## BAN 2210  Analyzing Financial Statements

In this course the students will learn the framework and resources available to analyze financial statements and to assess a company’s operation and future performance. The course covers the critical objectives with the assessment of business performance such as: the relationship between the company’s business and financial strategy, their financial statements, ratio, profitability, balance sheet and cash flow analysis. The course plan includes the use of financial and accounting information to make lending/credit and investment decisions. The course is targeted to a wide range of students including those pursuing careers in banking, general management, investment banking, financial analysis and consulting. (3-hour lecture)

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<tr>
<th>Course Competency</th>
<th>Learning Outcomes</th>
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<td><strong>Competency 1:</strong> The student will learn to recognize and assess the different types of financial statements and analysis by:</td>
<td>• Critical thinking</td>
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<td>1. Explaining and assessing the information related to the common types of internally prepared management information.</td>
<td>• Information Literacy</td>
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<td>2. Reviewing the information associated with the various types of externally prepared financial statements.</td>
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<td>3. Formulating the limitations of financial statement analysis.</td>
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<td>4. Assessing the technical versus interpretive aspects of credit analysis and credit risk.</td>
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<td>5. Formulating the sequential steps of financial statement analysis and explaining the purpose of each step.</td>
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<td>6. Explaining the differences between accrual and cash accounting.</td>
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<td><strong>Competency 2:</strong> The student will learn to analyze the characteristics of a company’s business structure and operating cycle by:</td>
<td>• Communication</td>
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<td>1. Defining the basic types of legal structures of a business entity.</td>
<td>• Critical thinking</td>
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<td>• Information Literacy</td>
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<td>• Numbers / Data</td>
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2. Explaining the operating cycle for a manufacturer, wholesaler, retailer, service, and agricultural company.
3. Analyzing the reasons why each type of business borrows money, as well as its sources of repayment and lending risk.
4. Explaining how a company’s cash flow cycle can impact debt/funding requirements and repayment sources.
5. Describing the way alternative lending sources complement or compete with bank financing.
6. Identifying the types of borrowing arrangements available to a company.

**Competency 3:** The student will learn to assess the elements and the relationship of the different accounts on the income statement by:

- Numbers / Data
- Critical thinking
- Information Literacy
- Computer / Technology Usage

1. Listing the basic components of a statement of income.
2. Spreading and common-sizing financial information to synthesize the review of financial performance.
3. Identifying issues that impact revenue analysis and the logistics associated with completing a break-even analysis.
4. Differentiating among expenses in a company’s cost structure.
5. Explaining the difference between LIFO and FIFO inventory valuation.
6. Evaluating how the inventory valuation methods may impact revenue reporting in financial statements and in tax statements.

**Competency 4:** The student will learn to categorize the main components of the cash flow statement by:

- Numbers / Data
- Critical thinking
- Information Literacy
- Computer / Technology Usage

1. Analyzing the sources and uses of cash flow.
2. Explaining the three main segments in a business cash flow: operating, investing, and financing activities.

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3. Recognizing the importance and impact that the cash flow statement has in the business financial performance.
4. Calculating and interpreting the indirect and direct method of cash flow.
5. Explaining variations in traditional cash flow.
6. Developing a global cash flow and global DSC for a borrower.
7. Comparing and contrasting the formats of the banker-prepared UCA cash flow model and the accountant-prepared statement of cash flows (SCF) and assessing new trends in technology impacting formats.

Course Competency 5: The student will learn to examine the logistics associated to the calculation of financial ratios and impact on financial analysis by:

- Numbers / Data
- Critical thinking
- Computer / Technology Usage
- Information Literacy

1. Assessing the four (4) types of financial ratios: liquidity; leverage, profit and coverage.
2. Explaining the meaning of these ratios and how they are used to determine trends.
3. Analyzing financial ratios and comparing them to a company’s performance.
4. Explaining how to use industry data when performing a ratio analysis.
5. Utilizing the ratios for industry comparison and trend analysis.
6. Describing the considerations a lender needs to take into account when using ratios to evaluate financial performance.

Course Competency 6: The student will learn to analyze a cash budget and its impact on the business operation by:

- Numbers / Data
- Critical thinking
- Computer / Technology Usage
- Information Literacy

1. Describing the primary uses of cash budgets and the considerations a lender needs to take into account when using ratios to evaluate financial performance.
2. Preparing a cash budget.
3. Completing an interpretative analysis of a cash budget as part of a comprehensive financial statement analysis.
4. Explaining the application of a cash budget in determining seasonal and other interim funding needs.

**Course Competency 7**: The student will learn to identify the information that is reviewed and verified prior to analyzing the personal financial statement by:

1. Describing the basic formats for personal financial statements and determining new trends in technology that may have impacted format.
2. Using tax return information to develop a personal cash flow.
3. Calculating and interpreting the liquidity ratio, unsecured debt ratio, and debt-to-income (DTI) ratio.

- Numbers / Data
- Information Literacy
- Computer / Technology Usage
- Critical thinking