



## **Course Description**

### **BAN2210 | Analyzing Financial Statements | 3.00 credits**

In this course the students will learn the framework and resources available to analyze financial statements and to assess a company's operation and future performance. The course covers the critical objectives with the assessment of business performance such as: the relationship between the company's business and financial strategy, their financial statements, ratio, profitability, balance sheet and cash flow analysis. The course plan includes the use of financial and accounting information to make lending/credit and investment decisions. The course is targeted to a wide range of students including those pursuing careers in banking, general management, investment banking, financial analysis and consulting. Prerequisite: ACG2021.

### **Course Competencies:**

**Competency 1:** The student will learn to recognize and assess the different types of financial statements and analysis by:

1. Explaining and evaluating the information related to the common types of internally prepared management information
2. Reviewing the information associated with the various types of externally prepared financial statements.
3. Formulating the limitations of financial statement analysis
4. Evaluating the technical versus interpretive aspects of credit analysis and credit risk
5. Formulating the sequential steps of financial statement analysis and explaining the purpose of each step
6. Explaining the differences between accrual and cash accounting

**Competency 2:** The student will learn to analyze the characteristics of a company's business structure and operating cycle by:

1. Defining the basic types of legal structures of a business entity
2. Explaining the operating cycle for a manufacturer, wholesaler, retailer, service, and agricultural company
3. Examining the reasons each type of business borrows money, as well as its sources of repayment and lending risk
4. Explaining how a company's cash flow cycle can impact debt/funding requirements and repayment sources
5. Describing the way alternative lending sources complement or compete with bank financing
6. Identifying the types of borrowing arrangements available to a company

**Competency 3:** The student will learn to assess the elements and the relationship of the different accounts on the income statement by:

1. Listing the essential components of a statement of income
2. Spreading and common-sizing financial information to synthesize the review of financial performance
3. Identifying issues that impact revenue analysis and the logistics associated with completing a break-even analysis
4. Differentiating between expenses in a company's cost structure
5. Explaining the difference between LIFO and FIFO inventory valuation
6. Evaluating how the inventory valuation methods may impact revenue reporting in financial statements and tax statements

**Competency 4:** The student will learn to categorize the main components of the cash flow statement by:

1. Analyzing the sources and uses of cash flow
2. Explaining the three main segments in a business cash flow: operating, investing, and financing activities
3. Recognizing the importance and impact that the cash flow statement has on the business financial performance

4. Calculating and interpreting the indirect and direct method of cash flow
5. Explaining variations in traditional cash flow
6. Developing a global cash flow and global DSC for a borrower
7. Comparing and contrasting the formats of the banker-prepared UCA cash flow model and the accountant-prepared statement of cash flows (SCF) and assessing new trends in technology-impacting formats

**Competency 5:** The student will learn to examine the logistics associated with the calculation of financial ratios and their impact on financial analysis by:

1. Assessing the four (4) types of financial ratios: liquidity, leverage, profit, and coverage
2. Analyzing financial ratios and comparing them to a company's performance
3. Explaining how to use industry data when performing a ratio analysis
4. Utilizing the ratios for industry comparison and trend analysis
5. Describing the considerations a lender needs to consider when using ratios to evaluate financial performance

**Competency 6:** The student will learn to analyze a cash budget and its impact on the business operation by:

1. describing the primary uses of cash budgets and the considerations a lender needs to consider when using ratios to evaluate financial performance
2. preparing a cash budget
3. completing an interpretative analysis of a cash budget as part of a comprehensive financial statement analysis
4. explaining the application of a cash budget in determining seasonal and other interim funding needs

**Competency 7:** The student will learn to identify the information that is reviewed and verified before analyzing the personal financial statement by:

1. Describing the basic formats for personal financial statements and determining new trends in technology that may have impacted the format
2. Using tax return information to develop a personal cash flow
3. Calculating and interpreting the liquidity ratio, unsecured debt ratio, and debt-to-income (DTI) ratio

**Learning Outcomes:**

- Communicate effectively using listening, speaking, reading, and writing skills
- Use quantitative analytical skills to evaluate and process numerical data
- Solve problems using critical and creative thinking and scientific reasoning
- Formulate strategies to locate, evaluate, and apply information