IB396-12 Financial Statement Analysis and Security Valuation

20/21

Department
Warwick Business School
Level
Undergraduate Level 3
Module leader
Shahed Imam
Credit value
12
Module duration
8 weeks
Assessment
20% coursework, 80% exam
Study location
University of Warwick main campus, Coventry

Description

Introductory description

N/A.

Module web page

Module aims

The main objective of the module is to provide students with the tools to analyse firm financial performance from an equity valuation perspective and to carry out a business valuation building on this analysis. A further objective is to encourage students to use the valuation-based framework to analyse the ‘quality’ of accounting information and to explore empirical studies concerned with testing the value-relevance of financial statement information.

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

1. Accounting and cash flow valuation model.

2. Financial analysts' use of financial statements: practice and evidence.
3. Reformulation of financial statements and value-based ratio analysis.
4. Implementation of accounting valuation models.
5. Accounting quality and the value relevance of accounting information.

Learning outcomes

By the end of the module, students should be able to:

- Understand and apply business valuation models that use accounting numbers.
- Gain an understanding of the importance of ratio analysis to investors and analysts and learn how to apply a value based approach to ratio analysis.
- Develop the ability to prepare a thorough valuation analysis including sensitivity analysis on the key assumptions.
- Understand the factors determining quality of accounting information from an investor perspective and gain a basic understanding of empirical research on value relevance.
- Develop ability to apply and integrate concepts from accounting and finance to the analysis of business plans and company valuation.

Indicative reading list

Penman, S, Financial Statement Analysis and Security Valuation, McGraw Hill, 3rd edition, 2007.
Selected articles from Blackwell Encyclopedia of Management, 2nd edition, 2005, Cary L Cooper and Chris Argyris (eds.), Accounting Volume, Colin Clubb (ed.).
Selected journal articles from Accounting Horizons, Review of Accounting Studies, Journal of Accounting Research.

Subject specific skills

Develop an understanding of how financial statements analysis can be linked to fundamental analysis.

Transferable skills

Demonstrate oral and written communication skills in relation to the analysis of company financial statement information from a valuation perspective.
Develop and apply modelling and spreadsheet skills to the solution of performance analysis and valuation problems.

Study

Study time

Type	Required
Lectures	8 sessions of 2 hours (13%)
Seminars	8 sessions of 1 hour (7%)
Private study	38 hours (32%)
Assessment	58 hours (48%)
Total	120 hours

Private study description

Private Study.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group D2

	Weighting	Study time
Individual Assignment (12 CATS)	20%	12 hours
Online Examination	80%	46 hours

Exam

~Platforms - AEP

Feedback on assessment

Feedback via my.wbs.

Past exam papers for IB396

Availability

Pre-requisites

To take this module, you must have passed:

- All of

- IB124-12 Introduction to Financial Accounting
- IB114-12 Financial Management

Courses

This module is Optional for:

- UIBA-MN34 Law and Business Four Year (Qualifying Degree)
    - Year 3 of MN34 Law and Business Studies Four Year (Qualifying Degree)
    - Year 4 of MN34 Law and Business Studies Four Year (Qualifying Degree)
- Year 3 of UIBA-N211 Undergraduate Information Systems Management and Innovation
- Year 4 of UIBA-N214 Undergraduate Information Systems Management and Innovation (with Intercalated Year)
- Year 4 of UIBA-N140 Undergraduate International Business
- Year 4 of UIBA-N1R1 Undergraduate International Business with French
- Year 4 of UIBA-N1R2 Undergraduate International Business with German
- Year 4 of UIBA-N1R3 Undergraduate International Business with Italian
- Year 4 of UIBA-N1R4 Undergraduate International Business with Spanish
- Year 3 of UIBA-MN31 Undergraduate Law and Business Studies
- UIBA-MN32 Undergraduate Law and Business Studies
    - Year 3 of MN32 Law and Business Studies (Four-Year)
    - Year 4 of MN32 Law and Business Studies (Four-Year)
- UIBA-MN37 Undergraduate Law and Business Studies (Qualifying Degree) with Intercalated Year
    - Year 4 of MN37 Law and Business Studies (Qualifying Degree) with Intercalated Year
    - Year 5 of MN37 Law and Business Studies (Qualifying Degree) with Intercalated Year
- UIBA-MN35 Undergraduate Law and Business Studies with Intercalated Year (3+1)
    - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
    - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)
- UIBA-MN36 Undergraduate Law and Business Studies with Intercalated Year (4+1)
    - Year 4 of MN36 Law and Business Studies with Intercalated Year (4+1)
    - Year 5 of MN36 Law and Business Studies with Intercalated Year (4+1)

This module is Option list A for:

- UIBA-N203 BSc in International Management
    - Year 4 of N203 International Management
    - Year 4 of N203 International Management
- UIBA-N201 BSc in Management
    - Year 3 of N201 Management
    - Year 3 of N230 Management with Finance
- UIBA-N202 BSc in Management (with Intercalated Year/UPP)
    - Year 4 of N202 Management (with Intercalated Year)
    - Year 4 of N231 Management with Finance (with Intercalated Year)
- Year 3 of UIBA-NN35 Undergraduate Accounting and Finance
- UIBA-NN36 Undergraduate Accounting and Finance (with Intercalated Year/Undergraduate Partnership Programme)

    - Year 4 of NN36 Accounting and Finance (Intercalated)
    - Year 4 of NN37 Accounting and Finance (Undergraduate Partnership Programme)

This module is Option list B for:

- Year 3 of UIBA-N201 BSc in Management
- Year 4 of UIBA-N202 BSc in Management (with Intercalated Year/UPP)
- Year 4 of USTA-Y603 Undergraduate Mathematics,Operational Research,Statistics,Economics (with Intercalated Year)