

ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS (CODE 30160)

(February - May 2014)

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CONTENTS

Objective of the course

The aim of this course is to enable students to evaluate the whole economic-financial position of complex organizations through the systematic use of the information included in the public financial statement.

The course is addressed to students who already have a basic knowledge of accounting concepts and tools.

Given the initial different background students are coming from, an overall review of the main concepts of financial accounting will be presented at the beginning of the course.

The course will then deepen the different tools of analysis that the financial statement readers may use in order to extract useful information about the company economic performance and financial situation, through theoretical lessons, cases and practical exercises.

The main accounting issues of IAS/IFRS compliant financial statements will be then discussed and an overview of consolidated financial statements and of the analysis of consolidated financial statements will be presented.

Textbooks

- Palepu, Healy and Peek, Analysis and Valuation; 3 edition; IFRS Edition, 2013, Cengage Learning.
- Other teaching material will be handed out through the elearning.

Assessment

The assessment is based on a written exam at the end of the course. To pass the exam the student needs to achieve a grade higher than 18/30.

For attending students only, the exam is made of two written tests (mid-term test plus final test). Sufficiency in both tests is required to pass the exam (sufficiency = grade higher than 18/30).

Communication

Office time and email

Teachers will be happy to hold one-to-one meetings with students to answer any questions they might have. Office time can be checked on the University Bocconi website: www.unibocconi.it or by sending an email to the teachers (teachers' email address can be found on the same website). For any further questions regarding the course, please contact the teachers via email.

Detailed outline

<u>SESSION 1</u> February 12 08.45-10.15 Room 35	<i>The Role of Financial Reporting in Capital markets</i> <ul style="list-style-type: none">- Accounting practices and information quality- Auditing, legal liability and enforcement- Choices of communication channels with investors- IFRS and US GAAP
<u>SESSION 2</u> February 13 14.30-16.00 Room 35	<i>How Accounting Information supports Strategic Analysis</i> <ul style="list-style-type: none">- Competitor analysis- Assessing sources of competitive advantage- Sources of value in groups of companies- Strategy lead financial statement analysis
<u>SESSION 3</u> February 19 08.45-10.15 Room 35	Scient case study on the role of capital intermediaries
<u>SESSION 4</u> February 20 14.30-16.00 Room 35	The European airline industry and the evolving need for enhanced financial statement analysis – the RyanAir effect.

<u>SESSION 5</u> February 26 08.45-10.15 Room 35	<i>Introduction to the basics of FSA</i> <ul style="list-style-type: none"> - Identifying key accounting policies / choices - Stepwise algorithm for assessing accounting quality - Recasting financial statements in standardized format
<u>SESSION 6</u> February 27 14.30-16.00 Room 35	Applying Standardized format at H&M Fashion Retailers key accounting policies
<u>SESSION 7</u> March 5 08.45-10.15 Room 35	<i>Developing and understanding application of asset accounting adjustments under IFRS</i> <ul style="list-style-type: none"> - Asset recognition - Fair values versus book values - Asset distortions and write downs - Leased assets off balance sheet - Intangible assets off balance sheet - Accelerated revenue recognition - Delayed write downs of current assets
<u>SESSION 8</u> March 6 14.30-16.00 Room 35	<i>Developing and understanding application of liability and equity accounting adjustments under IFRS</i> <ul style="list-style-type: none"> - Liability distortions via - Unearned revenues and aggressive revenue recognition - Understated provisions - Non-current liabilities for leases - Post-employment obligations - Equity distortions
<u>SESSION 9</u> March 12 08.45-10.15 Room 35	<i>Case studies</i> H&M's and Burberry's non-current assets
<u>SESSION 10</u> March 13 14.30-16.00 Room 35	<i>Detailed Ratio Analysis (part 1) using H&M data and some competitors</i> <ul style="list-style-type: none"> - Assessing and decomposing measures of profitability - Assessing operating management - Assessing asset turnover - Evaluating financial management
<u>SESSION 11</u> March 19 08.45-10.15 Room 35	<i>Detailed Ratio Analysis (part 2) using H&M data and some competitors</i> <ul style="list-style-type: none"> - Cash flow and funds flow statements - Detailed analysis of H&M's versus Inditex's cash flows - Putting it all together – assessing sustainable growth
<u>SESSION 12</u> March 20 14.30-16.00 Room 35	Application of ratio analysis plus revision
<i>April 16</i> <i>11:00 am</i> Room TBD	Mid term test
<u>SESSION 13</u> March 20 14.30-16.00 Room 35	IAS 17: Accounting for leasing and other issues related to IFRS Case studies.

<u>SESSION 14</u> March 27 14.30-16.00 Room 35	Review session Cases and exercises
<u>SESSION 15</u> May 7 08.45-10.15 Room 35	IAS 2: Accounting for Inventories and Valuing Inventories. Case studies
<u>SESSION 16</u> May 7 10.30-12.00 Room C	IFRS 8:and IAS 12 Segment reporting and Income taxes
<u>SESSION 17</u> May 14 08.45-10.15 Room D	Introduction to consolidated financial statements The concept of control and the consolidation area
<u>SESSION 18</u> May 14 10.30-12.00 Room D	Consolidation accounting for subsidiaries: eliminating investments and infra-group transactions
<u>SESSION 19</u> May 15 14.30-16.00 Room 35	Consolidation accounting for subsidiaries: eliminating infra-group transactions
<u>SESSION 20</u> May 21 08.45-10.15 Room 35	Consolidation accounting for joint-ventures: the proportionate method
<u>SESSION 21</u> May 22 14.30-16.00 Room 35	Consolidation accounting for associates: the equity method
<u>SESSION 22</u> May 28 08.45-10.15 Room 35	The analysis of consolidated financial statements
<u>SESSION 23</u> May 28 10.30-12.00 Room 12	Review session Cases and exercises
<u>SESSION 24</u> May 29 14.30-16.00 Room 35	Review session Cases and exercises Conclusions
June 5 2:30pm ROOM TBD	Final Test