



**The Hashemite University – First Semester 2018-2019**  
**Faculty of Economics and Administrative Sciences**  
**Department of Accountancy**

**Course Title: Financial Statement Analysis**

**Course Code: 110202411**

Instructor Name	Office Hours	Room	e-mail
Mahmoud AlQasem	11:00 – 12:00	Econ. 337	Mad.alqasem@gmail.com

**Course Description:**

Financial statement information is the basis for a wide range of business decisions. Managers use financial statements to monitor their firm's performance relative to competitors, to communicate with external investors, to help judge what financial policies they should pursue, and to evaluate potential new businesses to acquire. Securities analysts use financial statements to rate and value companies they recommend to clients. Bankers use financial statements to decide whether to extend a loan to a client and to determine the loan's terms. Investment bankers use them to provide a basis for valuation and analysis of prospective buyouts, mergers and acquisitions, and consultants use them as a basis for competitive analysis for their clients.

**Main Objectives: Learning Outcomes:**

This course will provide students with both concepts and tools to analyze and exploit information and therefore prepare forecasting information in corporate financial statements. The ultimate purpose is to teach students how to use financial statement information for firm valuation and other economic decisions. To enhance your ability to assess accounting quality, and detect and undo earnings management, the course contents will also include the issues that corporate managers face in designing and implementing financial reporting strategies and the issues that how the capital market evaluate managers' financial reporting. Analytical framework and practical tools will be one of the focuses that help students improve their ability to read and analyze financial statements.

The course will give students the tools to perform a fundamental analysis of a company. We will focus on developing these skills:

1. Accounting Analysis, assessing quality of financial statements, potential accounting distortions, and recasting financial statements.
2. Financial Analysis, ratio analysis including the DuPont framework, and cash flow analysis.
3. Prospective Analysis, using accounting numbers in forecasting, forecasting for valuation / credit analysis.
4. Investor communication.

**Teaching methods:**

- lectures, online collaboration, assignments, individual and group project.

**Duration:**

- 16 weeks in normal semesters and 8 weeks in summer semesters.

**Main Text Book:**

- Charles H. Gibson, ©2013, **Financial Statement Analysis: 3th Edition**.

**Supplementary:**

- K. R. Subramanyam, **Financial Statement Analysis, 11th Edition**, McGraw-Hill.

## Grading Information:

Student's grade in this course is based on the following:

Criteria	Assessment
First Exam:	25%
Second Exam:	25%
Participation & Homework	10%
Final Exam:	40%

## Detailed Outline:

Week:	Chapter:	Content:	Assignments:	Pages:
1-2	<b>Ch 5:</b> Basic of Analysis	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Ratio analysis.</li> <li><input checked="" type="checkbox"/> Vertical and horizontal analysis.</li> <li><input checked="" type="checkbox"/> Comparisons.</li> <li><input checked="" type="checkbox"/> Relative size of firms.</li> </ul>	<ul style="list-style-type: none"> <li>*P 5-5, 5-6.</li> <li>*P 5-7.</li> <li>*P 5-8.</li> </ul>	<ul style="list-style-type: none"> <li>*P218</li> <li>*P219-220</li> <li>*P220</li> </ul>
3-5	<b>Ch 6:</b> Liquidity of Short-term Assets: Related Debt-Paying Ability	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Current assets, current liabilities, and the operating cycle.</li> <li><input checked="" type="checkbox"/> Current assets compared with current liabilities.</li> <li><input checked="" type="checkbox"/> Other liabilities considerations.</li> </ul>	<ul style="list-style-type: none"> <li>*P 6-2.</li> <li>*P 6-5.</li> <li>*P 6-7.</li> <li>*P 6-12</li> <li>*P 6-20</li> </ul>	<ul style="list-style-type: none"> <li>*P251</li> <li>*P252</li> <li>*P253</li> <li>*P255</li> <li>*P258</li> </ul>
<b>First Exam</b>				
6-8	<b>Ch 7:</b> Long-term Debt-Paying Ability	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Income statement consideration.</li> <li><input checked="" type="checkbox"/> Balance sheet consideration.</li> <li><input checked="" type="checkbox"/> Special items that influence a firm's long term paying ability.</li> <li><input checked="" type="checkbox"/> Joint ventures and contingencies.</li> </ul>	<ul style="list-style-type: none"> <li>*P 7-2.</li> <li>*P 7-7.</li> <li>*P 7-9.</li> </ul>	<ul style="list-style-type: none"> <li>*P301-302</li> <li>*P305</li> <li>*P306-308</li> </ul>
9-10	<b>Ch 8:</b> Profitability	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Profitability measures.</li> <li><input checked="" type="checkbox"/> Trends in profitability.</li> <li><input checked="" type="checkbox"/> Segment of profitability.</li> </ul>	<ul style="list-style-type: none"> <li>*P 8-3.</li> <li>*P 8-7.</li> <li>*P 8-10.</li> <li>*P 8-11</li> </ul>	<ul style="list-style-type: none"> <li>*P344-346</li> <li>*348</li> <li>*349</li> <li>*350</li> </ul>
<b>Second Exam</b>				
10-11	<b>Ch 9:</b> For the Investor	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Leverage and its effect on earnings.</li> <li><input checked="" type="checkbox"/> Other ratios that related to investor.</li> </ul>	<ul style="list-style-type: none"> <li>*P 9-1.</li> <li>*P 9-2.</li> <li>*P 9-3.</li> <li>*P 9-9.</li> </ul>	<ul style="list-style-type: none"> <li>*P377</li> <li>*P378-379</li> <li>*P380</li> <li>*P382</li> </ul>
12-13	<b>Ch 10:</b> Statement of Cash Flows, Summary Analysis	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Basic elements of the statement of cash flows.</li> <li><input checked="" type="checkbox"/> Financial ratios and the statement of cash flow.</li> <li><input checked="" type="checkbox"/> Alternative cash flow.</li> </ul>	<ul style="list-style-type: none"> <li>*P 10-2.</li> <li>*P 10-4.</li> <li>*P 10-6.</li> <li>*P 10-9.</li> <li>*P 10-10</li> </ul>	<ul style="list-style-type: none"> <li>*P410</li> <li>*P411-412</li> <li>*P413</li> <li>*P414-416</li> <li>*P416</li> </ul>
14		<b>Review</b>		
16		<b>Final Exam</b>		