

27320 - Financial Statements Analysis

Syllabus Information

Academic Year: 2020/21

Subject: 27320 - Financial Statements Analysis

Faculty / School: 109 - Facultad de Economía y Empresa

228 - Facultad de Empresa y Gestión Pública

301 - Facultad de Ciencias Sociales y Humanas

Degree: 454 - Degree in Business Administration and Management

448 - Degree in Business Administration and Management

458 - Degree in Business Administration and Management

ECTS: 6.0

Year: 3

Semester: First semester

Subject Type: Compulsory

Module: ---

1.General information

1.1.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.

These aims are in line with the Goals of Sustainable Development (GSD) of the 2030 Agenda because they are taken into account, when relevant, for the development of the course. The GSD more related to the contents of the course are:

Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Specific targets of Goal 4

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

Goal 5: Achieve gender equality and empower all women and girls

Specific target of Goal 5

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

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.

1.2.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 requirements of the norm for Spanish accounting.

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.

1.3.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

2.Learning goals

2.1.Competences

Specific and transversal competences of the Report by National Agency for Quality Assessment and Accreditation of Spain (ANECA)

- Evaluate the situation and foreseeable evolution of companies and organizations, make decisions and extract the relevant knowledge.
- Understand and apply professional criteria and scientific rigor to the resolution of economic, business and organizational problems.
- Capacity to solve problems.
- Capacity for analysis and synthesis.
- Ability to make decisions.

2.2.Learning goals

Studying and passing the course, the students...

1. ... will be able to apply the most commonly used financial statement analysis tools and techniques.
2. ... 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. ... will be able to carry out the economic-financial analysis of real companies from the perspective of the different interested economic agents.
4. ... 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 strategies.
5. ... 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. ... will be able to detect possible manipulating practices of the information contained in the financial statements of the companies.
7. ... will be able to apply the techniques of analysis in the valuation of companies listed and not listed in the stock market

2.3.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 point 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 work with 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.Assessment (1st and 2nd call)

3.1.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:

Both in FIRST and in SECOND CALL the evaluation system is GLOBAL, and the student will choose between one of the following modalities:

Modality A: Students who have delivered and debated in class at least 60% of the activities proposed in class will be able to be assessed by modality A.

This itinerary will consist of a written test and a group task.

WRITTEN EXAM (70%): it will include the contents studied in topics 1 to 9 of the programme and will take place on the date of the official call that sets the centre in the exam calendar. This exam will consist of both theoretical and practical questions

that can be multiple choice or discursive, and in that questions the students must demonstrate that they have assimilated and understood the basic concepts of the subject.

GROUP TASK (30%): each working group must carry out the economic and financial analysis of a real company, putting into practice all the knowledge acquired during the semester. The students must defend the results of their work in class and present a final report. The rest of the important information about the task will be communicated to students in class or through the Moodle on-line platform (ADD).

To pass the subject through Modality A it will be necessary for the student to obtain a minimum grade of 5 (out of 10) both in the written exam and in the group task. In this case, the final grade will be the weighted average of the written exam and the group task. In case the student obtains a grade lower than 5 in the written test, her/his final grade will be that of this test. If the student obtains a grade lower than 5 in group work, he or she must use the Modality B of the evaluation system.

The grade of the group task is valid for the second call, provided it is equal or higher than 5. The grade for the written exam is not kept for the second call.

All those students who have opted for Modality A may change to Modality B on the day of the written exam, thus renouncing the scores obtained in group task and in short evaluation tests.

The students must indicate their intention to apply for the A modality before the date communicated by the teacher in class or through the Moodle on-line platform (ADD).

Once the number of students choosing this modality is known, the lecturer will determine the number of components of each group, which must be formed the week after the lecturer indicates the number of members of each group.

Modality B: This will consist of a single final written exam. The written assessment will be done on the date of the official call that the centre sets in the examination calendar and will consist of two parts. The first part will coincide with the written exam of Modality A (which weighs 70%) and second part will be practical and analytical, whose issues will be in line with the work done in Modality A (weighting 30%).

To pass the subject through this itinerary it will be necessary for the student to obtain a minimum grade of 5 (out of 10), having to reach a minimum of 5 (out of 10) in each of the parts of the test.

In case the student does not obtain the minimum grade of 5 in the first part, the second part will not be marked and the grade for the subject will be the grade of the first part. If the grade of the first part is equal or higher than 5, then the second part will be marked. In case the grade of the second part does not reach 5 (out of 10) the final grade for the subject will be the grade of the second part. In case the grade of each part is equal or higher than 5, the final grade will be the weighted average of the written exam and the group task according to modality A.

Neither the grade of the first part nor the grade of the second part is kept for the second call.

Course assessment will be onsite. In the case of a new pandemic wave, assessment will become partly online or fully online. It should be noted that in any online assessment task the student performance may be recorded, following the regulations described in https://protecciondatos.unizar.es/sites/protecciondatos.unizar.es/files/users/lop/dgdocencia_reducida.pdf

A plagiarism detection software will be used to check the originality of the student's assessment tasks. Identification of plagiarism will invalidate the entire task performance (i.e. the task which will be graded with 0 points).

4. Methodology, learning tasks, syllabus and resources

4.1. Methodological overview

The methodology followed in this course is oriented towards the achievement of the learning objectives. A wide range of teaching and learning tasks are implemented, such as lectures and practice sessions.

4.2. Learning tasks

This course is organized as follows:

- **Lectures** (30 hours). Weekly two-hours sessions. In them will be the exposition and explanation of the basic concepts of the subject. In these sessions, students' participation will be enhanced to discuss the most important concepts analyzed in each session. Students will have at their disposal the recommended bibliography for each of the topics that will be covered in class which should be studied before attending the corresponding sessions.
- **Practice sessions** (30 hours). Weekly two-hours sessions. Cases will be solved individually or in groups which will later be corrected by the lecturer. In addition, some of the practice sessions will be dedicated to the presentation of the work done and to the debate of the same, with the objective of obtaining constructive criticism that helps to improve the final results.
- **Autonomous work and study** (90 hours). These hours are distributed as follows: 30 hours of reading and individual reflection of the syllabus or bibliography that will be provided to the students, 30 hours for group work, 30 hours for the preparation of cases and individual work, participation in teaching platforms and tutorials and the corresponding evaluation tests.

All lectures and seminars will be imparted onsite. In the case of a new health emergency caused by the current pandemic all teaching will be moved online.

4.3. Syllabus

This course will address the following topics:

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.

- **Topic 1. Basic concepts**
 - 1.1 The aim of financial statements analysis
 - 1.2 Approaches and users
 - 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 section, 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.

- **Topic 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
 - 2.7. The management report
- **Topic 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
- **Topic 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.

The three themes that make up this block deal 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

- **Topic 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. Accumulation of the working capital ratio
- **Topic 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
- **Topic 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.

This section is intended to make students know the application of the analysis of financial statements in two useful areas, such as the stock markets and the valuation of companies.

- **Topic 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 Fundamental analysis process
 - 8.5 Sector particularities
- **Topic 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

4.4.Course planning and calendar

Further information concerning the timetable, classroom, office hours, assessment dates and other details regarding this course, will be provided on the first day of class or please refer to the Moodle website (<https://moddle2.unizar.es>); Academic calendar website (<https://academico.unizar.es/calendario-academico/calendario>); or the website of your corresponding faculty (Zaragoza: <https://econz.unizar.es/>, Huesca: <http://fegp.unizar.es/>, Teruel: <http://fcsb.unizar.es/>).

4.5.Bibliography and recommended resources