

Financial Statement Analysis

FIN 3720

Course Outline

Instructor: Senior Lecturer, Sanjna Punjabi	Department: NUS School of Business
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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. Do note that the module is a **high-level module covering various topics which are key to the overall comprehension of the entire set of financial statements**. The in-depth learning is mainly for the project as it is a hand-on learning style with adequate guidance.

In depth focus on any one topic will not be possible as there a wide array of aspects to analyse financial statements.

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 **broadly** use financial statement data to make investment and credit decisions.
- Understand how the quantitative **analytical methods and qualitative ratio 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 Du Pont model, cash flow analysis and forecasting**.
- Understand the **basics** of various valuation models and methodology. The course uses the project as a tool for **independent learning of doing a real life stock pitch. Please note, this requires extensive on the project learning and the seminars cover the main technical aspects only. Rest is independent learning – similar to on the job training.**

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 standards** 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, group project and presentation. **All is examinable content.**

A greater weight is placed on student case analysis, group project (independent learning) 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. As such, 100% formatted slides is not our objective as the content is pooled from different sources to make it most comprehensive yet relevant for this module.

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 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 (tentative plan)	Self-Reading (optional) / Chapter references / Tutorials where relevant will be included
14 Aug	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 	<p>PHP – Chapter 1 and 2</p> <p>Detailed discussion on the course profile and expectations for this course</p> <p><u>References (self-reading)</u></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> <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> <p>Discussion on project preparation and group formation</p>
21 Aug	2	<ul style="list-style-type: none"> • Introduction to Strategy Analysis • Accounting Analysis – Accounting Adjustments • Financial Analysis • Ratios and Cash Flow Analysis 	<p>Only refer to the Lecture notes and examples done in class/tutorial. (No PHP Chapter 3 and 4)</p> <p><u>References (self-reading)</u></p> <p>Collingwood (2001) “The Earnings game”</p> <p>https://hbr.org/2001/06/the-earnings-game-everyone-plays-nobody-wins</p>
28 Aug	3	<ul style="list-style-type: none"> • Financial Analysis 	<p>PHP – Chapter 5 (optional reading)</p>

4 th Sept	4	<ul style="list-style-type: none"> • Financial Analysis (contd) • Ratios and Cash Flow Analysis • Forecasting 	PHP – Chapter 6 (optional reading)
11 Sept	5	<ul style="list-style-type: none"> • Prospective analysis Valuation Theory and Concepts 	PHP – Chapter 7
18 Sept	6	<ul style="list-style-type: none"> • Briefing on Mid-term test 	Revision of past classes
			<i>Recess week</i>
2 nd Oct	7	<ul style="list-style-type: none"> • Mid-year test 	Mid-term test will be held in the class timing.
9 th Oct	8	<ul style="list-style-type: none"> • Business Analysis and Valuation – Practical Implementation issues 	PHP – Chapter 8
16 th Oct	9	Equity security Analysis Credit Analysis	PHP – Chapter 9 and Chapter 10
23 rd Oct	10	Mergers and Acquisitions Corporate Communication, Corporate Governance and Corporate Social Responsibility	PHP – Chapter 11 Singapore Code of Corporate Governance https://www.straitstimes.com/opinion/sustainability-reports-boost-spores-status-as-global-market SGX – Investor guide to reading Sustainability reports https://www.sustainability-reports.com/international-investors-signal-support-for-integrated-reporting-as-a-route-to-better-understanding-performance/

			https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want
30 Oct	11	Sample questions discussion for final exams	Revision Briefing on Group Presentation
6 th Nov	12	Group Presentation	Presentation by groups for more effective delivery and clarity to be followed by (qualitative instead of marks) feedback
13 Nov	13	Final test	Final exam to be held during class hours.
<i>End of term</i>			

Evaluation (Continuous assessment)

Component	Percentage	Tentative timing
Participation in tutorials/others	10	Throughout
Final test (Examsoft)	30	Week 13
Mid-term test (Examsoft)	20	Week 7 (right after recess week)
Group Project	30	Project due in Week 11
Group Presentation	10	Presentation in Week 12

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 CANVAS 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.