

Proposal for New Course		
Course Number	:	MB515
Course Name	:	Financial Statements Analysis
Credits	:	2-0-0-2 (L-T-P-C) ¹
Prerequisites	:	None
Intended for	:	MBA
Distribution	:	Compulsory
Semester	:	Even

Preamble

Financial Statements Analysis (FSA) course helps post-graduate students in understanding the structure, line items, accounting principles and analysis of financial statements. Using managerial approach of learning, the course will be taught with the help of financial statements published in annual reports of companies. The main outcome of this course is to make the students intelligent users of financial statements for improved credit decisions, investment decisions and managerial decisions.

Objective

Using the balance sheet, statement of profit and loss and cash flows statement from an annual report of a company, students would understand basics of how to make these statements under managerial approach and understand analysis of financial statements from the perspective of credit decision, investment decision and forensic.

On completion of this course, the student should be able to:

- make financial statements under managerial approach,
- get conversant with accounting records,
- understand various methods of measurement of depreciation and inventory,
- visualize the impact of different methods of measurement on financial statements, and
- analyse financial statements using various techniques.

¹ L= Lectures per week, T=Tutorials per week – P = Practical/Lab session per week – C = Credits for course

Course Modules with Quantitative lecture hours		
Module 1	Balance Sheet	(4 hours)
<p>This module begins with brief introduction to the course, financial statements, and users of financial statements. The balance sheet module helps students in understanding the line items, accounting principles, construction, and analysis of balance sheet. At the end of this module, students should be able to understand the major sources of funds which are in the form of liabilities and equity and understand major application of funds which are in different forms of assets of a company reading its balance sheet. The students also should be able to make the balance sheet using double entry principle of accounting.</p>		
Module 2	Statement of Profit and Loss	(4 hours)
<p>This module helps students in understanding the line items, accounting principles, construction, and analysis of statement of profit and loss. At the end of this module, students should be able to understand major sources of revenue, major expenses, and various terms of profit such as profit-after-tax (PAT), earnings before interest and tax (EBIT), earnings before interest, tax, depreciation and amortization (EBITDA) of a company using its statement of profit and loss. The students also should be able to make the balance sheet and statement of profit and loss using double entry principle and accrual principle of accounting.</p>		
Module 3	Accounting Records	(2 hours)
<p>This module enables students in understanding preparation of major accounting records like journal book, ledger books and trail balance with/without adjustments. At the end of this module, students should get conversant with the accounting cycle and records.</p>		
Module 4	Cash Flows Statement	(3 hours)
<p>This module makes students to understand structure, importance, classification of cash flows and construction of cash flows statement. At the end of this module, students should be able to understand cash flows from operating, investing, and financing activities.</p>		
Module 5	Measurement and analysis of Depreciation, Cost of Goods Sold (COGS) and Inventory	(3 hours)
<p>This module enables students to understand different methods of depreciation and inventory valuation. Students should also understand implications of these methods of measurement on statement of profit and loss and balance sheet.</p>		
Module 6	Techniques of Financial Statements Analysis	(8 hours)
<p>This module makes students to understand application of common-size analysis, comparative analysis, and ratio analysis in analysis of balance sheet, statement of profit and loss and statement of cash flows. The financial statements analysis should be from credit analysis, investment analysis</p>		

and forensic perspective. While analysing financial statements, students should be made to understand implications of major accounting policies related to measurement of assets, revenues and expenses in financial statements analysis.

Lab Exercises (If applicable): Not applicable

Textbooks:

1. Anthony, Robert Newton, David F. Hawkins, and Kenneth A. Merchant. *Accounting, text and cases*. McGraw-Hill/Irwin, 1999.
2. Subramanyam K R. *Financial Statement Analysis*, McGraw Hill, 2021.

Reference Books:

1. Maher, Michael W., Clyde P. Stickney, and Roman L. Weil. *Managerial accounting: An introduction to concepts, methods and uses*. Rob Dewey, 2006.
2. White, Gerald I., Ashwinpaul C. Sondhi, and Dov Fried. *The analysis and use of financial statements*. John Wiley & Sons, 2002.
3. Penman, Stephen H., and Stephen H. Penman. *Financial statement analysis and security valuation*. New York: McGraw-Hill/Irwin, 2010.
4. Graham, Benjamin and David Le Fevre Dodd (6th Edition). *Security analysis*, McGraw-Hill, 1934.