



QURTUBA UNIVERSITY

Of Science and Information Technology

D.I Khan, Peshawar Khyber Pakhtunkhwa, Pakistan.

Course Name	Financial Statements Analysis
Course Code	FIN308
Semester	6th
Credit Hours	03
Total Weeks	16/18
Total Hours	48/54
Total Marks	100
Pre-requisite	ACC101/ACC102

Course Objectives

- The student will develop a set of core skills essential to financial statement analysis.
- It will cover strategic ratio analysis, cash flow analysis, forecasting, pro-forma financial statements, and firm valuation using discounted cash flow and residual income techniques.
- The course emphasizes the practical application of the material using a combination of lectures and hands-on examples.

Grading Criteria

Distribution	Weight
Quizzes, Assignments, and class participation	10
Mid Term	20
Final Term	70
Total	100

Text books:

- Subramanyam and Wild (SW). Financial Statement Analysis. 10th edition. New York: McGraw-Hill/Irwin, 2009.
- CharlessJ.Gibson. Financial Statement Analysis 13th edition, 2013

Recommended Books

- **James C. Vanhorne: Fundamentals of Financial Management**
- **Eugene F. Brigham: Fundamentals of Financial Management**
- **Brealey, R. A. & Myers, Principles of corporate finance.**

- Charles J Gibseon, Financial Reporting and Analysis.

WEEK WISE BREAKDOWN

Week	Description
1	<ul style="list-style-type: none"> • An Overview of Financial Reporting • The development of accounting Standards: From 1929 Stock Market Crash to International Financial Reporting Standards (IFRS)
2	<ul style="list-style-type: none"> • The Security Exchange Commission of Pakistan (SECP) and its regulatory requirements for Financial Reporting • The ambiguity of financial terminology and efforts to standardize interpretations (conceptual framework)
3	<p><u>Recognize the information needs of investors and creditors</u></p> <ul style="list-style-type: none"> • Explain the objectives of financial reporting • Identify the qualitative characteristics of accounting information • Define generally accepted accounting principles • Differentiate the cash basis of accounting from the accrual basis of accounting
4	<ul style="list-style-type: none"> • Brief overview of the basic financial statements and their interrelationship • Brief overview of forms of business entities • Brief overview of Accounting cycle • Brief overview of Auditor's Repor.
5	<ul style="list-style-type: none"> • Explain what the annual report is and read and understand its components, including the financial statements, footnotes, review of operations, auditor's report, and supplementary schedules • Recognize what management's discussion and analysis (MD&A) involves • Explain how the Sarbanes-Oxley 404 reporting differs from traditional reporting.
6	<ul style="list-style-type: none"> • Explain what financial statement analysis is and why it is important. • Compare horizontal analysis and vertical analysis • List the basic components of ratio analysis • Distinguish between trend analysis, industry comparison, and benchmarking • Assignment: Perform trend analysis of a company using Excel spreadsheet
7	<p><u>Calculate a comprehensive set of financial ratios and interpret them</u></p> <ul style="list-style-type: none"> • Explain the limitations of ratio analysis • Define working capital • Compute and interpret liquidity ratios and activity ratios • Assignment: Calculate and interpret liquidity and activity ratios in excel spreadsheet
8	<ul style="list-style-type: none"> • Explain how liquidity and activity ratios are related to each other • Define operating cycle and cash conversion cycle • Describe the LIFO reserve and explain its importance for comparing results of different companies • Assignment: Compute and interpret operating and Cash conversion cycles, and FIFO & LIFO for a company using excel spreadsheet.
	Two Assignments + Two Test+ Presentation Mid Term
9	<ul style="list-style-type: none"> • Define and compute solvency ratios • List capital structure ratios and explain what they measure • Measure operating leverage and financial leverage and distinguish between them.

	<ul style="list-style-type: none"> • Assignment: Compute and interpret solvency and capital structure ratios, and operating & financial leverage for a company using excel spreadsheet
10	<ul style="list-style-type: none"> • Describe various profitability ratios related to sales, investment, equity shares, and earning power • Explain how ROE relates to ROI • Identify the basic components of the Du Pont formula and to explain how it can be used for profit improvement • Assignment: Compute and interpret profitability ratios, and Du Pont Formula for a company using excel spreadsheet
11	<ul style="list-style-type: none"> • Explain and Compute Leverage ratios • Describe how financial leverage affects the stockholders' return <p>Assignment: Calculate and interpret leverage ratios using excel spreadsheet</p>
12	<ul style="list-style-type: none"> • Differentiate between two different capital structures – simple and complex • Compute earnings per share in a simple capital structure • Compute earnings per share in a complex capital structure • Assignment: Calculate, interpret and compare EPS in simple and complex capital structures for two different companies using excel spreadsheet.
13	<ul style="list-style-type: none"> • Explain, calculate, and interpret market test ratios • Comparison of Equity analysis, credit analysis, and segment analysis <p>Assignment : Form an overall evaluation on a company's financial performance</p>
14	<ul style="list-style-type: none"> • Describe the purpose of the statement of cash flows • Identify the major classifications of cash flows • Prepare and analyze the statement of cash flows • Differentiate between net income and net cash flows from operating activities • Distinguish between cash flow coverage (or adequacy) ratios and cash flow performance • Assignment : Calculate, interpret cash flow coverage ratios for a company using excel spreadsheet
15	<p><u>Statement Analysis for Special Industries</u></p> <ul style="list-style-type: none"> • Banks • Utilities • Oil and Gas • Transportation • Insurance • Real Estate Companies
16	<p>Assignment: Project on Financial ratio analysis of assigned sector's company from week - 15</p>
	Two Assignments + Two Test+ Presentation
	Final Term

Learning Outcomes:

- Explain business analysis and its relation to financial statement analysis.
- Identify and discuss different types of business analysis.
- Explain business activities and their relation to financial statements.
- Describe the purpose of each financial statement and linkages between them.
- Identify the relevant analysis information beyond financial statements.
- Analyze and interpret financial statements as foundation for more detailed analysis.
- Apply basic financial statement analysis techniques.
- Describe basic valuation models.