

Liverpool John Moores University

Title: FINANCIAL STATEMENT ANALYSIS
Status: Definitive
Code: **7511AE** (103471)
Version Start Date: 01-08-2011

Owning School/Faculty: Liverpool Business School
Teaching School/Faculty: Dublin Business School

Team	Leader
Graham Padgett	Y

Academic Level: FHEQ7
Credit Value: 15.00
Total Delivered Hours: 32.00
Total Learning Hours: 150
Private Study: 118

Delivery Options

Course typically offered: Runs Twice - S1 & S2

Component	Contact Hours
Lecture	15.000
Seminar	5.000
Tutorial	10.000

Grading Basis: 40 %

Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Essay	AS1	Assignment	50.0	
Exam	AS2	Examination	50.0	2.00

Aims

To introduce students to the contents of financial statements and to the international accounting treatment of the major elements contained within those financial statements

To develop the student's ability to rigorously appraise and evaluate the information contained in financial statements and to identify the limitations of financial statement analysis

To provide students with a balanced view regarding the relevance of accounting information for decision making and the reliability of accounting statements

Learning Outcomes

After completing the module the student should be able to:

- 1 Examine the content of financial statements and recognise the significance of the main elements within the financial statements
- 2 Explain the impact on financial statements of using different accounting methods, valuations and policies.
- 3 Critically evaluate the growing use of quantitative models for analysing financial statements with reference to models currently used within the financial services sector.
- 4 Integrate the use of fundamental analysis with additional valuation techniques, non-financial performance measures and the ability to predict corporate failure.
- 5 Interpret financial statements and critique a company's financial position and performance from the perspective of investors, lenders and other users.
- 6 Recognise the limitations of financial statements and financial statements analysis and to detect practices of creative accounting.

Learning Outcomes of Assessments

The assessment item list is assessed via the learning outcomes listed:

essay	3	4	5	6	
EXAM	1	2	3	4	5

Outline Syllabus

Introduction to Financial Statements

Introduction to contents of financial statements, definitions, standard layout, dual aspect convention and impact on financial statements. Demand for and supply of financial information. Users of financial information and specific individual requirements. Other sources of financial information. Use and usefulness of financial statement information. International accounting issues and the Conceptual Framework.

Content of Financial Statements

Accounting treatment of balance sheet items and income statement items in accordance with international accounting standards. Off-balance sheet financing, FRS 25 Capital Instruments, IAS 32 Financial Instruments: Disclosure and Presentation. Cash-flow analysis and preparation of cash-flow from balance sheet. Capital markets and financial statement information. Financial review: content, purpose and limitations.

Financial Statement Analysis

New and traditional approaches to financial statement analysis. Fundamental analysis, cross sector analysis and time series analysis. Benchmark choices. Evidence and practical use of ratios analysis to assess financial performance and

position of the company from perspective of all users. Cash flow analysis, sensitivity and breakeven analysis. Apply financial ratios to bond rating decisions and consider how bond yields and financial ratios are related.

Alternative and Supplementary Valuation Techniques

Use of forecasting techniques, purpose, benefits and limitations. Forecasting financial distress, multi-variant analysis. Equity valuations and investment ratios.

Non-financial performance measures. Economic value added and shareholder value added.

Creative Accounting

Assessing the quality of earning, earnings management, and detection of methods for manipulating financial information.

Learning Activities

The module will consist of standard lecturers, seminars and tutorials

References

Course Material	Book
Author	Regan, P.
Publishing Year	2006
Title	Financial Information Analysis
Subtitle	
Edition	
Publisher	Wiley
ISBN	0470865725

Course Material	Book
Author	Atrill, P., and McLaney, E
Publishing Year	2007
Title	Financial Accounting for Decision Makers'
Subtitle	
Edition	
Publisher	Financial Times/Prentice-Hall
ISBN	1405888210

Course Material	Book
Author	Holmes, G., Sugden, A, and Gee, P
Publishing Year	2008
Title	Interpreting Company Reports'
Subtitle	
Edition	
Publisher	Financial Times/Prentice-Hall
ISBN	0273711415

Course Material	Book
Author	Walsh, C.
Publishing Year	2008
Title	Key Management Ratios
Subtitle	
Edition	
Publisher	Financial Times/Prentice-Hall
ISBN	9780273719090

Course Material	Book
Author	Elliot, B., and Elliot, J.
Publishing Year	2007
Title	Financial Accounting, Reporting and Analysis International Edition
Subtitle	
Edition	
Publisher	Financial Times/Prentice-Hall
ISBN	0273708708

Notes

lecturers and exam