**Financial analysis**

**1043**

**I quiz**

**Financial statement analysis: An Introduction**

1. **Discuss the roles of financial reporting and financial statement analysis.**
2. **Discuss the role of key financial statements (income statement, balance sheet, statement of cash flows and statement of changes in owner`s equity) in evaluating a company`s performance and financial position.**
3. **Describe the importance of financial statement notes and supplementary information**
4. **Describe the objective of audits of financial statements and the types of audit reports**
5. **Describe the steps in the financial statement analysis framework.**

**Financial reporting mechanics**

1. **Explain the relationship of financial statement elements and accounts and classify accounts into financial statement elements.**
2. **Explain the accounting equation in its basic and expended form.**
3. **Explain the need for accruals and other adjustments in preparing financial statements.**
4. **Explain the relationship among the income statement, balance sheet, statement of cash flows and statement of owner`s equity.**
5. **Describe the flow of information in accounting system.**

**Financial reporting standards**

1. **Describe the objective of financial statements and the importance of financial reporting standards in financial analysis**
2. **Describe the general requirements for financial statements under IFRS**
3. **Describe implications for financial analysis of differing financial reporting systems and the importance of monitoring developments in financial reporting standards**

**Understanding the income statement**

1. **Describe the components of the income statement and alternative presentation formats of that statement**
2. **Describe general principles of revenue recognition and the implications for financial analysis**
3. **Describe general principles of expense recognition and the implications for financial analysis**
4. **Describe how earnings per share is calculated under simple and complex capital structures**

**Understanding the balance sheet**

1. **Illustrate and interpret the components of the balance sheet and discuss the use of balance sheet in financial analysis**
2. **Describe alternative formats of balance sheet presentations**
3. **Describe different types of assets and liabilities and measurement bases for each**
4. **Describe the components of shareholders’ equity**
5. **Describe liquidity and solvency ratios**

**Practice questions**

1. **Practice question #1 regarding “Understanding the income statement”**
2. **Practice question #2 regarding “Understanding the income statement”**
3. **Practice question #2 regarding “Understanding the balance sheet”**

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**II quiz**

**Understanding cash flow statements**

1. **Discuss the activities reported on cash flow statements – consider industry of the reporting entity**
2. **Discuss cash flow ratios (performance, coverage)**
3. **Discuss direct and indirect method of preparation/presentation of cash flow statements**
4. **Practical question on cash flow statements #1 – calculate cash flows**
5. **Practical question on cash flow statements #2 – calculation of operating cash flows**

Calculate the operating cash flows of the company for 2014 from the below given information:

**Financial analysis techniques**

1. **Discuss analytical tools and techniques**
2. **Discuss the activity ratios**
3. **Discuss the liquidity ratios**
4. **Discuss the solvency ratios**
5. **Discuss the profitability ratios**
6. **Decompose ROE – DuPont analysis (3-way and 5-way decomposition)**
7. **Discuss valuation ratios used in equity analysis**
8. **Practical question on “Financial analysis techniques” #1 – activity ratios**
9. **Practical question on “Financial analysis techniques” #2 – liquidity ratios**

Comment on the below activity ratios of a hypothetical manufacturing company:

1. **Practical question on “Financial analysis techniques” #3 – liquidity ratios**

Comment on the liquidity of the following company:

1. **Practical question on “Financial analysis techniques” #4 – solvency ratios**
2. **Practical question on “Financial analysis techniques” #5 – profitability ratios**
3. **Practical question on “Financial analysis techniques” #6 – decomposition of ROE**

Discuss the following decomposition of ROE:

1. **Practical question on “Financial analysis techniques” #6 – decomposition of ROE**

Compare and conclude on decomposition of ROE for the following 2 companies:

**Inventories**

1. **Discuss the inventory valuation methods**
2. **Practical question on “Inventories” #1 – inventory valuation methods**
3. **Practical question on “Inventories” #2 – inventory valuation methods**
4. **Practical question on “Inventories” #3 – inventory adjustments**
5. **Explain the effect of deflation and inflation on financial statements and ratios of companies that use different inventory valuation methods**
6. **Discuss the costs included in inventories and costs recognized as expense**

**Income taxes**

1. **Describe the differences between accounting profit and taxable profit and define key terms, including deferred tax assets, deferred tax liabilities, valuation allowance, taxes payable and income tax expense**
2. **Describe permanent and temporary differences in pre-tax accounting income and taxable income**
3. **Describe the differences which give rise deferred tax assets or liabilities**
4. **Practical question on “Income taxes” #1**
5. **Practical question on “Income taxes” #2**
6. **Practical question on “Income taxes” #3**
7. **Practical question on “Income taxes” #4**
8. **Practical question on “Income taxes” #5**

**Non-current liabilities**

1. **Describe the terminology of bonds payable – face value, nominal value, coupon rate, market rate, effective interest rate, bonds issued at face value, bonds issued at discount/premium**
2. **Practical question on “Non-current liabilities” #1**
3. **Practical question on “Non-current liabilities” #2**
4. **Practical question on “Non-current liabilities” #3**
5. **Practical question on “Non-current liabilities” #4**
6. **Practical question on “Non-current liabilities” #5**
7. **Describe the debt covenants**

**Financial reporting quality**

1. **Explain the differences between financial reporting quality and quality of reported results**
2. **Describe the motivations that may cause management to issue financial reports that are not of high quality**
3. **Describe the condition conducive to issuing low-quality financial reports**
4. **Describe mechanisms that discipline financial reporting quality and the potential limitations of those mechanisms**
5. **Describe the warning signs for detection of financial reporting quality issues**
6. **General practical question #1**
7. **General practical question #2**
8. **General practical question #3**
9. **General practical question #4**
10. **General practical question #5**