

**Financial Management**  
**Analysis of Financial Statements**  
**[Discipline Specific Elective]**

Semester: V	Credits: 3+1	Subject Code: BB52205B	Lectures: 48
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**Course Outcomes:**

At the end of this course, the learner will be able to:

- Identify and interpret the Financial Statements with the help of different Techniques of Financial Statement Analysis.
- Analyse and interpret the financial health of a company with the Technique of Ratio Analysis.
- Discuss and analyse the Financial Statements of a Banking Company.
- Explain the meaning and importance of a Cash Flow Statement.
- Construct the Cash Flow Statement of a Company as per AS3.

**Unit 1: Introduction to Analysis & Interpretation of Financial Statements**

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- Analysis & Interpretation of Financial Statements-Meaning and Importance
- Types of Financial Analysis: According to material used-External Analysis and Internal Analysis and According to Modus Operandi of Analysis-Horizontal Analysis and Vertical Analysis
- Tools and Techniques of Financial Statement Analysis-Meaning and Formats
  - Comparative Financial Statements
  - Trend Analysis
  - Common Size Financial Statements
  - Ratio Analysis
  - Fund Flow Analysis
  - Cash Flow Analysis

**Unit 2: Ratio Analysis of a Manufacturing Company**

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- Meaning & Importance of Ratio Analysis
- Classification of Ratios-Traditional Classification and Functional Classification
- Problems on computation of the following ratios:
- Liquidity Ratio: Super Quick Ratio
- Activity Ratios: Creditors Turnover Ratio, Working capital Turnover Ratio, Capital Turnover Ratio, Fixed Assets Turnover Ratio, Average Collection Period, Average Payment Period
- Profitability Ratios: Operating Profit Ratio, Expenses Ratio, Return on Investments, Return on shareholders funds, Return on equity, Return on total assets, Earnings per share
- Solvency ratios: Fixed charges cover, Fixed Assets Ratio, Proprietary Ratio,



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Capital Gearing Ratio.

- Du Pont Analysis: Calculation of Du Pont Ratio

### Unit 3: Ratio Analysis of a Banking Company

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- Introduction to a Banking Company
- Banking Regulation Act 1949-Salient Features
- Final Accounts as per Banking Regulation Act 1949

Form 'A' Form of Balance Sheet

Form 'B' Form of Profit & Loss Account

- Net Interest Margin, Efficiency Ratio, Loan to Assets Ratio, Return on Assets Ratio, Return on Equity Ratio, Gross NPA Ratio, Net NPA Ratio, CASA Ratio, Credit to Deposit Ratio, Capital Adequacy Ratio, Asset Utilization Ratio

### Unit 4: Cash Flow Statement

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- Meaning, Objectives, Uses, and Limitations of Cash Flow Statement
- Preparation of Cash Flow Statement
- Methods of preparation of Cash Flow Statements- Direct methods and indirect methods.
- Cash Flow Statement as per AS3 – Operating Activities, Investing Activities, Financing Activities
- Steps involved in preparation of Cash Flow Statement
- Practical sums on Indirect method

### #12 contact hours for Assignments, Visits, Research, Field Studies, etc.

#### Activity /Skill building

- Financial Statement Analysis of any manufacturing company using different techniques.
- Inter-firm Comparison of Companies using different techniques of Financial Statement Analysis.
- Financial Analysis of a Banking Company using the Technique of Ratio Analysis
- Cash Flow Analysis of a Manufacturing Company

#### Areas of Practical Problems:

Ratio Analysis of a Manufacturing Company

Ratio Analysis of a Banking Company

Cash Flow Statement as per AS3



#### Allocation of Marks:

Theory - 50%

Practical Problems - 50%

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**Recommended Basic Reading:**

- Dr. R.P.Rustagi Fundamentals of Financial Management Taxmann Publications (P) Ltd. 15th edition 2020
- Murthy & Guruswamy, *Management Accounting* Tata McGraw Hill Publishing Co. Ltd. 2012.
- Satish M. Inamdar, *Financial Management* Everest Publishing House 2011
- Ashish K Bhattacharya, *Financial Accounting for Business Managers* Prentice-Hall India 2012.
- S.K.Bhattacharya & John Dearden, *Accounting for Management* Vikas Publishing House 2009.
- N Ramachandran & Ram Kumar Kakani, *Financial Accounting for Management* Tata McGraw Hill 2007.
- R. Narayanaswamy, *Financial Accounting – A Managerial Perspective* Prentice Hall of India 2015.

**Recommended Reference Books:**

- V.K.Bhalla Financial Management S Chand 2014
- Anthony Saunders and Marcia Millon Cornett Financial Markets and institutions 2007
- Prasanna Chandra Financial Management Theory and Practice McGraw Hill Education (India) Pvt. Ltd. 7th Edition 2020
- Ravi Kishore Taxmann's Financial Management Taxmann's Publication 8th Edition 2020
- M.R. Agrawal Financial Management Garima Publications 2011
- Paresh Shah, *Financial Management* biztantra, Delhi 2009
- P Periaswamy *Financial Management* McGraw-Hill Education (India) Pvt. Ltd., Uttar Pradesh 2008
- Dr. S.N.Maheshwari, *Principles of Management Accounting* Sultanchand & Sons 2015.
- Horngren Charles T; Sundem Gary L; Stratton William O & Burgstahler David *Introduction to Management Accounting* Dorling Kindersley (India), 2009.
- Noreen, Brewer and Garrison, *Managerial Accounting for managers* Tata McGraw Hill, 2011.
- S.Kr.Paul, *Management Accounting* New Central Book Agency 2008.
- P.V.Khatri & Sudhanshu Verma, *Management Accounting* Global Vision Publishing House 2010.
- I.M. Pandey, *Management Accounting* Vikas Publishing House Pvt. Ltd. 2021.
- Khan & Jain, *Management Accounting* Tata McGraw Hill Publishing Co. Ltd. 2006.
- B.K.Chatterjee, *Cost and Management Accounting for Managers* Jaico Publishing House 1989.



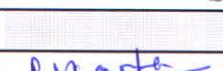
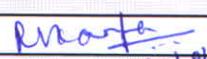
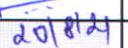
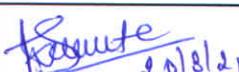
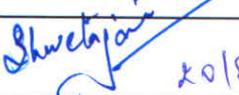
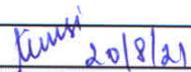
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**Journals:**

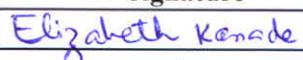
- The Management Accountant
- Archives available: <https://icmai.in/icmai/news/209.php>

**E-resources:**

- Dr. Shipla Bhide, Ratio Analysis SPPU e-content Learning module  
<https://www.youtube.com/watch?v=h6Z7M1lkWjI>
- Financial Statements as per Revised Schedule III of The Companies Act, 2013  
<http://ebook.mca.gov.in/default.aspx>
- Understanding Ratio Analysis  
<https://www.accountingtools.com/articles/ratio-analysis.html>
- <https://www.investopedia.com/articles/active-trading/082615/key-financial-ratios-analyze-retail-banks.asp>
- <https://www.elearnmarkets.com/blog/7-ratios-for-investing-in-banks/>

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