

Financial Accounting and Analysis
ACADEMIC YEAR 2015-2016

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Course Description

Financial accounting and analysis deals with the public information that companies produce about their financial and economic activities. The course will first present the different documents that comprise the financial statements of a company (the statement of financial situation, the income statement, the cash-flow statement, the statement of changes in equity and the notes). Each of the four main financial statements will then receive separate attention: we will place the emphasis on understanding the information contained in the specific statement and on analyzing how that information helps to obtain an accurate assessment of the financial and economic situation of the company. Our discussion will always put the analysis of the financial statements in the context of the financial management of the firm: the information in the financial statements is the starting point for the analysis of a firm's investment and financing decisions and, as a consequence, for firm valuation. Finally, the course will include a few sessions on the specificities of the banking sector: the structure of the financial statements of a bank is very different from that of a "typical" industrial firm. We will try to flesh out the main differences and to review the topics of highest importance for a correct analysis of a bank's financial information.

Objective(s)

The objective of the course is to introduce the student to the analysis of the financial statements of a (listed) company. In particular, by the end of the course the student is expected to be able to:

- Understand the differences in structure and usefulness of the different financial statements and the impact of accounting regulations on said statements.
- Analyze the financial and economic situation of a company from the data contained in the different financial statements.
- Turn the information in the financial statements into a coherent report which describes the conclusions of the analysis.
- Understand the peculiar structure of the financial statements of a company in the financial sector (mainly, a bank).

Methodology

There will be 10 three-hour sessions (see detailed planning below), each of which will consist of two 1.5 hour sessions with a 30 minute break. Three of the sessions will be case studies, whereas the rest will be lectures which will incorporate practice exercises. In order to follow the lectures and case analyses, the student should prepare for both through personal study, and the completion of some individual and/or team complementary tasks.

Lectures will mainly develop the concepts and methodologies that make up the main

components of the course list (see lecture plan below). These classes are (loosely) based on the textbooks that support the course, but we have prepared a set of slides which review the main material more specifically. Both the textbooks and the slides should be the fundamental support for personal preparation before and / or after the lectures.

The case study sessions (marked in the planning as "Case analysis") will include the discussion of the financial statements of real companies. During these practice sessions, we will encourage student participation in the discussions. Students are required to turn in a (short) report on the case prior to class discussion. The case writeup will have some guiding questions which will help preparing these reports. In the last practice session you will need to do a group presentation of a full case analysis. Details on this presentation will be provided in the first week of class.

Every week you will have an additional session (for a total of five) with the TA, where you will solve additional practice questions. These should help you review the main topics and keep up with the theory classes.

Evaluation criteria

In order to pass the course, you should get at least 50 points out of 100, according to the following distribution:

Final exam: 75 points (must get at least 30 to pass the course)

Group presentation: 20 points.

Short summaries of cases (3 cases marked "Case analysis"): 5 points.

Important information common to BSM courses

Students are required to attend 80% of classes. Failing to do so without justified reason can have important consequences in your final grade.

As with all courses taught at the UPF Barcelona School of Management, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. If the course is again failed after the re-take, students may have to register again for the course the following year.

Plagiarism is the use of another's work and its presentation as one's own without attributing the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at a Barcelona School of Management Master of Science and signing the "Honor Code," students acknowledge that they understand the Barcelona School of Management's policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program.

Textbooks

The main reference textbooks for the course are:

Penman, Stephen H. (P). Financial Statement Analysis and Security Valuation (5e). McGraw-Hill International.

Subramanyam, K.R., Wild, John (SW). Financial Statement Analysis (10e). McGraw-Hill International.

The textbooks are referenced in the table of contents as (P) and (SW).

Calendar and Contents (tentative)

Session info.	Content	Book Ch.	Week
Part A: Introduction to the financial statements			
Tuesday, 29/9, 13:00	Introduction to the analysis of financial statements	2 (P) 1-2 (SW)	1
Tuesday, 29/9, 15:00	Financial statements and valuation	3 (P) 11 (SW)	1
Wednesday, 30/9, 15:00	Financial statements, accounting and valuation		1
Part B: The analysis of the financial statements			
Wednesday, 30/9, 17:00	The main financial statements: structure and measurement	2 (P) 1-2 (SW)	1
<i>TBA</i>	<i>Practice class: short exercises on valuation</i>		
Tuesday, 6/10, 13:00	The analysis of the statement of shareholder's equity	9 (P)	2
Tuesday, 6/10, 15:00	The Analysis of the Balance Sheet (I): asset and liability composition	10 (P) 3-4 (SW)	2
Wednesday, 7/10, 15:00	The Analysis of the Balance Sheet (II): working capital issues; the SSAF	10 (P) 4 (SW)	2
Wednesday, 7/10, 17:00	Case analysis (ABC)		2
<i>TBA</i>	<i>Practice class: working capital requirements</i>		
Tuesday, 13/10, 13:00	The Analysis of the Income statement (I)	10 (P) 6 (SW)	3
Tuesday, 13/10, 15:00	The Analysis of the Income statement (II)	10 (P) 6 (SW)	3
Wednesday, 14/10, 15:00	The Analysis of the Cash-flow statement	11 (P) 7 (SW)	3
Wednesday, 14/10, 17:00	Case Analysis (Inditex)		3
<i>TBA</i>	<i>Practice class: building the SSAF</i>		
Tuesday, 20/10, 13:00	The Analysis of Profitability	12 (P) 8 (SW)	4
Tuesday, 20/10, 15:00	The Analysis of Growth and Sustainable Earnings	13 (P)	4
Wednesday, 21/10, 15:00	Analysis of the Quality of the Financial Statements	18 (P) 2 (SW)	4
Wednesday, 21/10, 17:00	Case Analysis (A Pescanovan Charade)		4
<i>TBA</i>	<i>Practice class: case XYZ</i>		

Tuesday, 27/10, 13:00	Analysis of Credit Risk and Return	20 (P) 10 (SW)	5
Part C: Financial statements in the banking industry			
Tuesday, 27/10, 15:00	Financial statements in the banking industry (I)		5
<i>TBA</i>	<i>Practice class: case Telecinco</i>		
Wednesday, 28/10, 15:00	Financial statements in the banking industry (II)		5
Presentations			
Tuesday, 28/10, 17:00	Student presentations		5

Bio

Prof. Gómez Biscarri holds an M.A. in Economics and a Ph.D. in Business Economics from UCLA. He is a professor of accounting and finance at Universitat Pompeu Fabra, the Barcelona Graduate School of Economics and the Barcelona School of Management. He is also a part-time professor of IESE Business School and Deusto Business School. His current research focuses on the impact of accounting on the banking sector, specifically on earnings management behavior and on the effect of new accounting regulations on bank's strategies.