



*Kuwait University
College of Business Administration
Accounting Department*

Course Syllabus

ACCT 460: Financial Statement Analysis Spring 2023

Dr. Abdulrahman Alrefai
Email: ar.alrefai@ku.edu.kw

Class hours: Sunday – Tuesday - Thursday (S-T-Th)
From: 1:00pm to 1:50pm

Floor: 2 **Area:** D2 **Room:** 1001

Office Hours: 11:00am – 12:00pm (S-T-Th) or by appointment

CBA Vision:

To be the leading provider of quality business education in the region.

CBA Mission:

As part of Kuwait University, the leading national institution of higher education, the College of Business Administration is committed to providing quality business education, engaging in research and community services to contribute to the socio-economic development of the country.

Course Description

The overall objective of the course is to provide an integrative perspective on financial statements analysis. The course looks at the subject from the analyst's perspective. In today's markets, analysts must make valuation estimates and accompanying decisions in an international context, which, in principle, is no different from a purely domestic one. In both cases, the financial reporting model is the primary source of the information required. Also, financial analysis is a widely used tool in making investment and credit decisions and it is an important and Integral part of the broad field of business analysis; i.e, the process of evaluating an enterprise's economic prospects and risk.

Course Objectives

- LO.1 Describe the roles of financial reporting and financial statements analysis.
- LO.2 Explain the relationship of financial statements and the use of the results of the accounting process in security analysis
- LO.3 Describe the objective of financial statements and the importance of financial reporting in Security analysis and Valuation and the implications of differing financial reporting systems.
- LO.4 Understand the content, format, and importance of income statement classification
- LO.5 Describe the content, format and classification of the balance sheet items with reference to liquidity and solvency.
- LO.6 Explain how cash flow activities are reflected in a cash flow statement and significance of classification.
- LO.7 Describe tools and techniques used in financial analysis and calculation and interpretation of ratios used in equity analysis, credit analysis, and profitability analysis.
- LO.8 Evaluate a company's past financial performance, assess the credit quality of a potential debt investment and screening for potential equity investments
- LO.9 Explain potential problems that affect the quality of financial reporting and how to deal with such problems including adjustments , modifications, ...,etc.

Core Course Topics:

- 1- Financial Reporting Issues & Financial Statements Analysis
- 2- Areas of Fundamental Financial Statement analysis
 - Activity
 - Liquidity
 - Solvency
 - Profitability
- 3- Concepts of Income and Earnings Quality Assessment
- 4- Understanding Cash Flow, Free Cash Flow, and Cash Flow Ratios
- 5- Analysis of the Quality of Financial Statements:
 - Accrual Accounting & Earnings Management
 - Prelude to a Quality Analysis
 - Quality Diagnostics
 - Disclosure Quality

Policies

a. Exams

Students are expected to take exams at scheduled times in the syllabus. Possible exceptions include serious illness, family emergency, or a legitimate conflict with recognized University activities. There are no makeup exams!

b. Attendance and lateness

In the event of absences, it is the student responsibility to obtain missed class lecture notes, handouts, and assignment from another student. Students are expected to attend class on time. Every student in this course must abide by the Kuwait University Policy on Attendance (published in the Student Guide, Chapter 3, Section 13). A copy of the student guide can be accessed online on:

http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf

c. Academic dishonesty

If you choose to cheat on assignments or examinations, university regulations related to that matter will be implemented. Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Student Guide, Chapter 3, Section 2). A copy of the student guide can be accessed online on:

http://www.kuniv.edu/cs/groups/ku/documents/ku_content/kuw055940.pdf

d. Classroom behavior

Inappropriate and disruptive classroom behavior might lead to your dismissal from class.

Examples of unacceptable behavior include, but are not limited to: social chatting with other students, allowing mobile phones to ring, sending and reading SMS messages, inappropriate behavior toward the instructor or classmates.

e. Communication

All announcements and communications will be through **Teams**. It's your responsibility to check the class' board for any updates and your personal chat messages.

Class Materials

Main Text: *International Financial Statement Analysis by : Robinson, Henry, Pirie, and Broihahn. Second Edition, 2012; John Wiley (CFA Institute Investment Series)*

PowerPoint Slides: Slides can be found on Teams

Grading

The grades for this class are distributed as follows:

Grade	Activity
10	Attendance & Participation
50	Group Project
40	Final Exam (14/5/2023 11:00 am)
100	Total

Grade distribution

Range	Grade
≥ 95	A
90-94	A-
87-89	B+
83-86	B
80-82	B-
77-79	C+
73-76	C
70-72	C-
65-69	D+
60-64	D
≤ 59	F

Tentative Class Outline

Week	Readings	Topics, Issues, Discussion	Assignments
1	Ch.1	Financial Statement Analysis: An introduction : Scope; major F.S. and sources of Information; Financial Reporting: Framework of FSA;	
2	Ch.3	Financial Reporting Standards: - Effective Financial Reporting - Monitoring Developments in Financial Reporting Standards	
3&4	Ch.4	Understanding Income Statements - Components and Format of Income statement - Revenue &Expense Recognition - Nonrecurring & Nonoperating - Earning per share - Analysis of the Income Statement - Critical Thinking : Quality of Earnings	
5	Ch.5	Understanding Balance Sheets: - Components and Format of the Balance sheet - Classification of the Balance Sheet - Analysis of the Balance sheet	
6&7	Ch.6	Understanding Cash Flow Statements: - Components of the Cash Flow Statement - Differences between IFRS and U.S GAAP - Cash Flow Statement : Linkages & Preparation - Cash flow statement Analysis: - Evaluation of Sources & uses of cash - Common-Size Analysis of the Cash Flow Statement - Free Cash Flow to the Firm and Free Cash Flow to Equity - Cash Flow Ratios	
8&9	Ch.7	Financial Analysis Techniques: - Financial Analysis Process	

		<ul style="list-style-type: none"> - Analytical Tools & Techniques - Common Ratios used in financial Analysis: <ul style="list-style-type: none"> - Activity Ratios - Liquidity Ratios - Solvency Ratios - Profitability Ratios - Integrated Financial Ratio Analysis 	
10	Ch.8	<p>Financial Statement Analysis : Applications</p> <ul style="list-style-type: none"> - Evaluating past Financial performance - Projecting Future Financial performance - Assessing Credit Risk - Analyst Adjustments to Reported Financials: <ul style="list-style-type: none"> - Related to Investments - Related to Inventory - Related to PP&E - Related to Goodwill - Related to Off-Balance-sheet financing 	
11&12	Ch.17	<p>Evaluating Financial Reporting Quality:</p> <ul style="list-style-type: none"> - Manipulation Incentives - Measures of Earnings Quality - Low-Quality Financial Reporting - Implications of Fair Value Reporting For Financial Reporting quality 	
13	Ch.18	<p>Integration of Financial Statement Analysis Techniques:</p> <ul style="list-style-type: none"> - Case Study (1) & Case Study (2) 	