

COURSE SYLLABUS

Course Number: **FIN 120-X** Title: **FINANCIAL STATEMENT ANALYSIS**

Department: **FINANCE & ACCOUNTING DEPARTMENT**

School: **JOHN GOKONGWEI SCHOOL OF MANAGEMENT**

A. Course Description

This course takes an in-depth look into company financial statements and shows how information therein can be analyzed and processed to aid many individuals including creditors, investors, managers, consultants, auditors, directors, regulators and employees in their business decisions. It equips students with a wide array of tools and techniques useful in many fields in finance.

Pre-requisite: **Fin 101, 102, 103 or Fin 105**

B. Course Objectives

As a result of this course, students should be able to:

- write a background material on a company, its industry and its economic environment
- sift and analyze important information from the Notes to the Financial Statements portion of annual reports and adjust the statements as needed
- evaluate a company's sources and uses of cash using tools and techniques in cash flow analysis
- determine if a company is a good short term credit by employing tools of liquidity analysis
- appraise if a company is a good long term credit using capital structure measures and tools in solvency analysis
- measure a company's ROI from an operating standpoint as well as from the viewpoint of shareholders
- project the company's financial statements over both the short and long term by applying techniques in prospective analysis
- estimate the company's economic value using the residual income model
- synthesize the results of the various analyses above and come up with credit and investment recommendations.

C. Course Outline

Part 1 Overview of Financial Statement Analysis

Types and Components of Business Analysis
The Financial Statements
Analysis Tools

Part 2 Financial Reporting and Analysis

Part 3 Special Topics in Accounting Analysis

Part 4 Financial Statement Analysis Proper

Comparative Financial Statement Analysis
Common Size Financial Statement Analysis
Cash Flow Analysis
Credit Analysis (Liquidity & Solvency)
ROI & Profitability Analysis
Prospective Analysis
Equity Valuation

D. Required Reading

Financial Statement Analysis, 9th ed., Wild, Subramanyam & Halsey, c2007

E. Course Requirements & Grading System

3 Exams	40%
Class Participation	20
Partial papers	25
Final Paper	15

1. The exams, approximately 40% theoretical and 60% quantitative shall be administered during class hours. To score high in the tests, students should regularly read the chapters covered, understand the concepts and do exercises and cases.
2. All homework, seatwork and other classroom activities will be graded and therefore impact substantially on the class participation grade. These shall be done individually or in groups.
3. To maximize learning from the course, all students are expected to always:
 - a. bring the textbook or powerpoint lectures
 - b. bring a copy of the annual reports of the company which shall be the subject of the paper
 - c. do their homework such as reading assigned chapters, solving problems and participating in case analyses.
4. The paper shall be prepared in quartets. It should be a written comprehensive financial statement analysis report on a corporation (aside from financial institutions) over a period of at least 5 years. The company for analysis should be submitted to the teacher for approval on a first come, first served basis. No two quartets shall tackle the same company.
5. Partial papers based on the course objectives above stated shall be required on designated dates. The final paper shall be submitted after the last exam during the finals schedule.
6. The criteria for grading the paper follow:

Content		
Completeness	20%	
Accuracy	20	
Depth of Analysis	<u>30</u>	70%
Presentation		
Organization	15%	
Clarity	10	
Creativity	<u>5</u>	<u>30%</u>
		100%

Peer rating will be required upon submission of the paper.

7. The letter grade equivalents of weighted average numerical scores are as follows:

92 – 100	A
87 < 92	B+
82 < 87	B
76 < 82	C+
68 < 76	C
60 < 68	D
Below 60	F
Overcut	W

F. Classroom Policies

1. All students shall adhere to the dress code of JGSOM. A student violating the dress code will be meted out the penalties as specified.
2. Texting, listening to audio equipment, irrelevant chatting and studying for other subjects are absolutely prohibited during classes.
3. Two beadles will be elected who will serve as the liaison between the teacher and the students. They should come early every meeting to set up any equipment needed for the day. They will also create and administer the e-group of the class.