

NUS Business School

Department of Accounting

FIN 3113

Financial Statement Analysis (Academic Year 2018/9)

Course Outline

Instructor: Kelvin TAN

Mobile: 88389698

Email: kt88389698@nus.edu.sg

Course Objectives

This course aims to equip the participants with the 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. The participants will also learn the different business models that apply to the various industries and how such models can affect the performance of companies and businesses within a dynamic and competitive business environment.

On completion of this course, the participants will be able to:

- Understand the make-up of a set of financial statements and the accompanying reports and their respective purpose.
- Understand the different business and revenue models and also the drivers that determine company and business performance.
- Analyse the financial statements from various viewpoints such as investors and shareholders, management and employees, creditors and suppliers, customers and competitors, and even government and regulators.
- Understand the framework within which financial statements are prepared and the inherent limitations of such a framework.
- Apply the quantitative analytical methods and tools both for assessing past performance as well as forecasting future performance.
- Understand the various valuation models and methodology.

Pre-requisites

All participants are to have a basic understanding of financial and management accounting as this course will require the participants to analyse and review financial statements of different companies and businesses. Participants should also have basic

understanding of how companies and businesses operate in a competitive environment. An introduction to financial management is also necessary.

Course Approach

This course will take a practical approach by giving the participants first-hand experience in analysing financial statements published by Singapore incorporated companies listed on the Singapore Exchange. The participants will get to see how financial and management accounting concepts and policies are applied in different industries and how such applications are used by the different stakeholders.

The course will be conducted through weekly seminars, with the first half of the semester focusing on grounding participants with the basic skills and tools and the second half focusing on honing their skills via sectoral industry case discussions. Textbooks will be recommended to supplement the learning experience but more importantly, participants will have to keep abreast of prevailing economic and business conditions and how they affect the companies and businesses.

As with all practical forms of learning, class participation is key to deriving maximum value from this course. Participants will also be grouped for the case discussions and group assignment. A final test will round off the assessment for the participants.

1. Class Participation

Class participation is an integral part of the learning experience. All participants are to prepare themselves for the weekly seminars as they will be called upon to share their views and to challenge assumptions and issues discussed. The participants will be assessed based on how insightful their comments are and how they can put forth their arguments and defend their positions.

2. Individual Assignment

All participants will be given assignment(s) to test their understanding of financial ratio analysis.

3. Industry Case Discussions

All participants will be organised into groups to analyse companies and businesses for the different industries. Such analysis will focus on the recent performances of the companies and on how they could have performed better. The groups are to also highlight the key challenges these companies face in the years ahead. Participants will also role play to critique the companies and the analysis.

4. Group Assignment

All participants will also be assigned in groups to examine the factors and circumstances leading to the recent failure of a Singapore Exchange listed company in a challenging industry. The focus here will be on how an analysis of the financial statements could have red flagged the issues the company faced prior to its failure and

how such failure could have been averted by shareholders, management, employees, suppliers, and even the government.

5. Final Test

A Final Test will allow the participants to demonstrate their understanding of all areas covered in the course and to test their ability to analyse a company's performance within constraints.

6. Weightage of Assessment

Assessment Mode	Weightage	Schedule
Individual class participation	10%	Throughout
Individual assignment	10%	
Case discussion	20%	Weeks 7-12
Group assignment	30%	Due Week 10 (tentative)
Final test (Individual)	30%	Week 13
	100%	

Course Schedule

Week	Agenda	Format
1	Overview of course and Introduction to Financial Statement Analysis	Seminar
2	The Annual Report	Seminar and class participation
3	Income Statement	Seminar and class participation
4	Balance Sheet	Seminar and class participation
5	Cash Flow Statement and Changes in Equity Statement	Seminar and class participation
6	Financial modelling and forecasting, Valuation, and Limitations of Financial Statements	Seminar and class participation
7	Case Discussion – Banking and Finance	Seminar, class participation and group discussion
8	Case Discussion – Manufacturing	Seminar, class participation and group discussion
9	Case Discussion – Services	Seminar, class participation and group discussion
10	Case Discussion – Infrastructure	Seminar, class participation and group discussion
11	Case Discussion - Trading	Seminar, class participation and group discussion
12	Case Discussion – Property and Real Estate	Seminar, class participation and group discussion
13	Final Test	Open book

Recommended Textbook

Stephen H. Penman, *Financial Statement Analysis and Security Valuation* (Boston, Mass.: McGraw-Hill, 2007) Fifth Edition [ISBN 0071254323]

Krishna G. Palepu, Paul M. Healy and Victor L. Bernard, *Business Analysis and Valuation* (Mason, Ohio: Thomson South-Western, 2004) Fourth Edition [ISBN 978-1-4737-2265-1]