

**Financial Statements Analysis**

Code: 104683  
ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	OB	3	2

The proposed teaching and assessment methodology that appear in the guide may be subject to changes as a result of the restrictions to face-to-face class attendance imposed by the health authorities.

**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

**Prerequisites**

To make the most of this course, it is recommended the students have passed the courses 102366.Introduction to Accounting and 102371.Financial Accounting, which are taught during the first and second academic years in the Faculty of Business and Economics at the UAB. These courses provide the accounting knowledge necessary to correctly follow the contents of Financial Statement Analysis.

**Objectives and Contextualisation**

Context:

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

Financial Statement Analysis complements the knowledge acquired on previous academic years, 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.

## Competences

- Generate and transmit the appropriate accounting information at all times to the information needs of different users.
- Using accounting information as a tool for assessment and diagnosis.

## Learning Outcomes

1. Analyze business sectors from the annual accounts.
2. Demonstrate ethical behavior in the preparation of financial statements.
3. Develop accounting information synthesis applying accounting principles and standards, as required.
4. Develop information relating to a system of management accounting.
5. Interpret economic indicators of an entity and its relationship to the profitability and productivity of the same.
6. Interpret financial indicators of an entity and understand the decisions that can be taken from their analysis
7. Make a diagnosis from the economic and financial analysis of an entity
8. Register for accounting the economic and financial reality of organizations in accordance with the principles, standards and conventions applicable in each case.
9. Using the tools of financial planning and budgeting of an organization

## Content

### 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 different valuation schemes.
  - 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 profit 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. Analysis of consolidated financial statements.

### 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 (Advanced 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 (Advanced credit analysis II)

1. The financial equilibrium.
 

Analysis of the long term solvency from ratios.

  - 2.1. Guarantee and financial autonomy ratios.
  - 2.2. Debt ratios and capital structure.

#### LESSON 6. PROFITABILITY (Advanced 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 AND STANDARD INDUSTRIAL ANALYSIS

1. Financial Net Debt.
2. Equity Value.
3. Enterprise Value.
4. Price-to-earnings (PER) ratio.
5. Industrial analysis by using data from the European Central Bank and Bank of Spain.

### 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.

The proposed teaching methodology may undergo some modifications according to the restrictions imposed by the health authorities on on-campus courses.

### Activities

Title	Hours	ECTS	Learning Outcomes
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Type: Directed			
Practical Sessions	12	0.48	1, 2, 3, 7, 5, 6
Theory	33	1.32	1, 2, 3, 7, 5, 6
Type: Supervised			
Tutorial Sessions	7.5	0.3	1, 2, 3, 7, 5, 6
Type: Autonomous			
Autonomous work	88	3.52	1, 2, 3, 7, 5, 6
Monitoring of activity	5	0.2	1, 2, 3, 7, 5, 6

## Assessment

A student will be considered "No Evaluable" as long as they have not participated in any of the assessment tests. If the student goes to any test he no longer will be able to be considered as "No evaluable".

All students with a grade lower than 3.5 points in the final exam will be receive a failing grade.

### Calendar of evaluation activities

The dates of the evaluation activities (midterm exams, exercises in the classroom, assignments ...) will be announced in advance during the semester.

The date of the final exam is scheduled in the assessment calendar of the Faculty.

"The dates of evaluation activities cannot be modified, unless there is an exceptional and duly justified reason why an evaluation activity cannot be carried out. In this case, the degree coordinator will contact both the teaching staff and the affected student, and a new date will be scheduled within the same academic period to make up for the missed evaluation activity." Section 1 of Article 115. Calendar of evaluation activities (Academic Regulations UAB).

Students of the Faculty of Economics and Business, who in accordance with the previous paragraph need to change an evaluation activity date must process the request by filling out an Application for exams' reschedule [https://eformularis.uab.cat/group/deganat\\_feie/application-for-exams-reschedule](https://eformularis.uab.cat/group/deganat_feie/application-for-exams-reschedule)

### Grade revision process

After all grading activities have ended, students will be informed of the date and way in which the course grades will be published. Students will be also be informed of the procedure, place, date and time of grade revision following University regulations.

### Retake Process

"To be eligible to participate in the retake process, it is required for students to have been previously been evaluated forat least two thirds of the total evaluation activities of the subject." Section 3 of Article 112 ter. The recovery (UAB Academic Regulations). Additionally, it is required that the student to have achieved an average grade of the subject between 3.5 and 4.9.

The date of the retake exam will be posted in the calendar of evaluation activities of the Faculty. Students who take this exam and pass, will get a grade of 5 for the subject. If the student does not pass the retake, the grade will remain unchanged, and hence, student will fail the course.

### Irregularities in evaluation activities

In spite of other disciplinary measures deemed appropriate, and in accordance with current academic regulations, "in the case that the student makes any irregularity that could lead to a significant variation in the grade of an evaluation activity, it will be graded with a 0, regardless of the disciplinary process that can be instructed. In case of various irregularities occur in the evaluation of the same subject, the final grade of this subject will be 0". Section 10 of Article 116. Results of the evaluation. (UAB Academic Regulations).

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## Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Comprehensive Final Examination (it is necessary a minimum of 3.5 points over 10 to pass the subject)	50 %	2.5	0.1	1, 2, 3, 4, 7, 5, 6, 8, 9
Control 1. Test chapters 1 to 3	20 %	1	0.04	2, 3
Control 2. Chapters 4 to 7	20 %	1	0.04	1, 7, 5, 6
Exercises	10 %	0	0	1, 2, 3, 7, 5, 6

## 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".
- Wild, J; Subramanyam, K.; Halsey, R. (2005): Financial Statement Analysis. 9ª ed. Ed. McGraw-Hill.
- Wahlen, J. M., Baginski S. P., Bradshaw, M. (2010): Financial Reporting, Financial Statement Analysis and Valuation: A Strategic Perspective, ed. South-Western College Pub, 7th edition.

Webs:

- Instituto de Contabilidad y Auditoría de Cuentas (ICAC). <http://www.icac.meh.es>
- Banco de España. <http://www.bde.es>
- European Central Bank. <http://www.ecb.int>
- Bolsa 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>