

Financial Statements Analysis

Code: 102376
ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	OB	2	1
2501573 Economics	OB	2	1

Contact

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Use of languages

Principal working language: catalan (cat)
Some groups entirely in English: Yes
Some groups entirely in Catalan: Yes
Some groups entirely in Spanish: Yes

Teachers

Albert Martinez Lacambra
Jordi Mestre Gonzalez
Josep Maria Salas Puig
Sotirios Karatzimas
Sergio Cadena Abadias
Inmaculada Ruiz Busons
Pedro Escudero Fernández

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.

Objectives and Contextualisation

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.

Skills

Business Administration and Management

- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Capacity for oral and written communication in Catalan, Spanish and English, which enables synthesis and oral and written presentation of the work carried out.
- Demonstrate initiative and work individually when the situation requires it.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Show motivation for carrying out quality work and sensitivity to the consequences for the environment and society.
- Use of the available information technology and adaptation to new technological environments.
- Value ethical commitment in professional practice.

Economics

- Apply theoretical knowledge of finances to improve relations with sources of financing, identifying the different forms of financing and the advantages and disadvantages for the company and the providers.
- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Generate and transmit the information necessary for taking decisions at company headquarters level.
- Identify improvements in the internal management process to stimulate company productivity.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Show motivation for carrying out quality work and sensitivity to the consequences for the environment and society.
- Use of the available information technology and adaptation to new technological environments.
- Value ethical commitment in professional practice.

Learning outcomes

1. A capacity of oral and written communication in Catalan, Spanish and English, which allows them to summarise and present the work conducted both orally and in writing.
2. Analyse business sectors on the basis of annual accounts.
3. Assess ethical commitment in professional activity.
4. Assess the usefulness of compatibility for potential users.
5. Capacity to continue future learning independently, acquiring further knowledge and exploring new areas of knowledge.
6. Demonstrate initiative and work independently when required.
7. Demonstrate motivation regarding the quality of the work performed and sensitivity regarding the consequences on the environment and society.
8. Identify the decisions that can be made on the basis of accounting information.
9. Interpret the profitability indicators of a company and prepare decision-making.
10. Interpret the solvency indicators of a company and understand the decisions that can be made on the basis of this analysis.

11. Organise work, in terms of good time management and organisation and planning.
12. Perform a diagnosis on the basis of the economic and financial analysis of a company.
13. Recognise the qualitative variables that can influence decision-making based on the financial statements.
14. Select and generate the information needed for each problem, analyse it and make decisions based on this information.
15. Use available information technology and be able to adapt to new technological settings.

Content

ANGLÈS

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. The role of qualitative information. Influence of risk decisions.
4. Users of business information.
5. The adversarial nature of financial reporting.
6. Analysis tools: percentages, growth rates and ratios.

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. Analysis tools of the balance sheet: percentages, growth rates and ratios.
2. The income statement. Revenues and expenses 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.
 - 2.3. Analysis tools of the income statement: percentages, growth rates and ratios.
3. The report of the chairman and the notes to the accounts.
 - 3.1. Content and structure of the notes to the accounts.
 4. Content of the report of the chairman.
5. The reliability of disclosure and audits.
6. The role of the consolidated accounts.

LESSON 3. FINANCIAL STATEMENTS (II)

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

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.
4. The financial leverage (gearing effect).

LESSON 7. MARKET INDICATORS

1. Financial Net Debt.
2. Equity Value.
3. Enterprise Value.
4. Price-to-earnings (PER) ratio.

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.

Activities

Title	Hours	ECTS	Learning outcomes
Type: Directed			
Practical classes	20	0.8	5, 6, 11, 14, 15
Theoretical classes	25	1	7, 14, 15, 3
Type: Supervised			
Tutorships	7.5	0.3	

Type: Autonomous

Autonomous work	83	3.32	1, 5, 6, 7, 11, 14, 15, 3
Tests of evaluation and monitoring	5	0.2	1, 6, 11, 14

Evaluation

A student will be considered as "Not evaluable" 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 "Not evaluable".

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 the 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.

Evaluation activities

Title	Weighting	Hours	ECTS	Learning outcomes
Comprehensive Final Examination (it is necessary a minimum of 5 points over 10 to pass the subject)	60%	3	0.12	2, 1, 5, 6, 12, 8, 9, 10, 7, 11, 13, 14, 15, 3, 4
Exercises	10%	4.5	0.18	2, 1, 12, 8, 10, 13, 14
Mid term test - lessons 1 to 3	15%	1	0.04	6, 11, 14
Mid term test - lessons 4 to 7	15%	1	0.04	6, 11, 14

Bibliography

Basic:

- Subramanyam, K.R. (2013), "financial Statement Analysis". Irwin Accounting

Complementary:

- Walker, J. (2009): Accounting in a nutshell. Edició 3rd ed. Electronic resource from "Biblioteca de Ciències Socials. UAB".
- Garrido, P.; Iñiguez, R. (2010): Análisis de estados contables. Elaboración e interpretación de la información financiera. Ediciones Pirámide
- 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-financera. Aplicaciones prácticas. 3ª ed. Ediciones Pirámide.
- González, J. (2010): Análisis de la empresa a través de su información económico-financera. Fundamentos teóricos y aplicaciones. 3ª ed. Ediciones Pirámide.
- 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>
- Banc Central Europeu. <http://www.ecb.int>
- Borsa de Madrid. <http://www.bolsamadrid.es>
- Comisión Nacional del Mercado de Valores. <http://www.cnmv.es>
- 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>