

NUS Business School Department of Accounting

**BMA 5303**  
**Financial Statement Analysis 2009**  
**Course Outline**

**Instructor:** Jack Wang CPA CFA  
**Office:** BIZ2 # 03-26  
**Telephone:** 6516 4639  
**Fax:** 6779 2083  
**Email:** jack.yy.wang@gmail.com  
**Course Website:** through IVLE

**Course Objectives**

The overall objective is to develop advanced expertise into the concepts and analysis of financial statements with a combination of true international orientation, a structured course contents and relevant illustrations and case studies. We will seek to understand how investment professionals and Certified Public Accountants (CPAs) perform in-depth analysis on financial statements to identify potential opportunities and pitfalls for senior management decision-making.

1. Understanding of Financial Statements Analysis and Financial Reporting Framework.
2. Analyzing the essential components of financial statements: Income Statements, Balance Sheet & Cash Flow Statements
3. Applying Financial Analysis techniques
4. Developing an understanding of complex accounting issues in Long-Term Liabilities & Pension.
5. Understanding translation of financial statements for Multinational Operations.
6. Evaluating Financial Reporting Quality and challenges involved.

**Pre-requisites**

Students are required to have completed the basic courses in BMA 5003 Financial Accounting and BMA5008 Financial Management. 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 more

advanced and 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 Harvard Business School 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. Supplementary readings on the case studies and current accounting issues are a must and will be provided on the IVLE. 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**

*"International Financial Statement Analysis"* by Thomas R. Robinson CFA, Hennie van Greuning, Elaine Henry, Michael A Broihahn ", John Wiley, 2009 Edition. ISBN: 978-0-470-28766-8

### **Recommended Supplementary Readings**

**“The Intelligent Investor: The Definitive Book on Value Investing”. (Revised Edition)**  
by Benjamin Graham, Jason Zweig: ISBN 0-06-055661-1

**“Common Stocks and Uncommon Profits and Other Writings”** by  
Philip A. Fisher, Edition 2003 ISBN: 978-0-471-44550-0

#### **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. Company-specific insight sharing on the company of your team selection is an important aspect of your class participation.

#### **2. Team Case Studies Presentation**

The team is expected to make a presentation on one of the HBS. The use of cases in the course is designed to reinforce, integrate and supplement the course material, and to help develop analytical, problem solving, interpersonal and communication skills. Teams will consist of 4 to 5 students. Students should form their own teams and inform the instructor of their team memberships (including full name, matriculation No & full email addresses) by the end of the first week.

The team is also expected to make a presentation on either one of the investment classics found in the recommended reading. Each member should select one or two chapters to share with the class. You will be evaluated and rewarded both in terms of depth of content and presentation preparation.

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

This will be team-based effort. Each team will select one well-known publicly traded company, which is traded either on NYSE or NASDAQ or 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 is stated below.

#### **4. Final Test**

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

#### **Weightage of Assessment**

Class Participation and discussion	10%
Team HBS Case Studies/Investment Classics Presentation	20%
Financial Statement Analysis Project	30%
Final Examination	<u>40%</u>
	<u>100%</u>

Lesson No	Topics	Textbook Readings ("IFSA")	Class Highlights
1	Financial Statement Analysis: An Introduction.  Financial Reporting Mechanics.	Ch.1  Ch. 2	Team Building and Networking
2	Financial Reporting Standards.  International Standards Convergence.	Ch.3  Ch. 8	Industry expert sharing (Accounting)
3	Understanding the Income Statement.	Ch.4	HBS Case: Revenue Recognition and Reporting , Nov 27, 2000, David F. Hawkins
4	Understanding the Balance Sheet.	Ch. 5	Industry expert sharing (Auditing)
5	Understanding the Cash Flow Statement.	Ch.6	HBS Case: Alternative: <u>Chemalite, Inc. (B): Cash Flow Analysis</u>
6	Financial Analysis Techniques.	Ch. 7	

7	Financial Statement Analysis: Applications.	Ch.9	<u>HBS Case, Sears, Roebuck and Co. vs. Wal-Mart Stores, Inc.</u> Miller
8	CHAPTER 10: Inventories.  Long-Lived Assets.  Long-Term Liabilities and Leases.	Ch.10  Ch. 11  Ch. 13	Industry expert sharing (Equity Analyst)
9	Income Taxes.  Employee Compensation: Postretirement and Share- Based.	Ch.12  Ch. 14	Team Presentation "the Intelligent Investor"
10	CHAPTER 15: Inter-corporate Investments.  CHAPTER 16: Multinational Operations.	Ch.15  Ch. 16	Team Presentation "Common Stock & Uncommon Profit"
11	Evaluating Financial Reporting Quality.	Ch.17	Revision on examination

12	Final Test (Two hours)		