

COURSE SPECIFICATION DOCUMENT

NOTE: ANY CHANGES TO A CSD MUST GO THROUGH ALL OF THE RELEVANT APPROVAL PROCESSES, INCLUDING LTPC.

Academic School/Department:	Business & Economics
Programme:	BA (Hons) Business Administration with Combined Studies
FHEQ Level:	5
Course Title:	Financial Statement Analysis
Course Code:	FNN 5210
Course Leader:	Donna Bennett
Student Engagement Hours:	120
Lectures:	30
Seminar / Tutorials:	15
Independent / Guided Learning:	75
Semester:	Fall/Spring
Credits:	12 UK CATS credits 6 ECTS credits 3 US credits

Course Description

This course focuses on how financial statements are used to make informed lending and investment decisions. Effective financial statement analysis requires an understanding of accounting principles and the differences between financial reporting and economic reality. The course provides a comprehensive examination of financial reporting systems, principal financial statements, inventory analysis, long-term asset analysis, income taxes, financial liabilities, lease analysis, and off-balance sheet assets and liabilities.

Prerequisites: FNN 5200

Aims and Objectives:

The emphasis of this course is in developing the skills to be able to read and interpret the financial statements of any organization, to be able to read the accompanying reports critically and be to able to reach a view about its performance and any underlying trends. Students are required to demonstrate knowledge of the regulatory environment in the USA and UK, for the preparation of financial statements, in terms of legal requirements, requirements of the regulator, accounting standards, and audit requirements. Students should acquire an understanding of how regulations may differ in other countries. The course aims to instill an understanding of the way

in which in drafting the financial statements and accompanying reports there may be potential for conflict, for instance, between the wishes of the management in communicating with their shareholders or other stakeholders and the regulatory requirements as viewed by the auditors.

Programme Outcomes

A1, A3, A4, A5
B1, B2, B3, B4
C1, C2
D1, D2, D3, D4, D5

A detailed list of the programme outcomes are found in the Programme Specification. This is located at the Departmental/Schools page of the portal.

Learning Outcomes:

Upon completion of this course, a successful student should be able to

Knowledge and Understanding

1. Understand the regulatory environment and the different objectives of statement preparers, auditors and users
2. Utilize ratio analysis to understand the financial meaning of line items
3. Identify key weaknesses in cash flow, liquidity or solvency, and identify weaknesses indicated by other ratios in profitability or financial efficiency
4. ascertain the creative use of accounting by firms
5. Analyse and determine proper investment and financing decisions in light of the time value of money
6. Evaluate the financial performance of a range of different entities in the broader context of their overall performance objectives

Cognitive Skills

1. Understanding the importance of alternative approaches for interpreting financial statements.
2. To understand the use of sensitivity and scenario analysis within financial modelling to assess performance and to identify possible results and related courses of action.
3. Critical approach to case study analysis using real world data.

Performance and Practice

1. Quantitative and IT skills including the framing of data, its interpretation, extrapolation and presentation.
2. Integration of empirical data within a textual-based report.
3. To be able to identify and compare and contrast key financial modelling techniques in the context of a given set of circumstances.
4. The ability to make recommendations, both tactical and strategic, based on the findings of an analysis.

Personal and Enabling

1. Effective communication skills via a range of media.
2. Ability to develop strong analytical and technical skills through listening, practice and reflection.

Indicative Content:

1. Introduction to financial statements
2. Common size, vertical, horizontal and analytical ratio analysis
3. Investing and financing and the statement of cash flows
4. Manipulation of current financial assets, implications
5. Of empirical research and finance based measures of risk
6. Inventory management
7. Long term investments in productive assets,
8. Mergers, acquisitions and other corporate investments
9. Credit analysis long-term debt, leases and pensions
10. Equity valuation: fundamental analysis
11. Multinational operations

Assessment:

This course conforms to the Richmond University Standard Assessment Norms approved at Academic Council on June 28, 2012.

Teaching Methodology:

Semi-formal weekly presentation of material, class practice, completion of workbook out of class times, supplemented with a set of readings and some audio-visual material.

Bibliography:

- White, Sondhi and Fried, (2003) *The Analysis and Use of Financial Statements*, Third Edition, John Wiley and Sons,. ISBN 0-471-37594-2.
- O'Regan, (2005) *Financial Information Analysis*, Second Edition, Wiley 2006 ISBN 0-470-86572-5.
- Hock and Baldwin, *The Financial Reporting Project and Readings*, Fourth Edition, Thompsons, ISBN 0 324 302045
- Jon Moon, *How to Make an Impact*, Prentice Hall 2008, ISBN 978-0-273-71332-6
- Ivan K. Cohen (2005) *Focus on Financial Management*. Imperial College Press
- Kevin Boakes (2009), *Reading and Understanding the Financial Times*, 2nd edition. FT/Prentice Hall
- Robert Leach (2004) *The Investor's Guide to Understanding Accounts: 10 crunch questions to ask before investing in a company*. Harriman House
- Richard A Brealey, Stewart C. Myers and Franklin Allen (2005) *Principles of Corporate Finance*, international edition, McGraw-Hill Irwin
- Stephen A. Ross, Randolph W. Westerfield and Jeffrey Jaffe (2005) *Corporate Finance*, seventh edition. Irwin/McGraw-Hill
- Tim Koller and Marc Goedhart and David Wessels (2005) *Valuation: Measuring and Managing the Value of Companies*, fourth edition. McKinsey & Company Inc./John Wiley & Sons

Journals

