

Financial Statement Analysis

FIN 3720/3113

Course Outline

Instructor: Senior Lecturer, Sanjna Punjabi	Department: NUS School of Business
Timing - Wednesday 830am/12noon	Consultation: By appointment via email
Email: bizsrp@nus.edu.sg	

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

31 Jan	4	<ul style="list-style-type: none"> • Prospective analysis – Forecasting 	<p><i>Chapter 4 and Chapter 5 tutorials</i></p> <p><i>Discussion on Case study preparation and group formation</i></p>
7 Feb	5	<ul style="list-style-type: none"> • Prospective analysis – Forecasting 	PHP – Chapter 6
14 Feb	6	<ul style="list-style-type: none"> • Prospective analysis Valuation Theory and Concepts • <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> • 	<p>PHP – Chapter 7</p> <p>Chapter 6 Tutorials</p>
			<i>Recess week</i>
28 Feb	7	<ul style="list-style-type: none"> • Mid-year test 	Details to be shared later /date and time to be fixed upfront.
7 March	8	<ul style="list-style-type: none"> • Business Analysis and Valuation – Practical Implementation issues • <i>Cost of equity determining the appropriate discount rate to</i> 	PHP – Chapter 8 and 9

		<p><i>use in valuation models, WACC, terminal values</i></p> <ul style="list-style-type: none"> • Equity Security Analysis and market efficiency 	
14 Mar	9	Credit Analysis	PHP – Chapter 10
21 Mar	10	Mergers and Acquisitions	PHP – Chapter 11
28 Mar	11	Corporate Communication, Corporate Governance and Corporate Social Responsibility	<p>Singapore Code of Corporate Governance</p> <p>https://www.straitstimes.com/opinion/sustainability-reports-boost-spores-status-as-global-market</p> <p>SGX – Investor guide to reading Sustainability reports</p> <p>https://www.sustainability-reports.com/international-investors-signal-support-for-integrated-reporting-as-a-route-to-better-understanding-performance/</p> <p>https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want</p>
4 April	12	Short quiz	Short quiz
11 April	13	Group Project/ Presentation	Presentation by groups over zoom for more effective delivery and clarity to be followed by (qualitative instead of marks) feedback
<i>End of term</i>			

Tutorial questions discussions - Selected questions will be advised for each of the textbook chapters starting from Week 2. The responses to these tutorials are counted towards participation points.

% - Class discussion will be supplemented by real life case studies

Evaluation (Continuous assessment)

Component	Percentage	Tentative timing
Participation in tutorials/other	10	Throughout
Short Quiz	20	Week 12
Mid-term test	30	Week 7 (right after recess week)
Group Project + presentation component	40 (30+10)	Project due in Week 10 + Presentation in Week 13

Group Project:

More details would be announced later.