



**GRADO EN FINANZAS Y CONTABILIDAD**

**3rd Year**

**Group 6**

**"FINANCIAL STATEMENT ANALYSIS I"**

**SYLLABUS**

**Course 2016-2017**

**Second Semester**

## **1-. INSTRUCTOR**

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## **2-. COURSE DESCRIPTION AND OBJECTIVES**

The primary objective of this course is to increase the students' knowledge, as an extension of the Financial Accounting courses studied in the 1<sup>st</sup> and 2<sup>nd</sup> year of the "Grado en Finanzas y Contabilidad".

The main purpose of the course is to learn the processes and methods of financial statement analysis by which users extract information to answer the questions about the firm performance. By the end of the course, students:

- Should have a deep knowledge on the fundamentals of financial statement analysis.
- Should feel comfortable with a company's annual report, being able to understand and critically evaluate financial accounting information.
- Should be able to pick up a set of financial statements, understand where the numbers came from, and be able to take the statements apart and put them back together again so that they suit your decision making needs (preparation of the information for the analysis).
- Should be able to follow a systematic process to perform the financial statements analysis task.
- Should be able to come to a reasoned conclusion about a company's financial and economic health, and be able to make comparisons across firms and periods.
- Should be able to communicate the conclusion reached to interested parties, by writing an analysis report.

## **3-. COURSE POLICIES**

The critical ingredient for success in this course is the amount and quality of work that you put forth. The material in this course cannot be learned without practice. It is critical to your success that you attend each class and take notes during the lectures. Ask questions – either during class or during office hours.

## **4-. COURSE OUTLINE**

### **LESSON 1. FINANCIAL REPORTING AND ANALYSIS**

1. Introduction
2. Information users: interests and needs
3. Definition of financial analysis
4. The areas for the analysis
5. The analyst's role
6. The process of analysis
7. Analysis techniques
8. Analysis tools: common size financial statements, trend analysis and ratios
9. The analysis report

### **LESSON 2. FINANCIAL STATEMENTS**

1. Introduction
2. Balance sheet
3. Income statement
4. Statements of changes in equity
5. Cash flow statement
6. Notes to the financial statements

### **LESSON 3. OTHER INFORMATION**

1. Introduction
2. Management commentary
3. Auditors' report
4. Segment information
5. Interim information

### **LESSON 4. THE ANALYSIS OF PROFITABILITY**

1. Introduction
2. The analysis of the income statement
3. Reformulation of the income statement
4. Return on assets
5. Operating leverage
6. Return on equity
7. Financial leverage
8. Systematic analysis of profitability
9. Preliminary opinion

### **LESSON 5. THE ANALYSIS OF SHORT-TERM LIQUIDITY**

1. Introduction
2. Reformulation of the balance sheet and the cash flow statement
3. Operating cycle and working capital
4. The analysis of short-term liquidity
5. Systematic analysis of liquidity
6. Preliminary opinion

### **LESSON 6. THE ANALYSIS OF LONG-TERM SOLVENCY**

1. Introduction
2. Reformulation of the balance sheet and the cash flow statement
3. The analysis of long-term solvency
4. Systematic analysis of solvency
5. Preliminary opinion

## 5- REFERENCES

Palepu, K.G., Healy, P.M., Bernard, V.L. & Peek, E. (2007) Business Analysis and valuation. IFRS edition. Ed. Thomson.

Penman, S. (2013): Financial statement analysis and security valuation. Ed. McGraw-Hill. 5<sup>th</sup> Edition.

Subramanyan, K.R. & Wild, J.J. (2009): Financial statements analysis. Ed. McGraw-Hill. 10<sup>th</sup> Edition.

Wahlen, J.M., Baginski, S.P. & Bradshaw M.T. (2011): Financial reporting, financial statement analysis, and valuation: a strategic perspective. Ed. South-Western, Cengage Learning. 7th ed.

PGC 2007. Real Decreto 1516/2007 de 16 de noviembre. (Oficial English translation)

## 6. ASSESSMENT SYSTEM

### 1st call (June 2016):

The students must choose between two **alternative** assessment systems that are **mutually exclusive** (1. *Continuous assessment* or 2. *End-of-semester assessment*), before the **24<sup>th</sup> of February of 2016**. The two systems are the following:

### 1. CONTINUOUS ASSESSMENT

The components of the evaluation are the following:

- 1.1. Attendance and in-class contribution: 10% (Maximum 1 points)
  - 1.2. Mid-term test: 30% (Maximum 3 points)
  - 1.3. End-of-term test: 60% (Maximum 6 points)
- TOTAL: 100% (Maximum 10 points)

#### 1.1. Attendance and in-class contribution

Attendance and participation during the class is strongly encouraged. Students are expected to arrive on time and be prepared to discuss the day's topic and cases.

A professional conduct in the classroom is expected at all times. Smartphones, Blackberries and other communication devices should be turned off during class time. Unless the Internet is being used for pedagogical reasons, students are expected NOT to be connected (that is, no email, no surfing, no messenger, etc.). The quality of your class participation, and hence the quality of the class as a whole, suffers when your attention is elsewhere.

Attendance and participation will be considered positively (with a maximum of 1 point) to determine the total mark, if you attend, at least, 2/3 of the scheduled classes.

## 1.2. Mid-term test

The continuous system includes a first test in the middle of the semester. The format of the test may be a combination of theoretical questions and problems. The test will be graded with a maximum of 3 points of the total mark. It is necessary to obtain a minimum grade of 4 (over 10) in this test in order to pass the subject.

The test is not eliminatory. Even if a student passes the test, he/she will have to take the final-term test for all the lessons in the syllabus.

## 1.2. End-of-term test

The continuous system includes a second test at the end of the semester. The test will take place on the last week of the semester classes.

The format of the test may be a combination of theoretical questions and problems. The test will be graded with a maximum of 6 points of the total mark. It is necessary to obtain a minimum grade of 4 (over 10) in this test in order to pass the subject.

## **2. END-OF-SEMESTER ASSESSMENT (OFFICIAL FINAL EXAM )**

The assessment system will only include the official exam (100%; Maximum 10 points). The final exam will take place at the official date set by the School. The format of the exam will be a combination of theoretical questions and practical problems.

Students may bring a calculator to the exams. The calculator cannot have wireless capabilities. Smartphones, Blackberries and other communication devices should be turned off during exam time.

### **2nd and 3rd calls (September & December 2017):**

The assessment system will only include the official exam (100%; Maximum 10 points) at the official date set by the school.