

Tidewater Community College

How to Read and Interpret Financial Statements

(BUSC 1511)

Course Introduction and Objectives: This course offers a basic introduction to financial statements. It explains in detail what information is contained in different financial reports, what analyses you can use to bring it out, and how to relate it to the overall health of the business. Learn how to view financial statements in the context of external economic conditions, as well as, apply the right type of analysis—ratio, vertical, horizontal—to the right statement, to uncover the information you need. Students are introduced to the basic elements of financial statements and shown how to extract information from them. This course is presented by Tidewater Community College in cooperation with the American Management Association (AMA).

Textbook: *How to Read and Interpret Financial Statements*, by Michael P Griffin, American Management Association, Saranac Lake, NY, ISBN: 978-0-7612-1396-3, 2001.

Teaching Methods: This course will be taught in a participative lecture format that includes class discussion and problem solving.

Course Schedule:

<u>Topic</u>	<u>Subjects Covered</u>
1-4	<p><u>Financial Statements Analysis:</u> Accounting is More an Art Than a Science, basic concepts and principles of financial accounting and financial statements, generally accepted accounting principles (GAAP), and nonaccounting considerations that affect financial statements.</p> <p><u>Types of Financial Statements:</u> Elements of financial statements, the balance sheet, income statement, statement of retained earnings, statement of cash flows, and notes to the financial statements.</p> <p><u>The Balance Sheet: Assets:</u> Current assets, property, plant, and equipment, and other assets.</p> <p><u>The Balance Sheet: Liabilities and Owners' Equity:</u> Liabilities, and Owners' (or shareholders') equity.</p> <p><u>The Income Statement:</u> Income-statement format, cash versus accrual basis of accounting, and apportionment of revenues and expenses.</p>
5-10	<p><u>The Statement of Cash Flows:</u> The usefulness of the statement of cash flows, the nature of the statement of cash flows, statement of cash flows: format alternatives, and free cash flow.</p> <p><u>Balance-Sheet Analysis:</u> Ratios in Financial-Statement analysis, categories of financial ratios, and vertical and horizontal analysis.</p>

Income Statement Analysis: Sales, cost of goods sold, operating income, profitability ratios, and horizontal and vertical analysis.

Analysis of Operational Results: Cost Behavior, cost-value-profit analysis, the graphic presentation of break-even, using break-even analysis, contribution

margin, and the profit volume graph.

Final Examination: The Post Test

Continuing Education Units (CEUs): Upon completion of this course students are awarded 1 CEUs, and a Certificate of Completion in How to Read and Interpret Financial Statements.

Continuing Occupational-Technical Education: Students completing this course are encouraged to complete the follow-on and more extensive Career Studies program in Finance and Accounting.