

Asian Institute of Technology
School of Management
Professional Masters in Banking and Finance (PMBF)

Financial Statement & Analysis

Course Objective:

This course is intended to expose the participants to Financial Statement Analysis in a strategic context and to enable participants to extend the analysis to forecasting and projecting firm performance, culminating with a valuation of the firm. It also helps students to develop an ability to understand financial statements and to assess the performance of firms.

Course Description:

Framework for Financial Statement Analysis, Tools of Financial Statement Analysis, Dynamics of Income and Cash Flows, Profitability analysis, Risk analysis, “Cleaning up the Financial Statements” for analysis, Forecasting Financial Performance, Preparing projected Financial Statements, Cash flow-based and Earnings based approaches to valuation, Using P/E and P/BV ratios in valuation, Equity Security analysis, Credit analysis and Distress Predictions, Communication and Governance.

Pre-requisite(s): None

Course Outline:

- I. Financial Statements and their analysis:
 1. Review of Financial Statements
 2. Defining a Framework for analysis and review of tools of analysis
 3. Review of commonly used Earning Management and manipulation techniques

- II. Strategy and Financial Analysis:
 1. ROA and the Value Chain
 2. Analyzing the ROE strategically

- III. Risk Analysis from Financial Data:
 1. Review of operating and financial risks
 2. Risk prediction models
 3. Market-based and book based approaches to measuring risk.

- IV. Forecasting



1. Techniques
2. Preparing projected financial statements
3. Spreadsheet applications

V. Valuation

1. Cash Flow based approaches.
2. Linking Cash flows to Financial Statement numbers.
3. Earning Based Approaches

VI. Equity Securities Analysis

1. Approaches to fund Management and Securities analysis
2. The process of a Comprehensive Securities Analysis
3. Performance of Security analysts and fund managers

Textbook(s):

K. Palepu, P. Healy, V. Bernard:

Business Analysis and Valuation using financial Statements, 2nd Edition, South Western College Publishing, 1999

Reference books:

Stephen H. Penman:

Financial Statement Analysis and Security Valuation, McGraw Hill, 2001

Journal and Magazines:

Financial Analysts' Journal

Journal of Applied Corporate finance

Web sites covering:

Analysts' Reports

Rating Agency Reports

Select Companies

Evaluation Scheme:

Quizzes	20%
Class Attendance and Participation:	10%
Project	40%
End Term Exam	30%

Grading system

Grade	Definition	Grade Points
A	<i>Excellent.</i> Thorough knowledge and mastery of concepts and/or techniques together with a high degree of skill and/or great originality in satisfying the requirements of a piece of work or course.	4.00
B+	<i>Very Good.</i> Thorough knowledge and mastery of concepts and/or techniques together with a fairly high degree of skill in the use of those concepts and techniques in satisfying the requirements of a piece of work or course.	3.50
B	<i>Good.</i> Good level of knowledge or mastery of concepts and/or techniques with a considerable skill in using them in satisfying the requirements of a piece of work or course.	3.00
C+	<i>Near Competent.</i> Level of knowledge or mastery of concepts and/or techniques requires more efforts to satisfy the requirements of a piece of work or course.	2.50
C	<i>Deficient.</i> Level of knowledge or mastery of concepts and/or techniques requires intensive efforts to satisfy the requirements of a piece of work or course.	2.00
D	<i>Highly Deficient.</i> Knowledge or mastery of concepts and /or techniques and understanding of the subject matter unacceptably low.	1.00
F	<i>Failing.</i> Very poor with very limited knowledge or limited mastery and understanding of concepts and/or techniques; comprehension of the subject matter is very limited.	0
I	<i>Incomplete.</i> Course may be completed at a later time without prejudice	-

Instructor(s): Faculty/Visiting Faculty/Adjunct Faculty of School of Management