

**Generic Elective- 3.4(GE-3.4): Financial Statement Analysis**  
**CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE**  
**COURSE**

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
<b>GE 3.4 – Financial Statement Analysis</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>Pass in XII</b>	NIL

**Learning Objectives**

The course aims to enable the student to analyse and interpret the financial statements and related footnotes of publicly traded companies.

**Learning outcomes**

After completion of the course, learners will be able to:

1. Describe the meaning of financial statements as per Companies Act, 2013.
2. Discuss the techniques of financial statements analysis.
3. Compute the financial ratios using spreadsheets.
4. Examine the cash position of companies using the cash flow statements.
5. Analyse the financial performance of companies using ratio analysis.

**SYLLABUS OF GE-3.4**

**Unit 1: Introduction (9 hours)**

Introduction to financial statements ,Uses & Limitations of Financial Statements, users of accounting information, an overview of Financial statements as per companies act,2013, Balance sheet, Statement of Profit and Loss, Cash Flow statement, Statement of changes in Equity, Notes to the accounts, Significant accounting policies,. Brief introduction of accounting standards.

**Unit 2: Techniques of financial statements analysis (9 hours)**

Comparative and common-size statements: horizontal and vertical analysis, trend analysis.

**Unit 3: Ratio analysis (9 hours)**

Ratio analysis and interpretation: liquidity, solvency, profitability, activity and market ratios; Du Pont analysis.

**Unit 4: Cash Flow Analysis (9 hours)**

Importance and objective of understanding a firm's cash flows, Structure of Cash flow statement: Financing, investing and operating activities, Preparation of Cash Flow statement as per AS 3 (revised) and Ind AS 7.

### **Unit 5: Financial Statement analysis – Real-life case work (9 hours)**

Analysis of financial statements (Income Statement, Balance sheet, Cash flow statement) of any two listed companies of similar market capitalization from the same sector/industry using spreadsheets. Use Ratio analysis and Industry averages to draw inferences about the company's financial health.

#### **Exercises:**

The learners are required to:

1. Download soft copies of annual reports of public listed companies & analyse the financial statements.
2. Prepare the comparative & common size financial statements for three years of at least two listed companies.
3. Compute accounting ratios to analyse the operating efficiency, solvency, profitability and liquidity position of any company from its financial statements.
4. Analyse & interpret the cash position of companies using the cash flow statements.
5. Analysis & interpret the financial ratios of select companies on the basis of their financial statements.

**Note: Students should be encouraged to use spreadsheets for practical exercises. Suggested Readings:**

- Gupta, A. (2018). *Financial Accounting for Management - An Analytical Perspective*. Delhi: Pearson Education.
- Lal, J., & Gauba, S. (2018). *Financial Reporting and Analysis*. Delhi: Himalaya Publishing House.
- Myer, J. N. (1965). *Financial Statement Analysis*. USA: Prentice-Hall.
- Penman, S.H. (2013). *Financial Statement Analysis*. Singapore: Tata McGraw Hill.
- Subramanyam, K. R., & Wild, J. J. (2014). *Financial Accounting – A Managerial Perspective*. Delhi: Prentice Hall of India.
- Tulsian, P. C., Tulsian, B., & Tulsian, T. (2022). *Analysis of Financial Statements*. New Delhi/NCR: Tcom Prints.
- Tulsian, P. C., Tulsian, B., & Tulsian, T. (2022). *Corporate Accounting*. New Delhi: S. Chand Publication.
- Tulsian, P. C., Tulsian, B., & Tulsian, T. (2022). *Financial Management*. New Delhi: S. Chand Publication.

**Note: Suggested readings will be updated by the Department of Commerce and uploaded on Department's website.**

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.