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**JAIPURIA INSTITUTE OF MANAGEMENT**

**PGDM 2021-23**

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| Course Code and title | FIN 301 : Financial Statement Analysis |
| Credits | 3 |
| Term and Year | Term III , 2021 -22 |
| Course Pre-requisite(s) | Accounting for Business |
| Course Requirement(s) |  |
| Course Schedule (day and time of class) |  |
| Classroom # (Location) |  |
| Course Instructor |  |
| Email |  |
| Telephone Number (for office appointments) |  |
| Student Consultation Hours |  |
| Office location |  |

**Course Overview:** This course is designed to prepare you to interpret and analyse financial statements effectively. This course explores in greater depth financial reporting topics introduced in the core course in financial accounting and also examines additional topics not covered in that course. Main focus is on analyzing firm’s financial position and economic performance from various angles, basically to understand the inherent strength and weaknesses of a firm objectively that aid management to take appropriate steps to remove the weakness and leverage on strengths, for creation, sustenance and enhancement of value of the firm for various stakeholders including the society at large, and for investors, in particular.

More objectively the course consists of – 1) Profitability analysis, 2) Analysis of sources and application of fund, 3) Liquidity analysis, and 4) Risk analysis.

The course is practical and acts as enabler to apply the learning in the class room for analysing financial statements holistically by the investors, business analysts, equity analysts, credit analysts, credit rating agencies, investment bankers, M&A consultants and other users.

**2. Course Learning Outcome (CLO)** : At the end of the course the participants should be able to –

**CLO1** : Identify economic reality of an enterprise with respect to performance

and financial stability

**CLO 2**: Assess growth and growth potential

**CLO 3:** Analyze economic performance of a firm over the years (time series) and with the peers for the same period ( cross-sectional).

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|  | PLO1 | PLO2 | PLO3 | PLO4 | PLO5 | **PLO 6:** |
|  | *Communicate Effectively* | *Demonstrate the Ability to Work in Teams to Achieve Desired Goals* | Reflect on business situations and apply relevant conceptual framework in service management context | Evaluate different ethical  perspectives | Discuss the centrality of customer experience in services management. | Exhibit innovative and creative thinking |
| CLO 1 |  |  | X(I) |  |  | **PLO 6:** Exhibit innovative and creative thinking |
| CLO 2 |  |  | X(I) |  |  | **PLO 6:** Exhibit innovative and creative thinking |
| CLO 3 |  |  | X(E) |  |  | **PLO 6:** Exhibit innovative and creative thinking |

**NOTE: Attainment of CLO3 (mapped with CG-3) can be used for preparing AOL Report**

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| **Session** | **Topic** | **Pedagogy** | **Reading** |
| **Module 1** | **Analysis of Balance Sheet and Income statement** | | |
| 1 | Introduction to analysis of financial statements,  a) Income Statement  b) Balance Sheet  c) Statement of Equity  d) Cash Flow Statement | Lecture and mini- case in the form of financial statement of a listed manufacturing company | Chapter 2 of the text book.  Reading of published financial statement of listed company |
| 2. | Common Sized Financial Statement and trend analysis- Overview | Lecture with the example given in the text. | Chapter 9 with example. Mini case with the published financial statements of two peer companies |
| 3. | Business activities and financial statement. | Lecture, slide and case study | Chapter 7 of the text book. A mini case based on published financial statements |
| 4 | Analysis of share holders equity ( fund) based on accounting standard | Lecture and numerical example | Chapter 8 of the text book |
| 5 | Detailed analysis of line items of balance sheet and profit and loss account (1) | Lecture and examples from published financial statement, notes on accounts and Director report | Chapter 9 of the text book, IFRS and IAS ( selected portion) |
| 6 | Detailed analysis of line items of balance sheet and profit and loss account (2) | Lecture and examples from published financial statement, notes on accounts and Director report | Chapter 9 of the text book, IFRS and IAS ( selected portion) |
| 7 | Problem solving and case analysis based on the content of session 1 to 6. | | |
| **Module 2** | **Analysis of cash flow statements** | | |
| 8 | Recapitulation of cash and accrual accounting.  Cash flow from operation (CFO).  Analyzing divergence between PAT and CFO | Lecture and numerical examples | Chapter 10 of the text book |
| 9 | Analyzing Cash flow from   1. Financing activities, and 2. Investment activities | Lecture and numerical examples | Chapter 10 of the text book |
| 10 | Finance lease as an extension of financing activities and its treatment in the financial statement. | Lecture and handout on lease accounting | Chapter 9 and handout on relevant standard |
| **Module 3** | **Profitability, financial stability and valuation related analysis** | | |
| 11 | Profitability analysis (ROI, Margin) including Dupont analysis various turnover ratios , inter firm and intra firm comparison (1) | Lecture and real life example from published financial statements as case | Chapter 11 of the text and solving numerical problems |
| 12 | Profitability analysis Dupont analysis, various turnover ratios, their implications on inter firm and intra firm (2) | Lecture and real life example from published financial statements as case | Chapter 11 of the text and solving numerical problems |
| 13 | Financial Stability analysis – Leverage and Liquidity ratios | Lecture and real life example from published financial statements as case | Chapter 11 of the text and solving numerical problems |
| 14 | Stock market related financial ratios and their implication for relative valuation | Lecture and real life example from published financial statements | Chapter 3 and 13 of the text and solving real life examples based on secondary data. |
| 15 | Problem solving and case analysis based on the content of session 8 to 14. | | |
| **Module 4** | **Growth analysis, Accounting and Economic Value, Accounting quality.** | | |
| 16 | Analysis of Growth and sustainable Earning. Preparation of projected financial statement based on growth analysis. | Lecture and numerical example | Chapter 12 of the text |
| 17 | Growth through business combination. | Lecture, numerical example and case | Chapter 12 of the text |
| 18 | Accounting and Economic value | Lecture, numerical example and case | Chapter 16 of the text |
| 19 | Analysis of the quality of financial statements – Basic highlights | Lecture, example and case | Chapter 17 of the text |
| 20 | Summing up |  |  |

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| **Assessment tool** | **Description** | **Weightage** | **CLO** |
| Quiz | * Two quizzes with multiple choice questions. Question bank of 25 questions to be created for a quiz of 10 questions. The format of the quiz would be 20% basic, 50% intermediate and 30% advanced level. * Individual assessment: Moodle based. * After 10th sessions and 16 th session * Feedback: Moodle grades | 20% | CLO1 |
| Individual Project | * Time series and cross-sectional performance and stability analysis of listed firms (with peers). Each student must analyze one company without overlapping. Out of box thinking in the analysis is encouraged. Two page report followed by presentation. * Coverage- Till 12 Sessions | 20% | CLO 2 & CLO3 |
| Presentation of the Project | Individual presentation of the project | 10% | CLO 3 |
| Class participation | Continuous | 10% | CLO 2 & CLO 3 |
| End Term Examination | * Conceptual and application based analysis. The paper would comprise questions which are: 20% basic, 50% intermediate and 30% advanced level. * As per schedule * Coverage- 70% Post Mid Term; 30% Pre Mid Term * Feedback: Showing assessed answer sheets. | 40% | CLO1, CLO2 CLO3 |

**Assessment Tools:**

**Rubrics :**

1. **Rubrics for Quiz**

**CLO1**: **Identify economic reality of an enterprise with respect to performance**

**and financial stability**

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| Criteria | Exceed Expectation | Meet Expectation | Below Expectation | Maximum score (20) |
| Demonstrate ability to capture and understand concepts, solve small numerical problem | Answers 70% or more questions correctly | Answers 30% or more but less than 70% questions correctly | Answers less than 30% questions correctly |  |

1. **Rubrics for Individual Project, Presentation and Class Participation**

**CLO 2** : **Assess growth and growth potential**

**CLO 3 : Analyze economic performance of a firm over the years (time series) and with the peers for the same period ( cross-sectional)**

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| Criteria | Exceed Expectation | Meet Expectation | Below Expectation | Maximum score (40) |
| Time series analysis of a selected unique company to be selected from BSE/ NSE by each student , then conduct intra firm comparison. Inter firm comparison with peers and with respect to industry through project and report writing ability | Answers 70% or more questions correctly | Answers 30% or more but less than 70% questions correctly | Answers less than 30% questions correctly | 20 |
| Project Presentation (total -10 marks):  Articulation | Logical step by step articulation | Points Covered but flow is not really consistent | Poor logic, points not covered adequately | 6 |
| Quality of communication | Good | fair | poor | 4 |
| Class participation ( total 10 marks)  Regularity of attendance and regular in attempting to answer questions upon cold calling  Body Language in class | Regular  Demonstrate interest consistently | Fairly regular  Demonstrate occasional interest | Irregular  Disinterested | 6  4 |

1. **Rubrics for End term examination**

**CLO 3:** **Analyze economic performance of a firm over the years (time series) and with the peers for the same period ( cross-sectional)**

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| Criteria | Exceed Expectation | Meet Expectation | Below Expectation | Maximum score (40) |
| Demonstrate ability to compare analyse financial statements of the listed companies, analyse growth, sustainable earning, economic value and earning quality | Answers 70% or more questions correctly | Answers 30% or more but less than 70% questions correctly | Answers less than 30% questions correctly |  |

Students will be expected to maintain a daily log of their learning and make an action plan. The continuous evaluation tools would be implemented as per schedule and collected for evaluation.

Students are encouraged to visit videos available on Impartus, you tube on TED talks, and readings available at websites like course era, etc.

**Text Book :** Financial Statement Analysis and Security Valuation ( latest Indian edition) by Stephen H Penman

Reference : 1) Accounting ( Text & Cases) by Anthony, Hawkins and Merchant.

2) Indian Accounting Standard ( Ind AS) – Taxmann (3rd Edition

2020)

3) RBI guidelines for preparation bank financial statements.

Websites : 1) [www.moneycontrol.com](http://www.moneycontrol.com)

2) [www.bseindia.com](http://www.bseindia.com)

3) [www.nseindia.com](http://www.nseindia.com)

4) Different companies’ website for financial statement, director report etc

**Institute’s Policy Statements**

It is the responsibility of every student to be aware of the requirements for this course, and understand the specific details included in this document. It is emphasized that this course requires a significant commitment outside of formal class contact.  The learning tasks in this course may include classes (lectures or seminars), required reading, the preparation of answers to set questions, exercises and problems, and self-study. In addition, students may be required to complete an assignment, test or examination.

**LMS-Moodle/Impartus:**

LMS-Moodle/Impartus is used to host course resources for all courses. Students can download lecture, additional reading materials, and tutorial notes to support class participation.

**Late Submission**

Assessment tasks submitted after the due date, without prior approval/arrangement, will be not be accepted. Requests for extension of time must be made with the faculty member concerned and based on Special Consideration guidelines.

**Plagiarism**:

Plagiarism is looked at as the presentation of the expressed thought or work of another person as though it is one's own without properly acknowledging that person.

Cases of plagiarism will be dealt with according to Plagiarism Policy of the institute. It is advisable that students should read Student Handbook for detailed guidelines. It is also advisable that students must not allow other students to copy their work and must take care to safeguard against this happening. In cases of copying, normally all students involved will be penalised equally; an exception will be if the student can demonstrate the work is their own and they took reasonable care to safeguard against copying.