

## University of the Punjab Course Outlines

### Associated Degree in Commerce (Specialization in Accounting & Finance)

Semester	4th		
Course Name	Financial Statement Analysis		
Course Code	ADC 411		
Credit Hours	4 Credit Hours		
Prerequisites	Financial Accounting, Advanced Financial Accounting		
Follow Up	-----		
Objectives to achieve	After studying Financial Statement Analysis course the students should understand the analysis methods comprehensively and they should be able to know about the practical implications of financial statement analysis.		
Teaching Strategies	<ul style="list-style-type: none"> <li>i. Lectures</li> <li>ii. Handouts</li> <li>iii. Group discussions</li> <li>iv. Class-room presentations</li> <li>v. Projects and term paper</li> <li>vi. Quizzes</li> <li>vii. Case study, reading assignment</li> </ul>		
Assessment Criteria	<b>Mid-term</b> (Assessment by respective College)		<b>Final Examination</b> (Assessment by University of the Punjab)
	40 %		60 %
	Quizzes and Tests, Assignment and Presentations, Viva, Attendance, Class Participations and discipline etc.	Written Paper	Written Paper

### Weekly Lecture Plan/Syllabus

Weeks	Topics	Detail
1	Introduction to Financial Statements	<ul style="list-style-type: none"> <li>i. Balance Sheet (Statement of Financial Position)</li> <li>ii. Income Statement (Statement of Earnings)</li> <li>iii. Statement of Stockholders Equity</li> <li>iv. Statement of Cash Flows</li> <li>v. Notes to the Financial Statements</li> <li>vi. Auditor's Opinion</li> <li>vii. Harmonization of International Accounting Standards</li> <li>viii. Consolidated Financial Statements</li> <li>ix. Users of Financial Statements</li> </ul>
2	Income Statement	<ul style="list-style-type: none"> <li>i. Basic Income Statement</li> <li>ii. Special Income Statement Items</li> <li>iii. Income Taxes Related to Operations</li> <li>iv. Comprehensive Income</li> <li>v. Earnings Per Share</li> <li>vi. Retained Earnings, Dividends and Stock Splits, Appropriations</li> </ul>
3	Balance Sheet	<ul style="list-style-type: none"> <li>i. Assets, Liabilities and Stockholders' Equity</li> <li>ii. Off Balance Sheet Financing</li> <li>iii. Treasury Stock</li> <li>iv. Post-Retirement Benefits</li> <li>v. Contingencies and Commitments</li> <li>vi. Employees Stock Ownership Plans (ESOPs)</li> <li>vii. Stockholders Equity in Unincorporated Firms</li> </ul>
4	Basics of Analysis	<ul style="list-style-type: none"> <li>i. Ratio Analysis</li> <li>ii. Common Size Analysis (Vertical)</li> <li>iii. Comparative Analysis –Year to Year Change Analysis(Horizontal)</li> <li>iv. Comparisons- Internal and External</li> <li>v. Industry Averages</li> <li>vi. Cautions in Ratio Analysis</li> </ul>
5	Liquidity Analysis	<ul style="list-style-type: none"> <li>i. Current Assets and Current Liabilities Comparisons</li> <li>ii. Working Capital, Current Ratio, Acid-Test Ratio, Cash Ratio</li> <li>iii. Other Liquidity Considerations-Sales to Working Capital</li> </ul>
6	Long term Solvency Analysis	<ul style="list-style-type: none"> <li>i. Debt Ratio, Debt/Equity Ratio, Owners equity Ratio, Long term Debt to Total Capitalization</li> <li>ii. Times Interest Earned, Fixed Charge Coverage</li> </ul>
7	Profitability Analysis	<ul style="list-style-type: none"> <li>i. Profitability Measures- Gross Profit Margin, Operative Profit Margin, Net profit Margin, Return on Assets, Return on Equity, DuPont Analysis</li> <li>ii. Trend in Profitability</li> <li>iii. Segment Reporting</li> <li>iv. Gains and Losses From Prior Period Adjustments</li> </ul>
8	Activity Analysis	<ul style="list-style-type: none"> <li>i. Inventory Turnover, Accounts Receivable Turnover, Accounts Payable Turnover, Total assets turnover.</li> <li>ii. Average age of Inventory, Average Collection Period, Average Payment Period</li> </ul>

9	Market Analysis/Investors Analysis	<ul style="list-style-type: none"> <li>i. Earnings for Common Share</li> <li>ii. Price/Earnings Ratio</li> <li>iii. Dividends Pay out and Retention Ratio</li> <li>iv. Dividend Yield</li> <li>v. Book Value Per Share</li> <li>vi. Market/Book Ratio</li> </ul>
10	Vertical and Horizontal Analysis	<ul style="list-style-type: none"> <li>i. Common Size Income Statement</li> <li>ii. Common Size Balance Sheet</li> <li>iii. Comparative Analysis</li> <li>iv. Trend Analysis</li> <li>v. Index Analysis</li> </ul>
11	Statement of Cash Flows	<ul style="list-style-type: none"> <li>i. Basic Elements of Cash Flows</li> <li>ii. Procedure for Development of Statement of Cash Flows</li> <li>iii. Practical Problems of Statement of Cash Flows</li> </ul>
12	-do-	<ul style="list-style-type: none"> <li>i. Financial Ratios and Statement of Cash Flows</li> <li>ii. Operating Cash Flows/Total Debt</li> <li>iii. Operating Cash Flows Per Share</li> </ul>
13	Analysis of Special Industries	<ul style="list-style-type: none"> <li>i. Financial Analysis of Banks</li> <li>ii. Financial Analysis of Insurance Companies</li> <li>iii. Financial Analysis of Regulated Utilities</li> <li>iv. Financial Analysis of Oil and Gas</li> <li>v. Financial Analysis of Transportation</li> </ul>
14	Expanded Analysis	<ul style="list-style-type: none"> <li>i. Financial Ratios as Perceived by Commercial Loan Departments</li> <li>ii. Financial Ratios as Perceived by Corporate Controllers</li> <li>iii. Financial Ratios Used in Annual Reports</li> <li>iv. Management of Earnings</li> </ul>
15	Distress Analysis	<ul style="list-style-type: none"> <li>i. Forecasting Financial Failure- Univariate and Multivariate Analysis, Altman's Z score</li> </ul>
16	Concluding Remarks	<ul style="list-style-type: none"> <li>i. Limitations of Financial Statement Analysis</li> <li>ii. Practical Financial Statement Analysis of Companies' Annual Reports</li> </ul>

<b>Primary Recommended Book</b>	<ul style="list-style-type: none"> <li>1. Financial Statement Analysis, Charles H. Gibson published by CENGAGE Learning</li> <li>2. Financial Statement Analysis, GokulSinha, PHI Learning Private Limited</li> </ul>
<b>Additional Readings</b>	<ul style="list-style-type: none"> <li>1. Financial Statement Analysis, Thomas R. Robinson, CFA, Hennie van, Greuning, CFA, Elaine Henry, CFA, Michael A. Broihahn, CFA, John Wiley &amp; Sons Inc.</li> <li>2. Financial Statement Analysis, K. R. Subramanyam and John J. Wild, McGraw Hill Education.</li> </ul>