

2021 Financial Statements' Analysis (advanced course)

2013-14 Academic Year

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6 credits (48 hours / 24 sessions)

COURSE OBJECTIVES

The course major educational objective is the analysis of **financial statement interpretation** issues from the **perspective of professional analysts in an international context**.

Successful completion of this course should enable students to use financial analysis formats and ratios in the perspective of:

- **credit analysis,**
- **equity analysis,**
- **industry and competitor analysis,**
- **audit analysis.**

Particular relevance is given to **analysis and discussion of problems and case studies**, in order to develop students' skills in identifying critical financial statement areas; each case study will contain financial statement information and a set of specific questions pertaining to financial accounting issues. The financial statement information will be used to infer and interpret the economic events underlying the numbers.

MAIN TOPICS

- Analysis of Income Statement: reformulations and related ratios
- Analysis of non-recurring items (or unusual items); Trend analysis: relevant techniques; Persistence of Operating Results
- Analysis of Balance Sheet: reformulations and related ratios
- Profitability analysis
- Analysis of Cash Flow Statement: reformulations and related ratios
- The influence of accounting principles (IFRS v. local GAAP) on
 - size and sustainability of results
 - degree of managerial judgment
- Industry analysis: a framework for analysts
- Analysis of groups performance by means of consolidated financial statements
- From historical data to the analysis of financial forecasts: financial analysis and evaluation methods
- Fraudulent financial reporting: some warnings for the analyst

PREREQUISITES

- *compulsory*: Basic financial accounting (bookkeeping; accounting standards; basic financial statement analysis); Corporate Finance and Business Valuation
- *optional*: IFRS (International Financial Reporting Standards)

TEACHING MATERIALS

Slides, exercises, readings and other materials will be provided during the course. Students will need to refer to each specific session in the Learning Space (the course web site).

The content and availability of these additional materials will be announced in class or on the course web site.

E-learning at Bocconi: <https://elearning.unibocconi.it>

Enter your Bocconi username and password → Bocconi e-Learning Area → 2013/14 - 20221 FINANCIAL STATEMENTS ANALYSIS (ADVANCED COURSE) cl. 31 → Course contents

Materials are grouped in 3 sections:

- 1) Basic Materials (required: study before lectures: slides + exercises)
- 2) Teaching Materials (required: slides + short readings + exercises)
- 3) Supplemental Materials (optional: papers)

Suggested Readings:

Stephen H. Penman, Financial Statement Analysis and Security Valuation, 5/e, 2013.

EVALUATION AND GRADING

Student grades will be based on a final written exam, identical for attending and not attending students.

The **final exam (written)** will comprise exercises, multiple choice and true/false questions:

- Multiple Choice (answers: numbers or sentences);
- True/False questions on conceptual issues,
- Numerical Exercises (ex. reformulation of cash flow statement, calculation of some ratios etc.).
- NO: questions about case studies (discussed in classroom) and readings (they are optional).

Teachers provide all the examples of exercises, multiple choice and true/false.

It will last approximately 1 hour and 45 minutes.

Only students who have regularly registered for exams can sit for them.

Detailed instructions will be uploaded on the course website.

Recommendations:

Class participation through students' active contribution to class learning is essential to enrich your learning experience. Students are expected to participate by asking relevant questions that contribute to class learning, answering questions from the instructor or other students, and providing solutions to the cases. *Class participation* does not only mean attendance, which is assumed. Class participation means qualitative contribution to class discussion (i.e. the ability to answer the teacher's questions, to add new dimensions to the discussion, to critically examine cases and theory topics).

Students are expected to read the materials before coming to class.

For more information about this course please see the slides of Session 01 "Introduction to Financial Statements Analysis (and to this course)"

Calendar

	Date	Day	Time	Teacher	Room	Topics
1	February 10, 2014	Mon	16.15-17.45	NP	25	Introduction to Financial Statements Analysis
2	February 12, 2014	Wed	16.15-17.45	NP	25	Analysis of Income Statement: overall reformulation choices
3	February 17, 2014	Mon	16.15-17.45	NP	25	(cont.) unusual items
4	February 19, 2014	Wed	16.15-17.45	NP	25	(cont.) focus on operating income
5	February 24, 2014	Mon	16.15-17.45	NP	25	Case Study ASICS: practice on Income Statement Analysis
6	February 26, 2014	Wed	16.15-17.45	NP	25	Analysis of Balance Sheet: liquidity format and managerial format
7	March 03, 2014	Mon	16.15-17.45	NP	25	Case Study ASICS: practice on Balance Sheet Analysis
8	March 05, 2014	Wed	16.15-17.45	NP	25	The ratio system: analysis of ROI (return on investment)
9	March 10, 2014	Mon	16.15-17.45	NP	25	The ratios system: analysis of ROE (return on equity)
10	March 12, 2014	Wed	16.15-17.45	NP	25	Analysis of the Cash Flow Statement: IAS 7
11	March 17, 2014	Mon	16.15-17.45	NP	25	(cont.) Analysis of the Cash Flow Statement
12	March 19, 2014	Wed	16.15-17.45	NP	25	(cont.) Analysis of the Cash Flow Statement
13	March 24, 2014	Mon	16.15-17.45	NP	25	Case Study ASICS: Practice on Ratio Analysis and Cash Flow Statement Analysis
14	March 26, 2014	Wed	16.15-17.45	NP	25	Industry Analysis (and competitor analysis): fundamental basis for FSA; adaptation of FSA techniques to the industry-specific characteristics
15	April 28, 2014	Mon	16.15-17.45	NP	25	(cont.) from Accounting Ratios to KPIs; Sensitivity Analysis : Case Study RYAN AIR
16	April 30, 2014	Wed	16.15-17.45	NP	25	(cont.) Case Study RYAN AIR : Monte carlo Simulation applied to FSA
17	May 05, 2014	Mon	16.15-17.45	LB	25	Case Study CAMPARI : Comprehensive FSA process. The "road map" to the reading phase
18	May 07, 2014	Wed	16.15-17.45	LB	25	(cont.) Case Study CAMPARI : Comprehensive FSA process. The "road map" to the reading phase
19	May 12, 2014	Mon	16.15-17.45	LB	25	(cont.) Case Study CAMPARI : Credit analysis
20	May 14, 2014	Wed	16.15-17.45	LB	25	(cont.) Case Study CAMPARI : Equity analysis
21	May 19, 2014	Mon	16.15-17.45	LB	25	Case Study BENJAMIN : working out financial forecasts
22	May 21, 2014	Wed	16.15-17.45	LB	25	(cont.) Case Study BENJAMIN : FSA to support sensitivity analysis in planning activity
23	May 26, 2014	Mon	16.15-17.45	LB	25	(cont.) Case Study BENJAMIN : forecasts and value issues
24	May 28, 2014	Wed	16.15-17.45	NP	25	Fraud Analysis: how to identify the "red flags" through FSA; Case Study: PARMALAT