked more theory of how to properly analyze statements.

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### **Priyank says**

Easy Read, well Explained.

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