

Financial Statement Analysis

FIN 3720

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.

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

Specifically,

- 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 and even some intermediate **accounting knowledge such as a financial reporting standard** and the functioning of the capital market before taking this course.

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

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

Many chapters of the book are descriptive, and the students should read them by themselves.

Textbook slides are used as a reference for teaching and additional materials are included as and where necessary.

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.**

Tutorials are meant to enhance discussion and learning in addition to seminar. Students will be marked not only for attempting the tutorials each time but also for the depth of the answers and frequency of participation.

While the professor's coverage of the book will be selective, students are highly recommended to read the book for an overall understanding or broad appreciation on topic of financial statement analysis. Guidance will be provided along the way on which aspects of the textbook, that is scoped out, within the class slides.

Tentative Schedule and Content:

(Subject to revision, which depends on pace of class which is dependent on progress of students.)

Week beginning	Week	Topic details	Self-Reading (optional) / Chapter references(#) / Tutorials where relevant will be included (tentative plan)
9 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>Detailed discussion on the course profile and expectations for this course</p> <p>References (self-reading)</p> <p>IFRS – Accounting Information matters</p> <p>https://www.ifrs.org/news-and-events/news/2018/08/ann-tarca-cpa-lecture-check-the-numbers/</p>
16 Jan	2	<ul style="list-style-type: none"> • Accounting Analysis Overview – • Efficient market Hypothesis • Market Anomalies 	<p>PHP Chapter 3 – To be read after class</p> <p>EMH – In class</p> <p>Discussion on group project/examples</p> <p>References (self-reading before/after class)</p> <p>Hoogervorst (2012) – The imprecise world of accounting</p> <p>https://www.iasplus.com/en/news/2012/june/speech-by-hans-hoogervorst-on-the-imprecise-world-of-accounting</p>
23 Jan	3	<ul style="list-style-type: none"> • Accounting Analysis – Accounting Adjustments • Financial Analysis 	<p>PHP – Chapter 4 – No need to read – Only refer to the Lecture notes and examples done in class/tutorial.</p> <p>References (self-reading before/after class)</p> <p>Collingwood (2001) “The Earnings game”</p>

		<ul style="list-style-type: none"> • Ratios and Cash Flow Analysis 	https://hbr.org/2001/06/the-earnings-game-everyone-plays-nobody-wins
30 Jan	4	<ul style="list-style-type: none"> • Financial Analysis (Contd) • Prospective analysis – Forecasting 	<i>Chapter 4 and Chapter 5 tutorials (tentative)</i> <i>Discussion on Case study preparation and group formation</i>
6 Feb	5	<ul style="list-style-type: none"> • Prospective analysis – Forecasting (Contd) 	PHP – Chapter 6 (<i>Syllabus for Mid-term Chapters 1-6</i>) Discussion of past year mid-term test
13 Feb	6	<ul style="list-style-type: none"> • Prospective analysis Valuation Theory and Concepts 	PHP – Chapter 7 Chapter 6 Tutorials (tentative)
			<i>Recess week</i>
27 Feb (tentative)	7	<ul style="list-style-type: none"> • Mid-year test (Examsoft) 	Mid-term test will be held in the class timing.
6 March	8	<ul style="list-style-type: none"> • Business Analysis and Valuation – Practical Implementation issues • Equity Security Analysis and market efficiency 	PHP – Chapter 8 and 9
13 Mar	9	Credit Analysis	PHP – Chapter 10
20 Mar	10	Mergers and Acquisitions	PHP Chapter 11.

27 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> <p>Submission of project week (no tutorials this week).</p>
3 April (tentative)	12	Short quiz	Short quiz to be held in class hours.
10 April	13	Group Presentation	Presentation by groups 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. Students will be picked randomly to present selected tutorial during class, and this will be counted as participation. **Please feedback to me asap, if you have any comments regarding the tutorials participation methodology (do not wait till the end of the semester) Tutorial questions will also be provided progressively before class or impromptu – differing on a week-by-week basis.**

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Evaluation (Continuous assessment)

Component	Percentage	Feedback mode (tentative)	Tentative timing
Participation in tutorials/others	10	Marks	Throughout
Final Quiz (Examsoft)	20	N.A. (included in the final grade)	Week 12
Mid-term test (Examsoft)	30	Percentage via examsoft (overall class performance will be shared and common errors – debrief)	Week 7 (right after recess week)
Group Project + presentation component	40 (30+10)	Project – Qualitative and grades via Gradebook Presentation – On the spot qualitative feedback to each team separately	Project due in Week 10 + Presentation in Week 13

Group Project:

More details would be announced later.

Email communications to/from instructors

Communications between instructors and students will be mainly via email (other than selected LumiNUS announcements) — Note that email announcements will be sent to the students’ NUS email accounts, and students should ensure that their NUS email mailboxes are not “full” at all times.

You are strongly encouraged to use your NUS email account for all correspondence with your instructors. This is because non-NUS email may sometimes be automatically routed to spam mail folder which is usually deleted automatically. Using NUS email is also more secure. When you email your instructors via email, please identify yourself (name, class).

