

PROGRAM	Master of Business Administration
SEMESTER	3
COURSE TITLE	Financial Statement Analysis
COURSE CODE	04MB0305
COURSE CREDITS	3
COURSE DURATION	42 Hrs. (42 Sessions of 60 minutes each)

COURSE OUTCOMES:

- ❖ To apply several basic financial statement analysis techniques
- ❖ To explain cash flow statement and return on invested capital and variations in its computation
- ❖ To analyze earnings persistence, its determinants, and its relevance for earnings forecasting
- ❖ To describe the process for equity valuation through using financial statement and provide an understanding of Risk and Sensitivity Analysis
- ❖ To prepare forecasted Balance Sheet, Income Statement, Cash flow Statement

COURSE CONTENTS:

Unit No	Unit / Sub Unit	Sessions
I	Introduction & Overview: Business Analysis: Introduction, Types, Components, and Financial Statements-Basis of Analysis, And Understanding of Financial Statements: Balance Sheet, Income Statement, And Cash flow Statement & Auditors Report. A glance on methods of FSA: Comparative analysis, common size statement & trend analysis.	06
II	Cash flow & Profitability Analysis: Specialized Cash Flow Ratios: Cash Flow Adequacy Ratio & Cash Reinvestment Ratio, Interpreting Cash Flows. Components of Return on Invested Capital: Defining Invested Capital, Adjustments to Invested Capital and Income & Computing Return on Invested Capital Du Pont disaggregating 5 components model. Analysing Return on Common Equity: Disaggregating the Return on Common Equity, Computing Return on Invested Capital & Assessing growth on common equity.	10
III	Equity Analysis: Earnings Persistence: Recasting and Adjusting Earnings, Determinants of Earnings Persistence, Persistent and Transitory Items in Earnings, Earnings-Based Equity Valuation: Fundamental Valuation Multiples, Earning Power and Forecasting for Valuation: Earning Power Earnings Forecasting	06
IV	Valuation: Method of Comparable, Multiple Screening, Asset-based Valuation, Dividend Discounting, Discounted Cash Flow Analysis, Residual Earnings Analysis, Economic Value Added (EVA), Earnings Growth Analysis, Risk and Sensitivity Analysis	12
V	Prospective Analysis: The Projection Process: Projecting Financial Statements, Application of Prospective Analysis in the Residual Income Valuation Model, Trends in Value Drivers.	08

EVALUATION:

The students will be evaluated on a continuous basis and broadly follow the scheme given below:

	Component	Weightage
A	Continuous Evaluation Component (Assignments / Presentations/ Quizzes / Class Participation/ etc.)	20% (C.E.C.)
B	Internal Assessment	30% (I.A.)
C	End-Semester Examination	50% (External Assessment)

SUGGESTED READINGS:
Text Books:

Sr. No	Author/s	Name of the Book	Publisher	Edition & Year
T-01	K. R. Subramanyam& John J. Wild	Financial Statement Analysis	McGraw Hill	10th Edition, Year 2009
T-02	Stephen Penman	Financial Statement Analysis and Security Valuation	McGraw Hill	5th Edition, Year 2012

Reference Books:

Sr. No	Author/s	Name of the Book	Publisher	Edition & Year
R-01	Rao Peddina Mohana	Financial Statement Analysis and Reporting	PHI	2nd Edition, Year 2011
R-02	David Young, Jacob Cohen	Corporate Financial Reporting and Analysis	Wiley	3rd Edition, Year 2013