



APPLIES TO ACADEMIC YEAR 2012/2013

## GRA 6273 Financial Statement Analysis and Valuation

### Programme

Master in Professional Accountancy

### Responsible for the course

Sverre Dyrnes, Erlend Kvaal

### 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

A bachelor degree qualifying for admission to the Master Programme. Mandatory courses in strategy, finance and accounting at a bachelor level.

### Compulsory reading

#### **Books:**

Penman, Stephen H. 2012. Financial statement analysis and security valuation. 5th ed. McGraw-Hill

#### **Collection of articles:**

Samling artikler

**Other:**

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

**Recommended reading****Books:**

Gjesdal, Frøystein, Thore Johnsen. 1999. Kravsetting, lønnsomhetsmåling og verdivurdering. Cappelen akademisk forlag  
Koller, Tim, Marc Goedhart, David Wessels. 2010. Valuation : measuring and managing the value of companies. 5th ed. Wiley  
Palepu, Krishna G., Paul M. Healy. 2008. Business analysis & valuation : using financial statements : text & cases. 4th ed. 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, It's learning

**Learning process and workload**

A course of 9 ECTS credits corresponds to a workload of 240-270 hours.  
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/It's learning or text book.

**Examination**

The students shall groupwise (individually or in groups of max. 3 students) during the semester hand in two mandatory papers. These papers will count 50% of the final grade. A 3-hour individual written examination is held at the end of the semester, which counts 50% of the final grade. All parts must be passed in order to get a final grade in the course GRA 6273.

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.

**Examination code(s)**

GRA 62732 (paper no. 1) accounts for 25% of the final grade in the course GRA 6273 (individually or in groups of max. 3 students)

GRA 62733 (paper no. 2) accounts for 25% of the final grade in the course GRA 6273 (individually or in groups of max. 3 students)

GRA 62734 (final exam 3 hours ) accounts for 50 % 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**

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code.

Where this is the case, you may retake only the assessed components of one of these exam codes.

Where this is not the case, all of the assessed components of the course must be retaken.

All retaken examinations will incur an additional 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.