

INTERNATIONAL MANAGEMENT INSTITUTE, BHUBANESWAR

Post Graduate Diploma in Management (PGDM)

FN630: Advanced Financial Statement Analysis

CREDIT: 3

SESSION DURATION: 90

TERM: VI

2016-18

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Office hours: 9:30 AM to 5:30 PM

Consulting hours: Not required

Course Introduction: The course is all about not only understanding the financial statements of modern day corporations but also to take suitable decisions. This course will be very helpful for equity analysis, business valuation and investment decisions.

Course Objectives: The course is intended:

LO1. Provide the students a basic framework of financial statements reported by companies including banking companies

LO2. Provide the students with necessary tools for analysis of financial statements

LO3. Enable the students to undertake detailed analysis and forecasting of financial performance of companies

Course Pedagogy: As this course demands a good understanding of basic accounting standards which are followed by companies to report financial statements, students will be required to come regularly in the class prepared for discussion. The course will be a combination of cases, numerical exercises and referring to annual reports

Course Readings

Books:

The Analysis and Use of Financial Statements – White, Sondhi and Fried, Wiley, 3rd Ed. (WSF)

Financial Statement Analysis and Security Valuation – Penman, 4e, McGraw Hill (Pen)

Financial Statement Analysis – Subramanian, Wild and Halsey, McGraw Hill (SWH)

Course Evaluation criteria:

Quiz (2 of 10 marks each) - 20% (NO Prior announcement)

Mid Term - 30%

End Term - 30%

Assignments - 20%

Session Plan:

Session No.	Topic	LOs	Reading
1	Introduction to Financial Statements <ul style="list-style-type: none">Forms – Balance Sheet, Income Statement and CF StatementMeasurement in FSUsesAccrual Vs Cash Concept	LO1	Classroom discussion
2-5	Reformulating Balance Sheet and Income Statement <ul style="list-style-type: none">Differentiating NOA, NFACalculating operating profit after taxTax treatment (marginal and effective tax rate)Preparing proforma balance sheet and income statement	LO1, LO2	Case 1: The Chubb Corporation Assignment I Given in Session 2 and due in 4: Reformulation of financial statement of a company of the choice of the student (Individual)

6-7	Analysis of CF Statement <ul style="list-style-type: none"> • Reformulation of CF Statement • Measuring Free Cash Flows • Understanding CFO, CFF and CFI and their implications for valuation 	LO2, LO3	Case 2: Maytag Corporation; Exercise 1 Case 3: Kimberley Clark Corporation
8-10	Analysing of Income Tax <ul style="list-style-type: none"> • Introduction to Ind AS 12 • Deferred Tax Assets and Liabilities – meaning and measurement 	LO2, LO3	Chapter 9 (WSF)
11-14	Analysing Intercompany Investments <ul style="list-style-type: none"> • Reporting method for various equity ownership • Investment in securities (HTM, AFS and HFT) • Equity method and consolidated method of accounting 	LO2, LO3	Chapter 13 (WSF)
15-16	Profitability Analysis <ul style="list-style-type: none"> • Understanding ROE and its determinants • Return on Invested Capital • RNOA • Sustainable growth rate 	LO2, LO3	Chapter 4 (WSF) Chapter 12 (Pen)
17-19	Financial Statements of Banks <ul style="list-style-type: none"> • Structure of balance sheet, income statement • Reporting of capital as per Basel norms • Assets and liabilities • Reporting of NPAs • Profitability Ratios (ROE, ROA, NIM) 	LO2, LO3	Assignment II given in session 17 and due in session 19 – To write a comprehensive report on the financial statement of a company of choice
20	RECAP and WIND UP	LO1, LO2, LO3	