

**Syllabus “FINANCIAL STATEMENTS ANALYSIS”****2013/2014**Code: **102376**

ECTS: 6

Degree	Year	Semester
Grade in Business Administration	2	1

**Contact**

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**Language**

English

**Prerequisites**

To make the most of the FINANCIAL STATEMENTS ANALYSIS subject it is advisable to have acquired previously the knowledge of the INTRODUCTION TO ACCOUNTING subject. This last subject was taught during the first year at the BUSINESS ECONOMICS FACULTY of the UAB and it provides the accounting knowledge needed to understand the FINANCIAL STATEMENTS ANALYSIS contents in an easier way.

**Objetives**

Context:

This is a mandatory 6 credit ECTS subject for the UAB degrees of *Business Administration* and *Economics* that is offered during the first semester of the second year.

FINANCIAL STATEMENTS ANALYSIS complements the knowledge acquired on INTRODUCTION TO ACCOUNTING subject, in which the students have learnt the basic accounting methods as well as the main accounting statements and the way they are formulated.

Objectives:

The objective of this subject is to teach the main financial statements of the companies: balance sheet, income statement, annual report, statement of changes in equity and cash flows statement.

The teaching of analysis tools and techniques will allow the financial statements evaluation in order to make a diagnosis of the company's past financial and economic situation (solvency and profitability). This also will help to understand the company's future evolution and to make decisions about the mentioned situation.

To achieve this objective the methodology will be focused on practices using real accounting statements, and based on a theoretical knowledge about the elemental accounting statements.

**Competence**

1. To apply the theoretical knowledge from finance to improve the relationships with financial resources and identify different kinds of financing and advantages and disadvantages for firms and their suppliers.
2. Capacity of oral and written communication in Catalan, Spanish and English, that allows oral presentation and writing the work done.
3. To be able to keep learning in an autonomous way, going in to the acquired knowledge or starting to study new areas.
4. To show initiative and to work autonomously when the situation requires it.
5. To generate and transmit the necessary information for the decision makers inside the company.
6. To identify improvements in the internal management process to stimulate the company's productivity
7. To show a motivation for the work quality and a sensitivity to its environmental consequences in the society.
8. To organize the company's work making an appropriate planning, regulation and time administration.
9. To select and generate the necessary information for each problem, as well as to analyse and make decisions based on this information.
10. To use the available information technologies and to make a smooth transition to the new technological

surroundings.

11. To value the ethical commitment in the professional life

### **Learning outcome**

1. To analyse the business sectors using the annual accounts
2. Capacity of oral and written communication in Catalan, Spanish and English, that allows oral presentation and writing the work done.
3. To be able to keep learning in an autonomous way, going in to the acquired knowledge or starting to study new areas.
4. To show initiative and to work autonomously when the situation requires it.
5. To issue a diagnostic from the company's economic and financial analysis.
6. To identify the decisions that can be made from the accountant information.
7. To interpret the company's profitability indicators and to prepare the decisions making.
8. To interpret the company's solvency indicators and to understand the decisions than can be made from this analysis
9. To show a motivation for the work quality and a sensitivity to its environmental consequences in the society.
10. To organize the company's work making an appropriate planning, regulation and time administration.
11. To recognize the decisions that can be made from the accountant information.
12. To select and generate the necessary information for each problem, as well as to analyse and make decisions based on this information.
13. To use the available information technologies and to make a smooth transition to the new technological surroundings.
14. To value the ethical commitment in the professional life

### **Contents**

#### **LESSON 1. INTRODUCTION. BASIC FINANCIAL STATEMENTS**

1. The Purpose of Financial Reporting
2. Business information
  - 2.1. Annual report
  - 2.2. Sources of business information
3. Users of business information
4. Analysis tools: percentages, growth rates and ratios.
5. Analysis phases.
6. The role of the consolidated accounts. The goodwill.
7. The adversarial nature of financial reporting.

#### **LESSON 2. FINANCIAL STATEMENTS (I)**

1. The balance sheet.
  - 1.1. Structure and financial assets and liabilities. The value problem.
  - 1.2. Elements of the financial assets and liabilities and the problems in their valuation.
  - 1.3. The analysis of the balance sheet.
2. The income statement. Revenue and expense recognition.
  - 2.1. Structure and intermediate results. What is profit?
  - 2.2. Elements of the intermediate results.
    - 2.2.1. EBIT, EBITDA and net profits.
    - 2.2.2. The gross, operating and net margins.
    - 2.2.3. The value added.
  - 2.3. The analysis of the income statement.
3. The report of the chairman and the notes to the accounts.
  - 3.1. Content and structure of the notes to the accounts.
  - 3.2. Content of the report of the chairman.

#### **LESSON 3. FINANCIAL STATEMENTS (II)**

1. The statement of changes in equity.
  - 1.1. Concept and mandatory level.
  - 1.2. Total statement of changes in equity.
  - 1.3. The recognized statement of income and expenditure.
2. The statement of cash flows.
  - 2.1. Concept and mandatory level. Cash flow and company life cycle.
  - 2.2. Classification of cash flows. The financial flexibility.

#### LESSON 4. CURRENT CAPITAL MANAGEMENT (Credit analysis I)

1. The working capital and its funding needs
2. The operating cycle: the current assets cycle and the cash conversion cycle.
  - 2.1. Concept.
  - 2.2. Types of conversion periods.
  - 2.3. Relation with the short term solvency.
3. Liquidity ratios.
4. Current capital management through statement of cash flows.

#### LESSON 5. FINANCIAL SITUATION ANALYSIS (Credit analysis II)

1. The financial equilibrium.
2. Analysis of the long term solvency from ratios.
  - 2.1. Guarantee and financial autonomy ratios.
  - 2.2. Debt ratios and capital structure.
  - 2.3. Capital ratios

#### LESSON 6. PROFITABILITY (Equity analysis)

1. The economic profitability (ROA: return on assets).
2. The financial profitability (ROE: return on equity)
3. Profitability components.ROE.
4. The financial leverage (gearing effect).

#### LESSON 7. OVERALL ASSESSMENT OF THE COMPANY

1. Factors that influence the annual accounts analysis.
  - 1.1. The interpretation of the accountant norms. Is fraud detectable?
  - 1.2. The reliability of disclosure and audits.
  - 1.3. The role of qualitative information.
2. Forecasting financial statements.
3. Strategic analysis of the annual accounts.

#### Teaching Methodology

- Theoretical classes: teacher's presentations using supporting material.
- Practical classes: analysis and discussion of real cases. Exercises resolution and practical cases to reinforce and apply the theoretical knowledge, working individually or in group, always under the teacher's direction.
- Tutorship: doubts resolution, monitoring of the assigned work and the prepared cases.
- Autonomous student's work: readings related to the matter, studying and preparation of diagrams, preparation of cases and exercises.
- Evaluation tests and monitoring: written evaluations of the acquired knowledge

#### Learning activities

Title (type activity)	Hours	ECTS	Learning outcome
<b>Type: Directed</b>			
Theoretical classes	25hs	1	3,4,5,6,7,10,11,12,13
Practical classes	20hs	0,8	5,6,7,9,11,12,13,14
<b>Type: Supervised</b>			
Tutorships	7,5hs	0,3	5,6,7,11
<b>Type: Self learning</b>			
Autonomous work	87,5hs	3,5	2,3,4,5,7,9,10,11,12,13,14
Tests of evaluation and	5hs.	0,2	2,4,5,7,10,11,12

### Assessment criteria

A student will be considered as “Non presented” to the subject only if he did not assist to all the evaluation tests. In other words, if the student goes to any test he no longer will be able to be considered as “Non presented”.

Those students whose weighted grades produce a final grade between 4 and 4,9 will have the possibility to take the re-assessment test. When taking this test the students can be considered as “Suspended” if they do not pass it. Otherwise, they will obtain the final maximum grade of 5. The grades of the participation in the theoretical and problem solving classes will not have effects on the re-assessment test.

### Assesment activities

Títol	Weight	Hours	ECTS	Learning outcome
Comprehensive Final Examination (it is necessary a minimum of 5 points over 10 to pass the subject)	60 %	0	0	4,5,6,7,10,11,12
Mid term test - lessons 1 to 3	15%	1	0,04	4,5,6,7,10,11,12
Mid term test - lessons 4 to 7	15%	1	0,04	4,5,6,7,10,11,12
Attendance, participation, exercises and monitoring	10%	3	0,12	1,2,3,4,5,6,7,10,11,12,13,14,15,16

### Bibliography

Basic:

- Walker, J. (2009): Accounting in a nutshell. Edició 3rd ed. Electronic resource from “Biblioteca de Ciències Socials. UAB”.

Complementary:

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- Archel, P.; Lizarraga, F.; Sánchez, S.; Cano, M. (2010): Estados contables. Elaboración, análisis e interpretación. Ediciones Pirámide.
- Arenas, P.; Moreno, A. (2008): Introducción a la auditoría financiera. Ed. McGraw-Hill
- González, J. (2010): Análisis de la empresa a través de su información económico-financiera. Aplicaciones prácticas. 3ª ed. Ediciones Pirámide.
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- Rivero, P. (2009): Análisis de balances y estados complementarios. Editorial Pirámide.
- Wild, J; Subramanyam, K.; Halsey, R. (2007): Análisis de estados financieros. 9ª ed. Ed. McGraw-Hill.

Webs

- Instituto de Contabilidad y Auditoría de Cuentas (ICAC). <http://www.icac.meh.es>
- Banco de España. <http://www.bde.es>
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- Guía Empresarial de Esade. <http://www.guiame.net>
- Consell General de Cambres de Catalunya. <http://www.cambrescat.es>
- Informe Anual de l'Empresa Catalana. <http://www.gencat.net/economia/progecon/ecocat/inform.htm>
- Registro de Economistas Auditores. <http://www.rea.es>
- Registre Mercantil. <http://www.registradores.org>
- Instituto Censores Jurados de Cuentas de España. <http://www.icjce.es>