

CUYAMACA COLLEGE OFFICIAL COURSE OUTLINE

BUSINESS 162 – ANALYSIS OF FINANCIAL STATEMENTS

3 hours lecture, 3 units

Catalog Description

Designed to explore the characteristics of financial statements, to analyze the reported results, and to place the findings from such an analysis in proper perspective. Students will learn how to apply ratios to financial statements, and to interpret their outcomes in order to draw various inferences and/or conclusions from their results.

Prerequisite

BUS 120

Entrance Skills

Without the following skills, competencies and/or knowledge, any student entering this course will be highly unlikely to succeed:

- 1) Rules and procedures related to accrual-based accounting, including appropriate terms and definitions
- 2) Knowledge and understanding of three main financial statements: the balance sheet, the statement of income, and the statement of retained earnings
- 3) Specific knowledge and related calculations with respect to the areas of cash, receivables, inventories, plant assets, liabilities, and owners' equity

Course Objectives

Students will be able to:

- 1) Define financial analysis and employ various methods and approaches to the analysis of a set of financial statements
- 2) Calculate a specific set of financial ratios that can be used as a component in the analysis of financial statements
- 3) Demonstrate the use and application of financial ratios to the review and interpretation of a set of financial data as reported by the company
- 4) Formulate an opinion as to the outcome of financial analysis, and evaluate or draw inferences and/or conclusions from the analysis of financial statements
- 5) Prepare written and verbal reports and demonstrate proficiency in the communication of the findings of financial analysis

Special Materials Required of Student

Calculator

Minimum Instructional Facilities

- 1) Standard classroom with podium, overhead projector, VCR/monitor
- 2) Access to computer lab

Course Content

- 1) Meaning and scope of financial statement analysis
- 2) Review of financial statements
- 3) Overview of various methods of analysis
- 4) Understand the process of financial ratio analysis
- 5) Balance sheet analysis
- 6) Income statement analysis
- 7) Analysis of the statement of cash flows
- 8) Applying ratio analysis to consolidated financial statements
- 9) Interpreting overall results of ratio analysis
- 10) Communicating results of financial statement analysis
- 11) Application of ratio analysis to case studies

Method of Instruction

- 1) Lecture and discussion
- 2) Preview/review of assignments
- 3) Assignment of case problems for group discussion and response

Method of Evaluation

A grading system will be established by the instructor and implemented uniformly. Grades will be based on demonstrated proficiency in subject matter determined by multiple measurements for evaluation, one of which must be essay exams, skills demonstration or, where appropriate, the symbol system.

- 1) Quizzes, exams
- 2) Homework assignments
- 3) Case problems
- 4) Participation

Texts and References

- 1) Required: Bernstein, Leopold A. Analysis of Financial Statements. 3rd edition. Richard D. Irwin, Inc., 1993.
- 2) Supplemental:
 - a. Bernstein, Leopold A. Analysis of Financial Statements Study Guide. 3rd edition. Richard D. Irwin, Inc. 1993. (optional)
 - b. Corporate Annual Reports or equivalent case studies (supplied by instructor)