

FINA1001 Financial Statement Analysis

[Steve Ching](#)

Course Outline:

This course is an introduction to financial statement analysis, aiming to provide you the basic skills and techniques to analyze financial statements for the purpose of valuation. In this course, you will come across restatements of financial statements from time to time. The restatements are usually done from one accounting rule/standard to another accounting rule/standard. Sometimes, restatements are done by incorporating market information if the analyst believes that the market information is more relevant than the accounting information. As a matter of fact, accounting standards are evolving to incorporate more and more market information.

Many of the students taking this course have only taken one course in accounting previously, namely Introduction to Accounting. (A few might even be taking Introduction to Accounting concurrently.) A review of financial accounting and basic concepts will be provided in the first part of the course. Parts II and III cover the core analysis, with II focusing on assets and III on liabilities. These two parts are where you will encounter restatements of financial statements. It should be clear that this course is designed to whet the appetite of the students who have not had their "main courses" in accounting. Students who have solid background in accounting should consider whether it is appropriate to have "the appetizer after the main courses".

The assessment consists of four parts: tutorial participation (10%), mid-term exam (20%), term paper (20%), final exam (50%). Each of you is required to submit a term paper. **The term paper is due on April 28, 2008 (Monday) at 5:00pm.** The term paper is based on your own research. You need to identify a company and analyze its financial statements by applying the skills and techniques you learn from this course. Based on the analysis, you are expected to come up with an investment recommendation. i.e. buy, sell, or hold. The term paper should be less than 3,000 words.

Announcements:

1. The url of the course webpage is <http://www.econ.hku.hk/~steve.ching/FINA1001/>.
2. There will be no early examination for all students (including exchange students). **The final examination will be scheduled by the univeristy. The examination period is from May 5-24, 2008.**
3. Exercises with answers will be posted on the course webpage. If students encounter problems with the exercises, they could raise them during tutorials. The tutor could also go through the exercises during the tutorial, if deemed appropriate. Tutorial discussion is not limited to the exercises.

Classes will be held at K726 from 1:00-2:50pm on Tuesday and from 1:00-1:50pm on Thursday.

Office hours: 3:00-4:00pm (Tue) and 2:00-3:00pm (Thur)

	Lecture	Tutorial
I. Financial Accounting and Basic Concepts		
Week 1 (Jan 15, 17)	Measuring Business Income (NP Ch 3) Financial Reporting and Analysis (NP Ch 4) Supplementary: PetroChina	No Class
Week 2 (Jan 22, 24)	Inventories (NP Ch 6)	No Class
Week 3 (Jan 29, 31)	Current Liabilities (NP Ch 8) Long-Term Assets (NP Ch 9)	TBA
Week 4 (Feb 5, 14)	Contributed Capital (NP Ch 11) Statement of Stockholders' Equity (NP Ch 12) No Class on Feb 7, 12 (CNY)	TBA
Week 5 (Feb 19, 21)	Accounting Income and Assets: The Accrual Concept (WSF Ch 2, excluding pp.30-32)	TBA
Week 6 (Feb 26, 28)	The Statement of Cash Flows (NP Ch 13)	TBA
Reading Week	No Class	No Class
Week 7 (Mar 11, 13)	Analysis of Cash Flows (WSF Ch 3)	TBA
Mid-Term Week	Mid-Term on March 18 (1:10-2:40pm) No Class on Mar 20	No Class
II. Assets		
Week 8 (Mar 25, 27)	Analysis of Inventories (WSF Ch 6, excluding Box 6-2)	TBA
Week 9 (Apr 1, 3)	Analysis of Long-Lived Assets: Part I - The Capitalization Decision (WSF Ch 7, excluding pp.241-251)	TBA
Week 10 (Apr 8, 10)	Analysis of Long-Lived Assets: Part II - Analysis of Depreciation and Impairment (WSF Ch 8, excluding pp.267, 273-274, 280-282)	TBA
III. Liabilities		
Week 11 (Apr 15, 17)	Analysis of Income Taxes (WSF Ch 9, excluding pp.307-316)	TBA
Week 12 (Apr 22, 24)	Analysis of Financing Liabilities (WSF Ch 10, excluding pp.348-354)	TBA

Textbooks:

NP: Needles and Powers, *Financial Accounting*, 9th ed, 2007

WSF: White, Sondhi, and Fried, *The Analysis and Use of Financial Statements*, 3rd ed, 2003

Please report broken links (steve.ching@hku.hk)

Last update: January 17, 2008