

Academic Year/course: 2022/23

## 27320 - Financial Statements Analysis

### Syllabus Information

**Academic Year:** 2022/23

**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:** 448 - Degree in Business Administration and Management

454 - 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)**

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:**

The course evaluation will be based on the activities proposed in class and a written exam.

**ACTIVITIES** (30% of evaluation): They will consist of practical cases or theoretical questions to be solved and debated by students in class, based on the financial information of a given company, and related to the different dimensions of the economic-financial analysis presented in the course program. The activities will require students to work in advance whether in class or at home. The final mark for the activities will be the arithmetical mean of all activities presented.

**WRITTEN EXAM** (70% of evaluation): This exam will include the contents of the 9 units of the program, and will be scheduled according to the official call displayed in the exam calendar. The exam will count on theoretical and practical questions which format can be closed (test type) or opened, and through which the student will show his/hers command of the basic concepts of the subject.

In order to pass the course through Modality A, it will be necessary to get a minimum score of 4 (out of 10) in the written exam, and that the average mean of the exam and the activities score equals 5 or more (out of 10). If the average score is lower than the exam score, the latter will prevail (as long as it is 5 or more). In case the student gets a mark below 4 in the written exam, the final mark will be that one.

*The average score of the activities will be valid for the second official call. The grade for the written exam is not kept for the second call.*

**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 be based on the contents of the 9 units of the course program. To pass the subject through this itinerary it will be necessary for the student to obtain a minimum grade of 5 (out of 10). The exam will count on theoretical and practical questions which format can be closed (test type) or opened, and through which the student will show his/hers command of the basic concepts of the subject.

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://protecciodatos.unizar.es/sites/protecciodatos.unizar.es/files/users/lopd/gdocencia\\_reducida.pdf](https://protecciodatos.unizar.es/sites/protecciodatos.unizar.es/files/users/lopd/gdocencia_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 teaching-learning process that has been designed for the subject Analysis of Financial Statements of 6 ECTS credits that include 60 face-to-face hours (theoretical and practical) (2.4 ECTS credits). The rest of the hours will correspond to non-face-to-face work of the students and evaluation tests.

Specifically, the 60 hours of theoretical and practical sessions are distributed in 30 hours of participatory master classes and 30 hours of practice with problem solving, and practical cases, as well as the explanation and presentation of the activities.

### 4.2. Learning tasks

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

- Participatory Master Sessions (30 HOURS):

In them, the exhibition and explanation of the basic concepts of the subject will be carried out. In these sessions, the participation of students will be enhanced to discuss the most important concepts analyzed in each session.

The participatory master sessions will last 2 hours. The most relevant concepts seen previously will be remembered and reviewed, an exhibition will be made by the teacher of the new objective concepts of the session and, finally, a summary of the most relevant of it will be made.

The students will have at their disposal the recommended bibliography for each of the topics addressed and it is expected that they will review it in detail before attending the corresponding session.

- Sessions of solving of practical cases and realization of activities (30 HOURS):

Every week, in addition to the participatory master session, the students will have a two-hour practical session to solve cases individually or in a group that will later be corrected by the teacher.

The cases will be of two types. There will be some expressly prepared by the teaching staff to establish and help understand the most relevant aspects exposed in the master sessions. On the other hand, we will work with the financial statements of a real company to carry out the financial, economic and stock market analysis of it, which seeks to learn to face the problems that arise in the real world when applying the knowledge that is acquired in the matter.

Finally, the 90 hours of non-face-to-face work of the students are distributed in 30 hours of reading and individual reflection of the syllabus or bibliography that will be provided to the students, 60 hours for the realization of practical cases and individual work, preparation of the activities, participation in teaching platforms and tutorials and preparation and realization of the corresponding evaluation tests.

In principle, the teaching methodology is expected to revolve around face-to-face classes. However, if necessary for health reasons, face-to-face classes may be taught in a blended or online way.

### 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. Break-even point
- 7.2. Leverages
- 7.3. Profitability analysis
- 7.4. 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
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- **Topic 9. Company valuation analysis**

- 9.1 Company valuation methods based on accounting values.
- 9.2 Company relative valuation methods
- 9.3 Methods based on discounted cash flows
- 9.4 Other valuation methods

#### **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://moodle2.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://fcsh.unizar.es/>).