# KALINGA COLLEGE OF COMMERCE, BHUBANESWAR

**Core XI**                                                   **Semester V**

## Financial Statement Analysis

**Course Objectives**

The course provides a user perspective on the role of accounting and financial reporting in capturing and conveying economic information about an organization and aims at helping students acquire confidence in using the concepts and vocabulary of accounting to analyse and communicate about business performance and resource allocation

**Course Outcomes**

After completion of the course, learners will be able to:

- Learn about the basics of analytics, the types and their application;
- Learn the technique of projecting growth, income and cash from accounting data for the future through time-series models;
- Learn accounting ratios and forecasting through the SLR model;
- Learn data visualization through graph, SLR & the method of Least Squares for estimation of parameters;
- Learn the use of R-Programming for analysing accounting data.

**Unit I: Introduction to Analytics**
Introduction to Analytics, Analysis& Business Analytics; Overview of Machine Learning and Artificial Intelligence; Types of Analytics (Descriptive, Predictive & Prescriptive); Application of Analytics in Business Functions.

**Unit II: Financial Statements Analysis (Using Descriptive & Predictive Models)**
Financial statement analysis-Techniques of financial statement analysis- Descriptive analysis of Comparative Statements, Common-size Statements, Trend percentages, Cash Flow Statement (Overview only). Future Cash/ Cash Flow, Growth & Incomeprojectionofabusinessfromaccountingdataavailablefromfinancialstatementsthroughtime series model.

**Unit III: Accounting Ratios and Forecasting**
Classification of ratios–Ratio formation (Overview only)–Ratio interpretation (Practical Problem); Time Series (intra firm) Analysis, Cross Sectional (inter firm)Analysis, Residual Analysis and Multivariate Analysis; Projection of future at ios through Simple linear Regression model.

**Unit IV: Data Visualization and Decision making**
- Histogram, Bar Chart, Pie Chart, Scatter Plot, Box Plot, Line Charts. Simple Regression Analysis (SLR) (Overview only): Introduction, SLR Model Building, Estimation of parameters using Ordinary Least Squares.
- **Accounting Data Analytics Tools:** Spread sheets, Data Science Languages, Data Manipulation in Spread sheet, Spread sheet Functions-Advanced functions

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**Suggested Readings**

- ✓ *Sharma, R. K., & Gupta, S. K. (2016). Management Accounting. Cuttack, Odisha: Kalyani Publishers.*
- ✓ *Ahuja, N. L., &Dawar, V. (2015). Financial Accounting and Analysis. New Delhi: Taxmann Publications.*
- ✓ *Bernstein, L. A. (1974). Understanding Corporate Reports: A guide to Financial Statements. Homewood,California: Dow Jones-lrwin.*
- ✓ *Bhattacharjee, Ashish Kumar; Financial Accounting for Business Managers, Prentice Hall of India,*
- ✓ *Friedson, M. S., & Alvarez, F. (2011). Financial Statement Analysis: A practioners' Guide. New Jersey: Wiley.*
- ✓ *Foster, G. (1986). Financial Statement Analysis. London: Pearson Education.*
- ✓ *Gopalkrishnan, A. A. (2001). Understanding Financial Statements - Interpretation and Analysis. New Delhi:Label Book Publisher.*
- ✓ *Gupta, A. (2018). Financial Accounting for Managers: An Analytical Perspective. Delhi: Pearson Education.*
- ✓ *Helfert, E. A. (1996). Techniques of Financial Analysis: A Practical Guide to Measuring Business Performance.New York: McGraw Hill Education.*
- ✓ *Khan, M. Y., & Jain, P. K. (2017). Management Accounting: Text, Problems and Cases. New Delhi: TataMcGraw Hill Education.*
- ✓ *Lal, Jawahar&Sucheta, Gauba, Financial Reporting and Analysis. Himalaya Publishing House, Mumbai*
- ✓ *Narasimhan, M. S. (2016). Financial Statement and Analysis. Noida, Uttar Pradesh: Cengage Learning India.*
- ✓ *Soffer, L. C., &Soffer, R. J. (2002). Financial Statement Analysis: A Valuation Approach. London: PearsonEducation.*