Financial Statements Analysis

Academic Year: (2022 / 2023) **Review date: 09-05-2022**

Department assigned to the subject: Business Administration Department

Coordinating teacher: MACIAS DORISSA, MARTA PILAR

Type: Electives ECTS Credits : 6.0

Year : Semester :

OBJECTIVES

Knowledge:
- To learn the existing formats of financial statements
- To identify the information contained in the main financial statements and their usefulness.
- To apply different techniques to assess the economic and financial situation of companies.
- To analyze, synthesize and evaluate the obtained results.

Skills:
- Work with others, especially in teams, and to learn how to avoid and solve conflicts.
- To make presentations, to discuss, communicate and defend their own point of view in an efficient manner through formal and informal, oral and written language.
- capacity to study critically the financial statements and to understand the impact of accounting choice on financial statements.
- To reach the results individually, but sharing those results, interacting and discussing with other students.

DESCRIPTION OF CONTENTS: PROGRAMME

Session 1: Financial Statements (1): Statement of Financial Position and Profit and Loss Account
1. International standards reporting regulation
2. Statement of Financial Position
3. Profit and Loss Account
4. Common size and trend analysis

Session 2: Creative accounting
2.1. Introduction
2.2. Methods
2.3. Detection
2.4. Consequences

Session 3: Analysing Profitability
3.1. Introduction
3.2. Financial and Economic performance
3.3. Analysing margins

Session 4: Analysing Solvency and market performance
4.1. Introduction
4.2. Solvency ratios
4.3. Market ratios

Session 5: Analysing Efficiency and liquidity ratios
5.1. Introduction
5.2. Efficiency ratios
5.3. Liquidity ratios and Cash flow statement

Session 6: Strategy analysis
6.1. Environment analysis
6.2. Industry analysis
6.3. Corporate strategy analysis

Session 7: Firm Valuation

7.1. Introduction
7.2. Prospective analysis: forecasting
7.3. Valuation using multiples
7.4. Discounted cash flows model

Session 8: Sector Analysis
8.1. Introduction
8.2. Cluster analysis
8.3. Cases

Session 9: Bankruptcy Prediction
9.1. Introduction
9.2. Discriminant analysis
9.3. Multi-discriminant analysis
9.4. Logit Analysis

LEARNING ACTIVITIES AND METHODOLOGY

The course combines class activities (3 ECTS), team work (2ECTS) and individual work (1 ECTS). Class activities should allow the understanding and application of analysis techniques to real cases. Team work will allow students to develop and apply the acquired knowledge to a project, so that they can develop the skills outlined previously. Individual work consists in acquiring the required theoretical knowledge and implies an individual effort to know and apply the different analytical tools, and the importance of analyzing the impact of accounting choices.

ASSESSMENT SYSTEM

Skills development will be evaluated continuously throughout the course, by means of working in class, handing out and correcting several individual assignments, (that will account 10% of final grade) and group work (accounting for 10% of the final grade). A mid term exam will contribute with 10% of final grade. In addition teams shall work on a project that consists in developing a comprehensive analysis and valuation of a company and the related report, as well as its presentation in class. This project will account for 20% of final grade (both written report and oral presentation). Finally, a written exam will add the remaining 50% (a minimum grade of 4 in this final exam will be required).

% end-of-term-examination:	50
% of continuous assessment (assigments, laboratory, practicals…):	50

BASIC BIBLIOGRAPHY

- Palepu, Healy, Bernard Business Analysis and Valuation: Using Financial Statements, Text and Cases, 4th, Cengage Thomson, 2011
- Penman, S.H. Financial Statement Analysis and Security Valuation, Fifth Edition, McGraw-Hill. International Edition, 2013

ADDITIONAL BIBLIOGRAPHY

- Penman, S.H. Financial Statement Analysis and Security Valuation (Fifth Ed.)., McGraw-Hill International, 2013.