

**NUS Business School** Department of Accounting

**FIN 3113**  
**Financial Statement Analysis (JANUARY 2016)**  
**Course Outline**

**Instructor: Koh Siew Min**  
**96384107 (HP)**  
**kohsiewmin.ksm@gmail.com**

**Course Objectives**

The course aims to provide students with an understanding of the use of the financial statements and to develop skills in the analysis of financial statements for economic decision-making. Students will develop expertise in analyzing financial statements for investments, credit, business and management decisions. We will also learn how investment professionals and analysts identify potential opportunities and avoid pitfalls for senior management decision-making.

- On completion of this course, students should be able to:
  - Understand the analysis framework and financial statements
  - Analyze financial statements from the viewpoints of investors, creditors / enders and management.
  - Interpret financial statements and related reports of companies.
  - Understand the process that generates accounting number and its implications for the quality of those numbers for decision purposes.
  - Understand the business environment a company operates in and the financing, investing and operating strategies of a company.
  - Apply different tools and techniques for assessing a company's performance, such as financial ratios, cash flow analysis and forecasting techniques.
  - Value a company by using valuation models.

### **Pre-requisites**

It is preferred that students have taken the basic course in Financial Accounting as well as **Financial Management (FIN2004)** before taking this module although it is not a formal prerequisite. The extent of accounting and finance knowledge required for understanding the course materials and case analysis varies considerably for different topics and cases. The course will be focused on in-depth level of financial statements analysis concepts and the assumption is that you should be familiar with these key areas or at least do your preparation in advance in terms of relevant readings of the main texts if your previous knowledge has not been sufficient.

### **Course Approach**

This course is an advanced extension of the introductory financial accounting modules. The primary focus will be on real world financial statement analysis concepts and practices used in the industry and will leverage on theories and concepts that have been taught in prior accounting courses. We will analyze issues and challenges that are common for accounting professionals such as auditors, accountants, investment analysts and regulators.

The primary mode of learning is through class lectures, supplemented with a number of case studies on various components of financial statements. You are strongly encouraged to read the text chapters in advance. While the text is an anchor, we will not be strictly adhering to it. There will be supplementary readings on the case studies. Students will lead case discussions and presentation on a team basis.

You are expected to keep yourself updated on the current accounting development in the local and international financial statements reporting. There will be a team financial statements analysis project where you will work in teams and discuss and analyze the financial statement at an advanced level similar to what is expected of CPAs (Certified Public Accountants) and investment professionals. You and your team should immediately start to get familiar with the company of your team's selection, which will be used for the financial statement analysis project. Your team is expected to contribute company-specific insights on various aspects of financial statements during our class discussion. Company-specific insight sharing is an important aspect of your class participation.

### **Recommended Textbook**

“Financial Statement Analysis and Security valuation” by Stephen H. Penman (Boston, Mass.: McGraw-Hill, 2007) third edition [ISBN 0071254323]

“Business Analysis and Valuation” by Krishna G. Palepu, Paul M. Healy and Victor L. Bernard (Mason, Ohio: Thomson South-Western, 2004) third edition [ISBN 0-324-11952-6]

## **1. Class Participation**

Class participation is an integral part of the learning experience. It is expected that every student will be prepared for each class and be a willing participant in the discussions and case studies analysis. Students will be given marks for responding to questions raised by other students and the instructor. Marks are also given for giving insightful comments based on your reading, analysis and **pre-class preparation**. **General comments with few additional inputs will get very low scores. Consistent participation is expected.**

## **2. Group Presentation**

Each Group will be presenting and leading the discussion of a specified week. Each member of the group is required to present a component of the week's questions and case and to pose questions and comments. Although the assigned groups are assigned to present the week's questions and cases, **every member of the class is responsible for preparing that questions and cases assigned for each week.**

## **3. Financial Statements Analysis Final Project**

This will be team-based effort. Each team will select one well-known publicly traded company, which is traded on the Singapore Stock Exchange. You are expected to become an expert, like the chief financial officer (CFO), on your company and contribute that knowledge to class discussion, which is an important component of your class participation. You are also required to complete a written end-of semester team report that analyzes the companies' financials, earnings quality, assets quality, liabilities position and other relevant accounting and disclosure policies. As part of the report you will need to follow what you learn in the course for analyzing the financial statements and apply your expertise in analysing the financial statement for investment decision making. The date for submission of project report will be given in due course.

## **4. Final Test**

Final Test will cover all topics covered as well as all and knowledge learnt from the course.

## **5. Weightage of Assessment**

|  |             |
|--|-------------|
| Class Participation and discussion<br>(Esp <b>ATTENDANCE for individual in all lessons</b> ) | 20%         |
| Group Presentation during class  | 20%         |
| Financial Statement Analysis Final Project   | 30%         |
| Continual Assessment (Test)  | <u>30%</u>  |
|  | <u>100%</u> |

**TEACHING SCHEDULE (NOT BY LESSON NUMBER)**

| <b>No</b> | <b>Topic</b>   |
|-----------|--|
| 1         | Overview of Financial Statements and Analysis Framework  |
| 2         | Financial Reporting & Analysis   |
| 3         | Analysis of the Income Statements  |
| 4         | Analysis of the Balance Sheet  |
| 5         | Analysis of the Cash Flow Statements   |
| 6         | Analysis of the business environment a company operates in and analyse its Operating Activities, Investing Activities and Financing Activities |
| 7         | Financial Analysis Techniques  |
| 8         | Performance Evaluation and Determinants of Performance   |
| 9         | Accounting and Strategy Analysis   |
| 10        | Prospective Performance Evaluation and Valuation   |
| 11        | Credit Analysis  |
| 12        | Project: Presentation  |