

## Financial Statement Analysis

FIN 3720/3113

### Course Outline

<b>Instructor: Senior Lecturer, Sanjna Punjabi</b>	<b>Department: NUS School of Business</b>
<b>Classroom: Biz 2 413A (Thursdays 830am/12noon)</b>	<b>Consultation: By appointment via email</b>
<b>Email: bizsrp@nus.edu.sg</b>	

#### **Course Objectives:**

This course aims to equip the participants with primary skills to analyse and forecast company and business performance based on financial statements. The analytical and review framework will cover both quantitative methods and ratios as well as qualitative analysis of the other information included in the financial statements.

We cover essentials of financial statement analysis that link accounting with finance and deal with the capital market implications of accounting.

By the end of the course, you should be able to rationale and characteristics that underlie the financial reporting and the workings of the capital markets.

Specifically,

- To link accounting to the capital market.
- Analyse the financial statements from various viewpoints such as investors and shareholders, management and employees i.e how stakeholders use financial statement data to make investment and credit decisions.
- Understand how the quantitative analytical methods and qualitative analysis are used for assessing past performance as well as forecasting future performance.
- Appreciate the use of different tools and techniques for assessing a company's performance, such as financial ratios, cash flow analysis and forecasting.
- Understand the basics of various valuation models and methodology.

#### **Course Approach/Format:**

The course is intended to be student self-motivated learning. Students should be reasonably familiar with the basic financial accounting rules and the functioning of the capital market before taking this course.

The course will be a combination of professor's lecturing, student discussion/participation, and student case-writing and presentations.

A greater weight is placed on student case analysis, report writing/discussions and presentation.

## **Recommended Textbook**

***Business Analysis and Valuation, by Palepu, Healy and Peek, Fifth Edition, Cengage***

The book is intended rather as a reference for concepts and a way of organizing basic techniques for business analysis and valuation. Many chapters of the book are descriptive and the students should read them by themselves.

The professor will cover certain technical chapters more in depth in class. The book will be used as a reference for tutorials to be discussed in class.

In other words, while the professor's coverage of the book will be selective, students are highly recommended to read the entire book for an overall understanding.

## Tentative Schedule and Content:

Week beginning	Week	Topic details (%)	Reading References/ Chapter references(#) / Activity
9 Aug 2021	1	<ul style="list-style-type: none"> <li>• <b>Module Overview</b></li> <li>• Financial Statements and Business Strategy Analysis – Understanding the link!</li> <li>• The role of accounting information in capital markets and other settings</li> <li>• Introduction to Strategy Analysis</li> </ul>	<p>PHP – Chapter 1 and 2</p> <p><b>References</b></p> <p>The Conceptual Framework for Financial Reporting  <a href="https://www.asc.gov.sg/pronouncements/singapore-financial-reporting-standards-international/2021-volume">https://www.asc.gov.sg/pronouncements/singapore-financial-reporting-standards-international/2021-volume</a></p> <p>ACS Practice statement on Management Commentary  <a href="https://www.asc.gov.sg/pronouncements/financial-reporting-standards/practice-statements">https://www.asc.gov.sg/pronouncements/financial-reporting-standards/practice-statements</a></p> <p>IFRS – Accounting Information matters  <a href="https://www.ifrs.org/news-and-events/news/2018/08/ann-tarca-cpa-lecture-check-the-numbers/">https://www.ifrs.org/news-and-events/news/2018/08/ann-tarca-cpa-lecture-check-the-numbers/</a></p> <p>IFRS – Working in public interest  <a href="https://cdn.ifrs.org/content/dam/ifrs/about-us/who-we-are/working-in-the-public-interest.pdf">https://cdn.ifrs.org/content/dam/ifrs/about-us/who-we-are/working-in-the-public-interest.pdf</a></p>
16 Aug 2021	2	<ul style="list-style-type: none"> <li>• Accounting Analysis</li> <li>• Efficient market Hypothesis</li> <li>• Market Anomalies</li> <li>• PEAD (post earnings announcement drift)</li> </ul>	<p>PHP – Chapter 3 and 4</p> <p><b>References</b></p> <p>Hoogervorst (2012) – The imprecise world of accounting  <a href="https://www.iasplus.com/en/news/2012/june/speech-by-hans-hoogervorst-on-the-imprecise-world-of-accounting">https://www.iasplus.com/en/news/2012/june/speech-by-hans-hoogervorst-on-the-imprecise-world-of-accounting</a></p>
23 Aug 2021	3	<ul style="list-style-type: none"> <li>• Essentials of Financial Statement Analysis</li> <li>• Ratios and Cash Flow Analysis</li> </ul>	<p>PHP – Chapter 5</p> <p>Collingwood (2001) “The Earnings game”  <a href="https://hbr.org/2001/06/the-earnings-game-everyone-plays-nobody-wins">https://hbr.org/2001/06/the-earnings-game-everyone-plays-nobody-wins</a></p>

30 Aug 2021	4	<ul style="list-style-type: none"> <li>• Prospective analysis – Forecasting</li> </ul>	PHP – Chapter 6
6 Sept 2021	5	<ul style="list-style-type: none"> <li>• Prospective analysis Valuation Theory and Concepts</li> <li>• <i>P/BV vs PE, (Usefulness of P/BV vs P/E multiples in different scenarios esp in a pandemic world. Some topical discussions on industries severely impacted eg the airline industry)</i></li> </ul>	PHP – Chapter 7
13 Sept 2021	6	<ul style="list-style-type: none"> <li>• Business Analysis and Valuation – Practical Implementation issues</li> <li>• <i>Cost of equity determining the appropriate discount rate to use in valuation models, WACC, terminal values</i></li> </ul>	PHP – Chapter 8
			<b>Recess week</b>
27 Sept 2021	7	<ul style="list-style-type: none"> <li>• Mid-year test / Take home exam</li> </ul>	Details to be shared later
4 Oct 2021	8	<ul style="list-style-type: none"> <li>• Equity Security</li> </ul>	PHP – Chapter 9

		Analysis and market efficiency <i>Discussion on Case study preparation</i>	
11 Oct 2021	9	Credit Analysis	PHP – Chapter 10
18 Oct 2020	10	Mergers and Acquisitions	PHP – Chapter 11 <i>Due date for Group Project submission</i>
25 Oct 2021	11	Corporate Communication, Corporate Governance and Corporate Social Responsibility	Singapore Code of Corporate Governance <a href="https://www.straitstimes.com/opinion/sustainability-reports-boost-spores-status-as-global-market">https://www.straitstimes.com/opinion/sustainability-reports-boost-spores-status-as-global-market</a> SGX – Investor guide to reading Sustainability reports <a href="https://www.sustainability-reports.com/international-investors-signal-support-for-integrated-reporting-as-a-route-to-better-understanding-performance/">https://www.sustainability-reports.com/international-investors-signal-support-for-integrated-reporting-as-a-route-to-better-understanding-performance/</a> <a href="https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want">https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want</a>
2 Nov 2021	12	Wrapping it up / Short quiz	<i>Short quiz</i>
9 Nov 2021	13	Group Project/ Presentation	<i>Presentation by groups</i>
<b>End of term</b>			

**# Tutorial questions discussions** - Selected questions will be advised earlier for each of the textbook chapters starting from Week 2.

**% - Class discussion will be supplemented by real life case studies such as** Tata Steel's bidding war to buy British Steel, Dotcom bubble, Delisting of Luckin Coffee, Singapore Airlines

\*\*\*\*\*

---

### **Evaluation (Continuous assessment)**

	<b>Percentage</b>	<b>Tentative timing</b>
<b>Participation/Attendance</b>	10	
<b>Short Quiz</b>	20	Week 12
<b>Take home exam / Mid-term test</b>	30	Week 7
<b>Group Project + presentation component )</b>	40 (30+10)	Project due in Week 10 and Presentation in Week 13

### **Group Project:**

More details would be announced later. Tentative dateline for submission of the project will be during the week beginning **18<sup>th</sup> October 2021**.