

Area of study: Accounting and Finance

## Understanding Financial Statements (ACC02)

### Introduction

Financial statements contain the language modern-day businesses use to communicate their present and past performance to external stakeholders. The module therefore seeks to enhance the stakeholders' understanding of these statements to enable them to assess the past and present performance of the enterprise and form opinions about its potential. The module discusses various tools for analysing financial statements that would facilitate better decision-making.

#### Target Audience

- Business owners
- Individuals interested in managing their personal finances which require analysing corporate financial statements
- Non-finance executives who are keen to understand the impact of their decisions on financial statements of their organisation
- Executives of banks and financial institutions who are required to analyse the financial statements of their existing and potential clients

#### Benefits

Upon completion of this module, you will be able to

- outline and analyse the information contained in the financial report
- outline the conceptual framework of financial reporting
- articulate the relationships among the financial statements
- perform a thorough profitability analysis across time and companies and provide a contextual interpretation of the findings
- perform a thorough risk analysis across time and companies and provide a contextual interpretation of the findings
- perform a diagnostic earnings quality analysis and analyse the impact of accounting quality

#### Topics

**Financial Reporting** outlines the contents of financial reports along with an overview of the conceptual and regulatory framework. The structure of the four financial statements and their interrelationships are discussed.

**Profitability Analysis** discusses how to perform profitability analysis using commonly used ratios and also examines some industry-specific profitability ratios.

**Risk Analysis** covers liquidity and credit risk analysis using commonly used ratios. It discusses how to interpret the level as well as the changes in these ratios. This topic also examines some industry-specific risk analysis.

**Financial Analysis Limitations** outlines the limitations of financial statement analysis.

**Account Quality Analysis** explains how to conduct earnings quality analysis and discusses some diagnostics that help detect manipulation in financial statements.

#### Duration

Approximately 9 hours over 3 weeks

#### Course Progression

Core module for Certificate in Cost Management and Certificate in Financial Management

#### Certificate

Completion certificate awarded by U21Global with the crests of the affiliated universities