



APPLIES TO ACADEMIC YEAR 2015/2016

FIN 3516 Financial Statement Analysis

Programme

Bachelor of Finance (2. year)

Responsible for the course

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Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

7,5

Language of instruction

English

Introduction

Financial analysts and consultants are employed in a wide range of different types of firms and organizations to offer advice, provide valuable information and help corporations in their investment, operational and financing decisions. In all these a common component and requirement is the ability to analyze the financial statements in order to determine a company's value, project future earnings and cash-flows, identify risks, spot opportunities for cost reduction and/or efficiency increase, understand the effects of tax, regulatory or policy changes and so on.

To this end the course examines the point of view of user of financial statements and caters to students who expect to use financial statements in their careers. The course aims at preparing the students to analyze and interpret financial statements in a financially meaningful way. For this reason the course teaches the relevant material by examining real company data. The course also gives student skills to use Bloomberg terminal to gather and analyze information.

We emphasize understanding what numbers in the various statements mean and how to think about performance cost of capital, and the various types of risks. The course covers the key topics of who demands financial statements, who supplies, where to find the critical information financial analyst would need in decision-making. We examine how to analyze cross section and time series of financial statements, how to construct various ratios, and how to develop statement-based performance measures. We focus on the fundamental issue of valuation and we study selected applications of the topic to the cost of capital estimation and risk management.

Learning outcome

Acquired

Knowledge

Upon successfully completing the course the student will

- Understand the needs and the uses of financial statements,
- Understand the need and the way to extract meaningful information by combining the different financial and accounting data,
- Know the fundamental financial information that are required for the various types of decisions,
- Know the required steps on how to perform a company valuation,
- Know how to strategically analyze firms and interpret their financial statements.

Acquired

Skills

Upon successfully completing the course the student will be able to

- Construct financial ratios from financial statements,
- Perform company valuation,
- Assess earnings quality,
- Uncover off balance sheet assets and liabilities,
- Forecast statements.

Reflection

n

T h e

acquired theoretical and practical knowledge provided in this course will enable the student to understand the need to generate financial statements, the relation between the suppliers and the users of this information and reflect on the ways that this information channel could be improved or compromised.

Prerequisites

BØK 3423 Finance and FIN 3521 Finansiering av bedrifter or equivalent.

Compulsory reading

Books:

Easton, Peter D... [et al.]. 2014. Financial statement analysis and valuation. 4th ed.. Cambrigde Business Publishers. Compulsory Reading (<http://www.cambrigdepub.com/product/book/financial-statement-analysis-valuation-4th>)

Petersen, Christian V. and Thomas Plenborg. 2012. Financial statement analysis : valuation, credit analysis, executive compensation. Financial Times Prentice Hall

Other:

Lecture notes, cases, additional exercises and examples will be available at the course website on Its Learning

Recommended reading

Books:

Wahlen, Baginski, and Bradshaw. 2015. Financial reporting, financial statement analysis and valuation. 8th ed. Southwestern Publishing

Course outline

- Framework for Analysis and Valuation
- Review of Business Activities and Financial Statements
- Profitability Analysis and Interpretation
- Revenue Recognition and Operating Income
- Off-Balance-Sheet Financing
- Forecasting Financial Statements
- Cost of Capital
- Cash-Flow-Based Valuation

Computer-based tools

Computer-based tools

Use of the Bloomberg terminal will be an integral part of the course. Students will learn how to use Bloomberg terminal to find data in financial statements and prepare basic analysis.

Students will learn how to use Spreadsheets (Excel) to analyze, manipulate, calculate, and present data.

Learning process and workload

T h e

course will include a combination of lectures and Bloomberg laboratory sessions where the students will obtain hands-on experience on the use of the Bloomberg terminal.

C l a s s

participation is strongly encouraged and rewarded. Each class will have problems and assigned readings. You should come to class prepared. You can work in groups to solve homework assignments. The lectures will be plenary sessions whereas for the Bloomberg sessions will be done in different sections of maximum 40 students each.

A student

will integrate the key concepts by developing a group project focusing on company valuation.

T h e

f o l l o w i n g i s a n i n d i c a t i o n o f t h e t i m e r e q u i r e d :

Activity	Hours
Lectures and other plenary sessions	24
Bloomberg sessions	18
Preparation for lectures and laboratory sessions	83
Group project and home assignments	30
Preparation for the final exam	45
Total recommended use of time	200

Use of hours

Use of hours (instructor)

The lectures will be plenary sessions whereas for the Bloomberg sessions will be done in different sections of maximum 40 students each. The Bloomberg room has 10 workstations and there will be up to 4 students on each workstation. Therefore, depending on the number of students registered for the course there will be formed n

computer sections. For example if 150 students are registered then there will be 4 sections of around 37 students each.

24 hours – Lectures

18 × n hours – Bloomberg sessions

3 hours – Coordination of learning activities

27 + 18 × n hours – Total

Examination

This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded by using points on a scale from 0-100. The components will be weighted together according to the information in the course description in order to calculate the final letter grade for the examination code (course). Students who fail to participate in one/some/all exam elements will get a lower grade or may fail the course.

The final grade in this course will be based on the following activities and weightings:

- 30% group project on valuation. (groups projects of 4 students maximum)
- 10% attendance and participation
- 60% 3-hour written final exam.

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

Examination code(s)

FIN 35161 Process evaluation, counts 100% towards the final grade in the course FIN 3516 Financial Statement Analysis, 7,5 ECTS.

Examination support materials

BI approved exam calculator. Examination support materials at written examinations are explained under examination information in the student portal @bi. Please note use of calculator and dictionary in the section on support materials (https://at.bi.no/EN/Pages/Exa_Hjelpemidler-til-eksamen.aspx).

Re-sit examination

A re-sit is held in connection with the next scheduled course.

Additional information