

## COURSE SPECIFICATION DOCUMENT

<b>Academic School/Department</b>	Richmond Business School
<b>Programme</b>	Finance and Investment Accounting and Finance
<b>FHEQ Level</b>	5
<b>Course Title</b>	Fundamental Analysis
<b>Course Code</b>	ACC 5210
<b>Student Engagement Hours:</b>	120
Lectures:	30
Seminar / Tutorials:	15
Independent / Guided Learning:	75
<b>Credits:</b>	12 UK CATS credits 6 ECTS credits 3 US credits

### **Course Description:**

The primary focus of this case-based course is on the use of financial statements to make informed financial decisions, including whether or not to lend or invest in the equity of a firm. The course recognizes that financial analysis is a *process*, which begins with analysis of strategy, leading through financial analysis and concluding with prospective analysis. While some devotion to bond and equity evaluation is considered, the ultimate emphasis is on company valuation, a prospective analysis.

**Prerequisites:** FNN 5200 Corporate Finance

### **Aims and Objectives:**

The key emphasis of this course is to enable the student to develop a set of financial skills enabling them to read and interpret the financial statements of firms with a view to critiquing the performance of the firm, from both a historical and prospective perspective. The course develops further the valuation techniques encountered in the prerequisite, so that a robust critique of the firm's financing can be presented, and applied to its valuation.

## **Programme Outcomes:**

Accounting and Finance:

A1-A5, B1, B2, C2, D2

Finance and Investment:

A3, B2, B3, B4, B5, C1, C2, D1, D2, D5

A detailed list of the programme outcomes is found in the Programme Specification. This is maintained by Registry and located at:

<https://www.richmond.ac.uk/programme-and-course-specifications/>

## **Learning Outcomes:**

By the end of this course, successful students should be able to:

### **Knowledge and Understanding**

- Apply ratio analysis, including DuPont, to form a critical and coherent understanding of the financial position of the firm, including its key strengths and weaknesses
- Undertake a critical valuation of the debt and equity position of the firm, from both an internal and external viewpoint
- Analyse and determine the investment and financing decisions, including the capital structure
- Undertake a valuation of the firm using DCF techniques

### **Cognitive Skills**

- Apply numeracy and quantitative skills, including data analysis, interpretation and extrapolation
- Critically reflect on financial statement analysis

### **Practical and/or Professional Skills**

- Prepare accurate solutions, in an appropriate format, to a range of accounting issues
- Advise, with reference to financial statements, on the performance of a firm
- Interpret financial statements Apply recognition and measurement principles to specific financial statement items

## **Key Skills**

- Use judgement to identify the important issues and make appropriate recommendations
- Apply analytical and problem solving skills to a situation
- Demonstrate written, numerical and oral communication skills to present information clearly and logically

## **Indicative Content:**

- Review of financial statements and basic ratio analysis, including DuPont and Z-scores; the importance of benchmarking
- Deriving a company's cash flows from its financial statements
- Debt valuation: fundamental analysis
- Equity valuation: fundamental analysis
- Valuation of the firm: DCF techniques

## **Assessment:**

This course conforms to the University Assessment Norms approved at Academic Board and located at: <https://www.richmond.ac.uk/university-policies/>

## **Teaching Methodology:**

This upper-level course will be taught on a twice-weekly basis. Full use and application of material from the prerequisites is crucial for student success. The course depends heavily on student-led reading and use of Excel for completing the regular and frequent exercises.

## **Bibliography:**

See syllabus for complete reading list

## **Required Texts:**

- Palepu, Krishna G., Paul Healy and Erik Peek (2019) Business Analysis & Valuation: Text and Cases. Cengage Learning EMEA; IFRS edition of fifth edition

### **Recommended Reading:**

- Boakes, Kevin (2009) Reading and Understanding the Financial Times, second edition. FT/Prentice Hall
- Brealey, Richard A., Stewart C. Myers and Franklin Allen (2019) Principles of Corporate Finance, 13<sup>th</sup> edition. McGraw-Hill Irwin
- Gibson, Charles H (2013) Financial Statement Analysis, 13<sup>th</sup> Edition, Cengage
- Hillier, David, Stephen Ross, Randolph Westerfield, Jeffrey Jaffe and Bradford Jordan (2018) Corporate Finance: 12<sup>th</sup> Edition. McGraw-Hill
- Koller, Tim, Marc Goedhart and David Wessels (2020) Valuation: Measuring and Managing the Value of Companies, 7<sup>th</sup> edition. McKinsey Company.
- O'Regan, Philip. (2006) Financial Information Analysis, Second Edition. Wiley
- Penman, Stephen H. (2012) Financial Statement Analysis and Security Valuation. Fifth edition. McGraw-Hill
- White, Gerald I., Ashwinpaul P. Sondhi and Dov White Fried, (2003) The Analysis and Use of Financial Statements, Third Edition, John Wiley and Sons

### **Journals**

*The Financial Times The Economist*

*The Wall Street Journal Business Week*

### **Web Sites**

[www.ft.com](http://www.ft.com) [www.economist.com](http://www.economist.com)

[wsj.com](http://wsj.com)

Google Finance ([www.google.co.uk/finance?tab=we](http://www.google.co.uk/finance?tab=we))

CNBC ([www.cnbc.com](http://www.cnbc.com))

Global Financial Data ([www.globalfinancialdata.com/index.html](http://www.globalfinancialdata.com/index.html))

Social Science Information Gateway ([www.sosig.ac.uk/economics](http://www.sosig.ac.uk/economics))

WebEc: World Wide Web Resources in Economics ([netec.mcc.ac.uk/WebEc.html](http://netec.mcc.ac.uk/WebEc.html)) The CIA

Factbook ([www.cia.gov/cia/publications/factbook/index.html](http://www.cia.gov/cia/publications/factbook/index.html))

Please Note: The core and the reference texts will be reviewed at the time of designing the semester syllabus

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Change Log for this CSD:

Major or Minor Change?	Nature of Change	Date Approved & Approval Body (School or LTPC)	Change Actioned by Academic Registry
Minor	Updated List of Programme Outcomes	SB: 11 <sup>th</sup> Nov 16	16/06/17
Major	Assessment Norms	AB 29.9.2017	
Minor	Reading List updated		
	Revision – annual update	May 2023	