

## 27320 - Financial Statements Analysis

### Información del Plan Docente

<b>Academic Year</b>	2017/18
<b>Faculty / School</b>	109 - Facultad de Economía y Empresa 228 - Facultad de Empresa y Gestión Pública 301 - Facultad de Ciencias Sociales y Humanas
<b>Degree</b>	454 - Degree in Business Administration and Management 448 - Degree in Business Administration and Management 458 - Degree in Business Administration and Management
<b>ECTS</b>	6.0
<b>Year</b>	3
<b>Semester</b>	First semester
<b>Subject Type</b>	Compulsory
<b>Module</b>	---

### **1.General information**

#### **1.1.Introduction**

Financial Statements Analysis is a compulsory course of 6 credits that is taught in the first semester of the 3rd year of the Degree in Business Administration and Management.

It is located in the Curriculum after two obligatory courses of Financial Accounting in the 1st year and of the subject Financial Statements, also obligatory, in the 2nd year. Its basic objective is the analysis of the financial information, especially the annual accounts.

#### **1.2.Recommendations to take this course**

Given that this is a compulsory subject taught in the third year, there are no formal prerequisites for taking this course except those necessary for enrolment in the Degree in Business Administration (ADEi). Nevertheless, it would be advisable to have acquired the knowledge and skills studied in Financial Accounting I and Financial Accounting II, taught in the first year of the degree, and the knowledge and skills studied in Financial Statements, taught in the second year of the degree.

Likewise, it is very important to attend the different theoretical sessions and practices programmed in the course development, the completion of the proposed cases and the development of autonomous work by the students.

#### **1.3.Context and importance of this course in the degree**

The subject Financial Statement Analysis is located in the first semester in the 3rd year of the Degree in Business Administration and Management. The students of this Degree have studied three subjects of accounting: Financial Accounting I and Financial Accounting II in first and Financial Statements in second. Thus, when they begin the subject Financial Statement Analysis they are knowledgeable and they have mastered the accounting technique, the criteria of recognition and valuation gathered in the Spanish regulations and they know how to elaborate and to present the Annual Accounts of a company according to the exigencies of the norm for Spanish accounting.

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In this context, the subject Financial Statement Analysis arises from the perspective of any user interested in business information (investors, creditors, workers, the company's own management, etc.) with the fundamental objective of the student to learn to analyze and interpret the financial information in order to judge the economic and financial situation of the company and, from there, make the most appropriate decisions.

### 1.4. Activities and key dates

Activities and deadlines will be announced through the Online Teaching Platform (ADD) at the beginning of the term. Dates of the final exams are provided in the Faculty web site and/or in the Online Teaching Platform (ADD).

## 2. Learning goals

### 2.1. Learning goals

The students, in order to pass the course, will have to show her/his competence in the following skills:

1. They will be able to apply the most commonly used financial statement analysis tools and techniques.
2. They will be able to interpret and understand the information contained in the financial statements in order to evaluate the economic-financial situation of the company.
3. They will be able to carry out the economic-financial analysis of real companies from the perspective of the different interested economic agents.
4. They will be able to use the results of the analysis of the financial statements, as well as other information of a financial and non-financial nature, to design possible
5. They will be able to design decisions about a company from the point of view of different economic agents who are users of the financial information of the same.
6. They will be able to detect possible manipulating practices of the information contained in the financial statements of the companies.
7. They will be able to apply the techniques of analysis in the valuation of companies listed and not listed in the stock market

### 2.2. Importance of learning goals

The learning outcomes of the course Financial Statements Analysis are relevant because

- They allow the use of financial information from the points of view of those who use the information for decision-making, as opposed to those who prepare the information. This allows a different and complementary vision to the previous accounting subjects.
- They show the importance of accounting information in the economic and finance world,
- They enable the student to use the most commonly used tools and techniques of the professional financial analyst.
- They bring the student closer to the work of the financial analyst.

All the above learning outcomes are particularly important because most graduates will carry out their professional activity in areas where they will be obliged to analyze financial statements, using the tools and techniques explained in this course.

## 3. Aims of the course and competences

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### 3.1. Aims of the course

The course is aimed at the person who is studying to analyze and interpret business financial information and be able, in view of the results obtained from the analysis, to design business actions, as well as economic decisions about the company from the point of view of the different economic agents that may be interested in it.

This requires that the study of the subject allows the students to know the different instruments and techniques of analysis and their practical application, as well as how to detect possible problems of quality of the financial information that could affect the evaluation of the economic and financial situation of the same.

### 3.2. Competences

#### *Specific competences*

- To assess the situation and to predict the evolution of companies and organizations in order to make decisions.
- To understand and to apply professional criteria with scientific rigour in solving economic, business and organizational problems.

#### *Cross-sectional competences*

- Ability to solve problems
- Ability to analyze and summarize.
- Ability to make decisions

## 4. Assessment (1st and 2nd call)

### 4.1. Assessment tasks (description of tasks, marking system and assessment criteria)

The students must demonstrate that he/she has achieved the learning outcomes through the following evaluation activities

1. FIRST CALL There are two evaluation systems:

#### A) CONTINUOUS ASSESSMENT

The students must deliver and discuss in class at least 70% of the activities proposed by the lecturer. You will also have to take a written exam and a group task.

- WRITTEN EXAM: it will include the contents studied in topics 1 to 9 of the programme and will be done at the end of the topic 9. This exam will consist of both theoretical and practical questions.
- GROUP TASK: each working group must carry out the economic and financial analysis of a real company, putting into practice all the knowledge acquired during the course. The students must present the results of their work in class and

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present a final report. The dates of oral presentation and presentation of the written report will be communicated to students in class and through the Digital Teaching Ring (ADD).

The final grade of the CONTINUOUS EVALUATION will be done according to the following relative weight of the different components of the assessment:

- WRITTEN EXAM: 70% (minimum required score of 5)
- GROUP TASK: 30% (minimum required score of 5)

To pass the subject by continuous evaluation the final grade obtained as a weighted average of the written test and the group task must be greater than or equal to 5.

### B) GLOBAL ASSESSMENT SYSTEM:

Students who do not opt for continuous evaluation or who do not pass the subject by this procedure or who want to improve their qualification, will have the right to present themselves to the global evaluation, which consists of a written test.

This written exam will be held on the date of the official call that the centre sets in the examination calendar and will consist of two parts; a first part, with theoretical and practical questions and a second part, practical and analytical. The questions of the first part can be closed (type test) or open and the students must demonstrate that they have assimilated and understood the basic concepts of the subject. The questions of the second part will be in line with the work carried out in the continuous assessment modality. The grade of the subject will be the one obtained in the exam, which must be equal or superior to 5 out of 10, being necessary to pass both parts of the exam.

Students who have carried out the work proposed in the continuous assessment and who for some reason decide to avail themselves of the overall evaluation may choose to keep the grade of the work (weighing the work 30% and the written exam 70%) or to respond to the examination questions related to the contents evaluated through such work (second part). In this last case, the grade of the subject will be the one obtained in that exam, which must be equal or superior to 5 out of 10, being necessary to pass both parts of the exam.

For the students exempted from performing a part of the exam because they have completed and passed the work proposed in the continuous evaluation and who decide to keep the grade of said work, the final grade will be obtained as a weighted average according to the following relative weight of the different components of the evaluation:

- WRITTEN EXAM / FIRST PART: 70% (minimum grade of 5 out of 10)
- GROUP WORK / SECOND PART: 30% (minimum grade of 5 out of 10)

The final grade must be equal to or greater than 5 out of 10.

2. In SECOND CALL the evaluation will be carried out according to the GLOBAL EVALUATION system commented on for the first call.

### 5. Methodology, learning tasks, syllabus and resources

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### 5.1. Methodological overview

The teaching-learning process designed for the course Analysis of Financial Statements of 6 ECTS credits includes 60 hours of face-to-face sessions (theoretical and practical) (2.4 ECTS credits). The remaining hours correspond to autonomous work of the students and evaluation tests.

Specifically, the 60 hours of theoretical and practical sessions are distributed in 30 hours of participative lectures and 30 hours of practice sessions with problem solving and practical cases, as well as the presentation of the assignments and case studies.

### 5.2. Learning tasks

The face-to-face development of the subject is structured around two fundamental axes:

- *Lectures (30 HOURS):*

In these sessions, there will take place the exposition and explanation of the basic concepts of the subject. Student participation will be encouraged in order to discuss the most important concepts analyzed in each session. Lectures will last 2 hours. In them, the most relevant concepts seen previously will be revised and reviewed, the professor will explain the new objective concepts of the session and, finally, a summary of the most relevant of the same will be made. The students will have at their disposal the recommended bibliography for each of the topics covered and they are expected to that he will review it in detail before attending the corresponding session.

- *Sessions of case study solving and discussion of assignments (30 HOURS):*

Each week, in addition to the lecture, students will have a two-hour practical session to solve cases individually or in groups that will later be corrected by the lecturer. The cases will be of two types. Some of them will be designed by the teachers to settle and help to understand the most relevant aspects exposed in the lectures. With the second type, students will work with the financial statements of a real company to carry out the financial, economic and stock market analysis of the same, which seeks to help learn how to address the problems that arise in the real world by applying the knowledge that has been acquired in the matter. Moreover, some of the practical sessions will be used to present some of the assignments done and its following discussion, with the objective of obtaining constructive criticisms that will help to improve the final results.

- *Autonomous work (90 HOURS):*

It is distributed into 30 hours of reading and individual reflection of the syllabus or bibliography that will be provided to the students, 30 hours for the work in group, 25 hours for the realization of cases, practical and individual work, participation in teaching platforms and tutorials and the corresponding evaluation tests.

### 5.3. Syllabus

#### SECTION I.

This topic explains the purpose of the analysis of financial statements, the different sources of information that can be used by the analyst, the different approaches to the analysis of financial statements and introduces the main tools and techniques of analysis.

#### CHAPTER 1: BASIC CONCEPTS

##### 1.1 THE AIM OF FINANCIAL STATEMENTS ANALYSIS

##### 1.2 APPROACHES AND USERS

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1.3 INFORMATION FOR THE ANALYSIS

1.4 THE CONTEXT OF THE ANALYSIS

1.5 MAIN TOOLS AND TECHNIQUES FOR THE ANALYSIS

### **SECTION II.**

With this thematic block, we want students to learn how to structure the financial statements for the analysis and to interpret the information contained therein, focusing both on the individual financial statements and on the specific characteristics of the consolidated statements. Likewise, the student is expected to know the limitations of the financial information as a basis for the analysis of the economic-financial situation of the company.

### **CHAPTER 2: SEPARATE FINANCIAL STATEMENTS**

2.1. THE AUDIT REPORT

2.2. THE BALANCE SHEET

2.3. THE INCOME STATEMENT

2.4. THE NOTES TO THE ANNUAL ACCOUNTS

2.5. THE STATEMENT OF CASH FLOWS

2.6. THE STATEMENT OF CHANGES IN EQUITY

### **CHAPTER 3: CONSOLIDATED FINANCIAL STATEMENTS**

3.1. CONSOLIDATION BASICS

3.2. CONSOLIDATED FINANCIAL STATEMENTS

3.3. SPECIFIC ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

3.4. COMPARABILITY PROBLEMS

3.5. OPERATING SEGMENTS: PROBLEMS IN THE ECONOMIC ANALYSIS

3.6. FOREIGN CURRENCY ACTIVITIES

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### **CHAPTER 4: USEFULNESS AND LIMITATIONS OF THE FINANCIAL INFORMATION FOR THE ANALYSIS**

- 4.1. LIMITATIONS OF FINANCIAL INFORMATION
- 4.2. WINDOW DRESSING AFFECTING THE INFORMATION AND ITS QUALITY
- 4.3. CREATIVE ACCOUNTING PRACTICES
- 4.4. SOLUTIONS TO CREATIVE ACCOUNTING

### **SECTION III.**

It deals with the analysis of the company from the perspective of the financial situation, both short and long term, and the economic situation. This is intended to enable students to be able to judge the situation of liquidity, solvency, indebtedness, profitability, productivity, etc. of a company and to design possible decisions from the point of view of different users

### **CHAPTER 5: FINANCIAL SITUATION ANALYSIS: SHORT TERM**

- 5.1. SCOPE OF THE SHORT-TERM FINANCIAL ANALYSIS
- 5.2. WORKING CAPITAL
- 5.3. FINANCIAL OPERATING CYCLE
- 5.4. NET CASH FLOW AND BASIC FINANCIAL RATIO
- 5.5. WORKING CAPITAL RATIOS
- 5.6. ACUMULATION OF THE WORKING CAPITAL RATIO

### **CHAPTER 6: FINANCIAL SITUATION ANALYSIS: LONG TERM**

- 6.1. SCOPE OF THE LONG-TERM FINANCIAL ANALYSIS
- 6.2. RATIOS USED IN THE LONG-TERM ANALYSIS
- 6.3. SELF-FINANCING
- 6.4. RATINGS OF INDEBTEDNESS

### **CHAPTER 7: ECONOMIC ANALYSIS OF THE COMPANY**

7.1. PRODUCTIVITY ANALYSIS

7.2. BREAK-EVEN POINT

7.3. LEVERAGES

7.4. PROFITABILITY ANALYSIS

7.5 ECONOMIC RATIOS

### **SECTION IV.**

Application of the analysis of financial statements to two areas where it is very useful, such as the stock markets and the valuation of companies.

### **CHAPTER 8: FINANCIAL ANALYSIS IN THE STOCK MARKET**

8.1 FINANCIAL THEORY BASIC CONCEPTS

8.2 TECHNICAL ANALYSIS

8.3 FUNDAMENTAL ANALYSIS IN THE STOCK MARKET

8.4 FUDAMENTAL ANALYSIS PROCESS

8.5 SECTOR PARTICULARITIES

### **CHAPTER 9: COMPANY VALUATION ANALYSIS**

9.1 COMPANY VALUATION METHODS BASED ON ACCOUNTING VALUES.

9.2 COMPANY VALUATION METHODS BASED ON ABNORMAL RESULTS

9.3 RELATIVE VALUATION METHODS

9.4 METHODS BASED ON DISCOUNTED CASH FLOWS

### 5.4.Course planning and calendar

The calendar of classes will be published in the web site of the Faculty and/or in the Online Teaching Platform (ADD) and the presentation of works and other activities will be announced by the lecturer and through the appropriate channels.

### 5.5.Bibliography and recommended resources

[BB: Bibliografía básica / BC: Bibliografía complementaria]

- BB** Esteo Sánchez, Francisco. Análisis de estados financieros : planificación y control : (comentarios y casos prácticos) / por Francisco Esteo Sánchez . - 4a. ed. Madrid : Centro de Estudios Financieros, 2003
- BB** Garrido Miralles, Pascual : Análisis de estados contables : elaboración e interpretación de la información financiera / Pascual Garrido Miralles, Raúl Íñiguez Sánchez . - 3ª ed. Madrid : Pirámide, D.L. 2015
- BB** González Pascual, Julián : Análisis de la empresa a través de su información económico-financiera : fundamentos teóricos y aplicaciones / Julián González Pascual . - 5ª ed. Madrid : Pirámide, 2016
- BB** González Pascual, Julián. Análisis de la empresa a través de su información económico-financiera : aplicaciones prácticas / Julián González Pascual . - 4ª ed. Madrid : Pirámide, D.L. 2011
- BB** Jiménez Cardoso, Sergio Manuel. Análisis financiero / Sergio M. Jiménez Cardoso, Manuel García-Ayuso Covarsí, Guillermo J. Sierra Molina . - 2ª ed. Madrid : Pirámide, 2002
- BB** Láinez Gadea, José Antonio. Contabilidad creativa / José Antonio Láinez Gadea, Susana Callao Gastón . - 1a. ed. Madrid : Civitas, 1999
- BB** Muñoz Merchante, Ángel. Análisis de estados financieros : teoría y práctica / Ángel Muñoz Merchante . - 2ª ed., 1ª reimpr. Madrid : Ediciones Académicas, 2011
- BB** Palomares Laguna, Juan. Estados financieros : interpretación y análisis / Juan Palomares, María José Peset . Madrid : Pirámide, D. L. 2015