



APPLIES TO ACADEMIC YEAR 2009/2010

GRA 6273 Financial Statement Analysis and Valuation

Programme

Master in Professional Accountancy

Responsible for the course

Department

Department of Accounting - Auditing and Law

Term

According to study plan

ECTS Credits

9

Language of instruction

Norwegian

Introduction

An auditor must possess strong competencies in financial statement analysis and valuation.

Financial Statement Analysis:

The course demonstrates how financial information can be used to evaluate a company's past performance and present circumstances to be able to contemplate what might transpire in the future.

In performing preliminary analytical procedures, financial statement analysis is an important part of understanding the client's business and assessing client business risk. Unusual changes in ratios compared to prior years or to industry averages help identify areas having increased risk of misstatements that require further attention during the audit.

An auditor also need to evaluate whether the client is likely to continue as a going concern and must therefore evaluate the financial health of the business.

Valuation:

Under IFRS 3, the acquirer shall measure the cost of a business combination allocate that cost to the assets acquired, both tangible and intangible, and the liabilities and contingent liabilities assumed. Under IAS 36, an entity is required to conduct impairment tests for its assets to see whether it has incurred any impairment losses. In recent years accounting standards have put an increased emphasis on fair value accounting.

Cost allocation under IFRS 3, impairment testing under IFRS 36 as well as fair value accounting require that auditors have good skills in applying different valuation techniques.

This course provides both a sound theoretical framework for valuation and a thorough discussion of how valuations are actually done in the real world. .

Learning outcome

The course aims to provide a systematic framework for how accounting information may be processed, interpreted and applied in various decision situations. Furthermore, the aim is to give students a detailed insight into various valuation models, and by working on cases the students will have the opportunity to apply interdisciplinary insights into various valuation situations.

Prerequisites

Mandatory courses in strategy, finance and accounting at a bachelor level.

Compulsory reading

Books:

Gjesdal, Frøystein og Thore Johnsen. 1999. Kravsetting, lønnsomhetsmåling og verddivurdering. Oslo : Cappelen Akademisk forlag

Penman, Stephen H. 2007. Financial statement analysis and security valuation. 3rd ed. Boston : McGraw-Hill/Irwin

Other:

I løpet av kurset kan det bli delt ut materiale på flere emner som er relevante for kurset og

eksamen

Recommended reading

Books:

Koller, Tim; Marc Goedhart & David Wessels. 2005. Valuation : measuring and managing the value of companies. 4th ed. Hoboken, N.J. : Wiley

Palepu, Krishna G., Paul M. Healy. 2008. Business analysis & valuation : using financial statements : text & cases. 4th ed. Mason, Ohio : Thomson/South-Western

Course outline

- Use of financial statement analysis within the audit profession
- Accounting and performance quality
- Analysis of income statement and balance sheet
- Analysis of cash flows
- Analyses of key figures
- Growth analyses
- Forecasts
- Use of financial statement analysis within the audit profession
- Valuation models
- Stipulation of the required rate of return
- Analysis of credit risk

Computer-based tools

Excel

Learning process and workload

54 hours of lectures, teamwork, discussions and student presentations.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/Blackboard or text book.

Examination

The students shall groupwise (max. 3 students in a group) during the semester hand in three mandatory papers. These papers will count 60% of the final grade. A 3-hour written examination is held at the end of the semester, which counts 40% of the final grade.

Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one for several elements of the overall evaluation.

Exam code(s)

GRA 62731 accounts for 100 % of the final grade in the course GRA 6273.

Examination support materials

BI-approved exam calculator. Exam aids at written examinations are explained under exam information in our web-based Student handbook. Please note use of calculator and dictionary. <http://www.bi.edu/studenthandbook/examaids>

Re-sit examination

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam. Retake examinations entail an extra examination fee.

Additional information

Honor code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.

