

Financial Statement Analysis

FIN 3720

Course Outline

Instructor: Senior Lecturer, Sanjna Punjabi	Department: NUS School of Business
Email: bizsrp@nus.edu.sg	Consultation: By appointment via email

**read items in bold carefully.*

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 should not be expected as this is a wide topic (unlike other finance modules) and 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. So this is unlike other FIN course, which has more handholding.

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. **They may do this with help of external sources or prior courses (all depending on the profile of the students)**

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.

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 and profile of students)

Week	Topic details (tentative plan)	Self-Reading (optional) / Chapter references / Tutorials where relevant will be included
1 11 Aug	<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 (Pre-reading is highly encouraged)</p> <p>Detailed discussion on the course profile and expectations for this course.</p> <p>Discussion on project preparation and group formation.</p>
2 18 Aug	<ul style="list-style-type: none"> • Introduction to Strategy Analysis • Accounting Analysis – Accounting Adjustments • Financial Analysis • Ratios and Cash Flow Analysis 	Only refer to the Lecture notes and examples done in class/tutorial. (Not required to do PHP Chapter 3 and 4)
3 25 Aug	<ul style="list-style-type: none"> • Financial Analysis 	PHP – Chapter 5 (optional reading)
4 1 Sept	<ul style="list-style-type: none"> • Financial Analysis (contd) • Ratios and Cash Flow Analysis • Forecasting 	PHP – Chapter 6 (optional reading)
5 8 th Sept	<ul style="list-style-type: none"> • Prospective analysis Valuation Theory and Concepts 	PHP – Chapter 7 (Pre-reading is recommended)
6 15 th Sept	<ul style="list-style-type: none"> • Any remaining content from past classes. • Briefing on Mid-term test and mock test 	Revision of past classes
<i>Recess week</i>		

7 29 th Sept	<ul style="list-style-type: none"> • Mid-year test - MCQ and/or short questions. 	Mid-term test will be held in the class timing. (no make-up)
8 6 th October	Business Analysis and Valuation – Practical Implementation issues	PHP – Chapter 8 (pre-reading is recommended)
9 13 th October	Equity security Analysis Credit Analysis	PHP – Chapter 9 and Chapter 10 (pre-reading is recommended)
10 20 th October	Public holiday	Details to be advised for make- up.
11 27 October	Guest lecture / Presentation Due date of <u>project report</u> (2359 of the day of the before class)	Briefing on Group Presentation
12	Group Presentation Due date of <u>project slides</u> (2359 of the day before class)	Presentation by groups followed by qualitative feedback
13	Final test - The entire syllabus is tested for the Final test) - Components can be MCQ, short questions or one long case study.	Final exam to be held during class hours.

Evaluation (Continuous assessment)

Component	Percentage	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: Refer to the group project requirements already uploaded (11 weeks in advance)

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.