

Financial Statements Analysis

Code: 102376
ECTS Credits: 6

Degree	Type	Year	Semester
2501573 Economics	OB	2	1

Contact

Name: Isabel Narbón Perpiña
Email: isabel.narbon@uab.cat

Use of Languages

Principal working language: spanish (spa)
Some groups entirely in English: Yes
Some groups entirely in Catalan: Yes
Some groups entirely in Spanish: Yes

Teachers

Isabel Narbón Perpiña
Maria de los Dolores Magri Majos
Inmaculada Ruiz Busons
Pedro Escudero Fernández
Marta Hernansaez Torras

Prerequisites

To make the most of this course, it is recommended the students have passed the course of Introduction to Accounting, which is taught during the first academic year in the Faculty of Business and Economics at the UAB. This last course provides the knowledge necessary to follow the contents of the course of Financial Statement Analysis.

Objectives and Contextualisation

Context:

This is a mandatory 6 credit ECTS subject for the Bachelor's Degree in Economics at UAB. It is offered during the first semester of the second academic year.

Financial Statement Analysis complements the knowledge acquired on the course of Introduction to Accounting, 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

- 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.
- Students must be capable of applying their knowledge to their work or vocation in a professional way and they should have building arguments and problem resolution skills within their area of study.
- Students must be capable of collecting and interpreting relevant data (usually within their area of study) in order to make statements that reflect social, scientific or ethical relevant issues.
- Students must be capable of communicating information, ideas, problems and solutions to both specialised and non-specialised audiences.
- Students must develop the necessary learning skills in order to undertake further training with a high degree of autonomy.
- Students must have and understand knowledge of an area of study built on the basis of general secondary education, and while it relies on some advanced textbooks it also includes some aspects coming from the forefront of its field of study.
- 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 motivation regarding the quality of the work performed and sensitivity regarding the consequences on the environment and society.
7. Identify the decisions that can be made on the basis of accounting information.
8. Interpret the profitability indicators of a company and prepare decision-making.
9. Interpret the solvency indicators of a company and understand the decisions that can be made on the basis of this analysis.
10. Organise work, in terms of good time management and organisation and planning.
11. Perform a diagnosis on the basis of the economic and financial analysis of a company.
12. Recognise the qualitative variables that can influence decision-making based on the financial statements.
13. Select and generate the information needed for each problem, analyse it and make decisions based on this information.

14. Students must be capable of applying their knowledge to their work or vocation in a professional way and they should have building arguments and problem resolution skills within their area of study.
15. Students must be capable of collecting and interpreting relevant data (usually within their area of study) in order to make statements that reflect social, scientific or ethical relevant issues.
16. Students must be capable of communicating information, ideas, problems and solutions to both specialised and non-specialised audiences.
17. Students must develop the necessary learning skills in order to undertake further training with a high degree of autonomy.
18. Students must have and understand knowledge of an area of study built on the basis of general secondary education, and while it relies on some advanced textbooks it also includes some aspects coming from the forefront of its field of study.
19. Use available information technology and be able to adapt to new technological settings.

Content

UNIT 1. INTRODUCTION: FINANCIAL INFORMATION AND ANALYSIS OF FINANCIAL STATEMENTS

1. Concept and usefulness of the analysis of financial statements.
2. Business information.
 1. Annual Report
 2. Sources of business information
3. The role of qualitative information. Risk decision-making.
4. Users of business information.
5. Limitations of financial reporting.

UNIT 2. FINANCIAL STATEMENTS (I)

1. The Balance Sheet.
 1. Structure and accounting groups
 2. Elements of accounting groups. The valuation problem.
 3. Balance sheet analysis tools: percentages and variation rates.
2. The Income Statement.
 1. Structure and items of the Income Statement.
 2. Type of results:
 1. EBIT, EBITDA and net profit
 2. Gross margin and Operating profit.
 3. Income statement analysis tools: percentages and rates of variation.
3. Notes to the annual report or explanatory notes.

UNIT 3. FINANCIAL STATEMENTS (II)

1. The Cash-flow Statement.
 1. Aim and requirements.
 2. The classification of cash flows.
 3. Methods: direct and indirect.
 4. Results for the period and cash for exploitation activities relationship: profit quality
2. The Statement of Changes in Equity.
 1. Aim and requirements.
 2. The comprehensive statement of changes in equity.
 3. The statement of recognized revenues and expenses.
3. The management report
4. The audit report.
5. The consolidated accounts information

UNIT 4. ANALYSIS OF LIQUIDITY AND SHORT-TERM SOLVENCY

1. Concept of liquidity
2. Financial positions and equilibrium in the short-term.
3. Working capital and its classification.

4. The operations cycle: the operating cycle and cash conversion cycle
 1. Concept
 2. Type of operations periods.
 3. Relation with the short-term solvency.
5. Liquidity ratios.

UNIT 5. LONG-TERM SOLVENCY ANALYSIS

1. Concept of long-term solvency
2. Financial positions and equilibrium in the long-term.
3. Analysis of the long term solvency from ratios:
 1. Asset's structure ratios
 2. Liability's structure ratios.
 1. The concept of self-financing.
 2. Debt ratio and financial autonomy ratio.
4. Ratios on assets and liabilities magnitudes:
 1. Guarantee ratio
5. Solvency analysis through the Cash-Flow Statement.

UNIT 6. PROFITABILITY ANALYSIS

1. Analysis of the profit of the period.
2. Return on assets (ROA)
3. Return on equity (ROE).
 1. Profitability components.
 2. Financial leverage.
4. Market reference indicators:
 1. Net Financial Debt.
 2. Equity Value.
 3. Enterprise Value.
 4. Earnings per share (EPS).
 5. Pay-out and dividend per share (DPS).
 6. Price-to-earnings (PER) ratio.
 7. Price-book value (PBV) 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 groups, 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.

Annotation: Within the schedule set by the centre or degree programme, 15 minutes of one class will be reserved for students to evaluate their lecturers and their courses or modules through questionnaires.

Activities

Title	Hours	ECTS	Learning Outcomes
Type: Directed			

Practical classes	17	0.68
Theoretical classes	32.5	1.3
Type: Supervised		
Tutorships	4.5	0.18
Type: Autonomous		
Autonomous work	90	3.6

Assessment

The evaluation will take place under the following criteria:

1. Practical cases and class participation (10% of the final grade)
2. Two theoretical midterm tests (40% of the final grade)
3. Practical final exam (50% of the final grade)

Additional Information:

- To calculate the global grade for the course according to the aforementioned weights, it is necessary to get a minimum grade of 4 points in the final practical exam.
- Students who get a global grade equal to or greater than 5 points, having a minimum grade of 4 points in final practical exam grade, will pass the course.
- Students who get a global grade equal to or greater than 3.5 points and less than 5 points, or for those who obtain a grade equal to or greater than 5 points but they obtain a grade lower than 4 points in the final practical exam, will be able to take the retake exam. Lecturers will decide the modality of this test, which will be common to all students. Students who take the retake exam and pass, will get a maximum final grade of 5 points.
- Students who obtain a global grade lower than 3.5 points will not be able to take the retake exam and must repeat the course.
- Student will be considered "No evaluable" when he or she has not participated in any of the evaluation activities.

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/nou-reprogramacio-de-proves

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 for at 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).

The proposed evaluation activities may undergo some changes according to the restrictions imposed by the health authorities on on-campus courses.

Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Exercises	10%	2	0.08	
Final exam (it is required a minimum of 4 points over 10 to pass the subject)	50%	2	0.08	2, 1, 5, 11, 7, 8, 9, 6, 10, 18, 17, 16, 14, 15, 12, 13, 19, 3, 4
Mid term test - lessons 1 to 3	20%	1	0.04	
Mid term test - lessons 4 to 7	20%	1	0.04	

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>
- Banc Central Europeu. <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>

Software

Microsoft Excel.

Databases: SABI