

FINANCIAL REPORTING & ANALYSIS

IE University

Professor: **FERNANDO DE LA CALZADA LÓPEZ DE ARRIBA**

E-mail: fdl@faculty.ie.edu

Academic year: 22-23

Degree course: SECOND

Semester: 2º

Category: COMPULSORY

Number of credits: 5.0

Language: English

PREREQUISITES

Students are expected to have taken basic courses in Financial Accounting and Cost Accounting.

SUBJECT DESCRIPTION

Financial accounting is the process of recording, summarizing and reporting the transactions of a business, in order to provide an accurate picture of its financial position and performance. The primary objective of financial accounting is the preparation and analysis of financial statements. Interpreting financial reports correctly is fundamental for successful planning and investing. This course provides a comprehensive introduction to the interpretation and analysis of financial statements and illustrates how financial reports can be used to assess the performance of a business, make better investment decisions and improve planning. The course will focus on the use of accounting as a tool for decision making and problem solving through the use of analytical, creative and critical thinking.

OBJECTIVES AND SKILLS

The course provides a framework for decision-making and financial planning that should help future managers assess and monitor the performance of business operations, evaluate alternatives, plan accordingly and gauge the impact of their decisions on the different stakeholders. The objective of this course is not to train you to become an accountant but rather to help you become a proficient user of financial statement information. Learning how business activities impact financial statements will give you opportunities to learn and think about the business activities, themselves. Emphasis will be placed on:

- the links between the income statement, balance sheet and statement of cash flows
- analyzing and interpreting financial statements, and understanding the business behind the numbers
- evaluating/challenging the assumptions, and understanding short-term and long-term financial needs.

METHODOLOGY

This 25-session course (midterm and final exams included) will be held over a 5-month-period, from January 2023 through May 2023.

The course combines lectures and practical sessions. Preparation (reading/studying materials and completing assignments) is key for a productive discussion and a successful learning experience.

Teaching methodology	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	13.6 %	17 hours
Discussions	12.0 %	15 hours
Exercises	12.0 %	15 hours
Group work	12.0 %	15 hours
Other individual studying	50.4 %	63 hours
TOTAL	100.0 %	125 hours

PROGRAM

SESSION 1 (LIVE IN-PERSON)

REVIEW OF FINANCIAL ACCOUNTING AND INTRODUCTION TO FINANCIAL REPORTING AND ANALYSIS

A. FINANCIAL ACCOUNTING USES AND FRAMEWORK

- Uses of accounting information
- How a firm's activities are represented by the accounting equations
- The key financial statements and how they are linked
- Reporting of non financial information- sustainability reporting
- Regulation and the reporting environment

B. OVERVIEW OF BALANCE SHEET AND INCOME STATEMENT

- Definition of assets, liabilities and equity
- Construction of balance sheet
- Definition of revenues and expenses
- Revenue recognition and accrual accounting

C. ADJUSTING ACCOUNTS

- Overview of adjusting process and adjusting entries
- Preparing financial statements from adjusted accounts

Book Chapters: Financial Accounting using IFRS, 3e. Chapters 1-3

SESSION 2 (LIVE IN-PERSON)

REVIEW OF FINANCIAL ACCOUNTING AND INTRODUCTION TO FINANCIAL REPORTING AND ANALYSIS

A. FINANCIAL ACCOUNTING USES AND FRAMEWORK

- Uses of accounting information
- How a firm's activities are represented by the accounting equations
- The key financial statements and how they are linked
- Regulation and the reporting environment

B. OVERVIEW OF BALANCE SHEET AND INCOME STATEMENT

- Definition of assets, liabilities and equity
- Construction of balance sheet
- Definition of revenues and expenses
- Revenue recognition and accrual accounting

C. ADJUSTING ACCOUNTS

- Overview of adjusting process and adjusting entries
- Preparing financial statements from adjusted accounts

Book Chapters: Financial Accounting using IFRS, 3e. Chapters 1-3 (Book) (See Bibliography)

SESSION 3 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING REVENUES AND RECEIVABLES

- Revenue and expense recognition
- Complications of revenue/expense recognition (long term contracts)
- Accounting for Receivables
- Bad debt

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 6 (Book) (See Bibliography)

SESSION 4 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING REVENUES AND RECEIVABLES

- Revenue and expense recognition
- Complications of revenue/expense recognition (long term contracts)
- Accounting for Receivables
- Bad debt

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 6 (Book) (See Bibliography)

SESSION 5 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

B. REPORTING AND ANALYSING INVENTORY

- Analysis of operating expenses
- Accounting for Inventory and COGS
- FIFO, LIFO and average cost
- Effects of different inventory methods on Financial statements and ratios

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 7 (Book) (See Bibliography)

SESSION 6 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING INVENTORIES

CASE DISCUSSION

Practical Case: The Oil Sector: Making the Right Investment Decisions. Version A (FIA010088-A-ENG-WOD)

SESSION 7 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING LONG TERM ASSETS

TANGIBLE ASSETS

- Cost capitalizing vs cost expensing
- Depreciation
- Asset sales and impairments

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 8 (Book) (See Bibliography)

SESSION 8 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING LONG TERM ASSETS

INTANGIBLE ASSETS

- Intangible assets and amortization
- Capitalization of R&D
- Goodwill

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 8 (Book) (See Bibliography)

SESSION 9 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING LONG TERM ASSETS

CASE DISCUSSION

Practical Case: Facebook's Acquisition of WhatsApp: The Rise of Intangibles (A) (HBS UV7211-PDF-ENG)

SESSION 10 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING LIABILITIES

- Operating liabilities vs financial liabilities
- Contingent liabilities
- Main concepts and accounting of Long-term debt

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 9 and Leasing from Chapter 10 (Book) (See Bibliography)

SESSION 11 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING LIABILITIES

- Main concepts and accounting of Long-term debt: Bonds

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 9 (Book) (See Bibliography)

SESSION 12 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS
REPORTING AND ANALYSING EQUITY

- Types of equity operations
- Types of dividends and accounting of dividends
- Accounting for stock issuance and repurchase of stocks

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 11 (Book) (See Bibliography)

SESSION 13 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS
REPORTING AND ANALYSING FINANCIAL INVESTMENTS

- Investment types: Passive, Significant influence and Control
- Financial statement effects of different types

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 12 (Book) (See Bibliography)

SESSION 14 (LIVE IN-PERSON)

MIDTERM EXAM

The exam will cover all the material included in sessions 1 through 13.

SESSION 15 (LIVE IN-PERSON)

CASH FLOWS

- Purpose and construction of statement of cash flows
- Breakdown and classification of cash flows: operating, investing and financing
- Cash flow ratios

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 4 (Book) (See Bibliography)

SESSION 16 (LIVE IN-PERSON)

CASH FLOWS

- Purpose and construction of statement of cash flows
- Breakdown and classification of cash flows: operating, investing and financing
- Cash flow ratios

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 4 (Book) (See Bibliography)

SESSION 17 (LIVE IN-PERSON)

CASH FLOWS

CASE DISCUSSION

Practical Case: The Statement of Cash Flows (FIA010051-U-ENG-HTM)

SESSION 18 (LIVE IN-PERSON)

INTRODUCTION TO FINANCIAL RATIOS: LEARNING THE RATIOS

- Common size financial statements
- Major financial ratios per area: liquidity, leverage, asset utilization, profitability and market

ratios.

- Dupont analysis
- A practical view of using ratios for investment decisions
- Link of ratios with company strategy and environment
- Limitations of ratio analysis

FINANCIAL ANALYSIS

Using cases and real companies examples to understand how financial analysis can be used to make decisions in a competitive business environment.

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 5 (Book) (See Bibliography)

SESSION 19 (LIVE IN-PERSON)

INTRODUCTION TO FINANCIAL RATIOS: LEARNING THE RATIOS

- Common size financial statements
- Major financial ratios per area: liquidity, leverage, asset utilization, profitability and market ratios.
- Dupont analysis
- A practical view of using ratios for investment decisions
- Link of ratios with company strategy and environment
- Limitations of ratio analysis

FINANCIAL ANALYSIS

Using cases and real companies examples to understand how financial analysis can be used to make decisions in a competitive business environment.

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 5 (Book) (See Bibliography)

SESSION 20 (LIVE IN-PERSON)

INTRODUCTION TO FINANCIAL RATIOS: LEARNING THE RATIOS

CASE DISCUSSION

Practical Case: The Financial Detective (HBS UV7201-PDF-ENG)

SESSION 21 (LIVE IN-PERSON)

LINKING FINANCIAL RATIOS AND SUSTAINABILITY

- The three pillars of ESG: Environment, Social, Governance
- ESG Sustainability (Non-Financial information) disclosure frameworks (GRI, SASB, TFCF, ISSB...)
- The importance of Materiality
- ESG ratios
- ESG ratings and ESG Scores

Practical Case: An ESG Puzzle (FIA010176-U-ENG-WOD)

SESSION 22 (LIVE IN-PERSON)

Group presentations for the group project. The topic and specifics of this assignment will be announced by the professor in due time.

SESSION 23 (LIVE IN-PERSON)

Group presentations for the group project. The specifics will be announced by the professor in due time.

SESSION 24 (LIVE IN-PERSON)

Review for final exam.

SESSION 25 (LIVE IN-PERSON)

FINAL EXAM

BIBLIOGRAPHY

Compulsory

- Wong, Hanlon, Magee, Pfeiffer. (2023). *Financial Accounting using IFRS 3rd Edition*. 3. Cambridge Business Publishing. ISBN 9781618535085 (Digital)

This book is available in an online version only and can be acquired via:

<https://mybusinesscourse.com/book/financial-accounting-using-ifrs-3e>

Recommended

- Hanlon, Magee, Pfeiffer. (2023). *Financial Accounting, 7e*. 7th. Cambridge Publishing. ISBN 9781618534316 (Digital)

This book is available in an online version only and can be acquired via:

<https://mybusinesscourse.com/book/fa7e>

EVALUATION CRITERIA

FINAL EXAM

The final exam will cover all the course content. The minimum grade for final exam is 4 out of 10.

MIDTERM EXAM

The midterm exam will cover the material specified in the part of the course correspondent to the midterm- sessions 1 through 13.

GROUP ASSIGNMENT

The group assignment will require students to complete an analysis project that will be presented by each group and discussed by the class.

CLASS PARTICIPATION

Three main criteria will be used in reaching judgment about your class participation:

- Depth and Quality of Contribution: The most important dimension of participation concerns what it is that you are saying. A high quality comment reveals depth of insight, rigorous use of case evidence, consistency of argument, and realism.
- Moving Your Peers' Understanding Forward: Great ideas can be lost through poor presentation. A high quality presentation of ideas must consider the relevance and timing of comments, and the flow and content of the ensuing class discussion. It demands comments that are concise and clear, and that are conveyed with a spirit of involvement in the discussion at hand.

- **Frequency:** Frequency refers to the attainment of a threshold quantity of contributions that is sufficient for making a reliable assessment of comment quality. The logic is simple: if contributions are too few, one cannot reliably assess the quality of your remarks. However, once threshold quantity has been achieved, simply increasing the number of times you talk does not automatically improve your evaluation. Beyond the threshold, it is the quality of your comments that must improve. In particular, one must be especially careful that in claiming more than a fair share of “airtime”, quality is not sacrificed for quantity. Finally, your attempts at participation should not be such that the instructor has to “go looking for you”. You should be attempting to get into the debate on a regular basis.

Criteria	Percentage	Comments
Final Exam	45 %	
Midterm Exam	30 %	
Group Presentation	10 %	
Class Participation	15 %	

RE-SIT / RE-TAKE POLICY

Each student has 4 chances to pass any given course distributed over two consecutive academic years: ordinary call exams and extraordinary call exams (re-sits) in June/July.

Students who do not comply with the 70% attendance rule during the semester will fail both calls for this Academic Year (ordinary and extraordinary) and have to re-take the course (i.e., re-enroll) in the next Academic Year.

Evaluation criteria will be subject to the following rules:

- Students failing the course in the ordinary call (during the semester) will have to re-sit the exam in June / July (except those not complying with the attendance rule, who will not have that opportunity and must directly re-enroll in the course on the next Academic Year).
- The extraordinary call exams in June / July (re-sits) require your physical presence at the campus you are enrolled in (Segovia or Madrid). There is no possibility to change the date, location or format of any exam, under any circumstances. Dates and location of the June / July re-sit exams will be posted in advance. Please take this into consideration when planning your summer.
- The June / July re-sit exam will consist of a comprehensive exam. Your final grade for the course will depend on the performance in this exam only; continuous evaluation over the semester will not be taken into consideration. Students will have to achieve the minimum passing grade of 5 and the maximum grade will be capped at 8.0 (out of 10.0) – i.e., “notable” in the re-sit exam.
- Re-takers: Students who failed the subject on a previous Academic Year and are now re-enrolled as re-takers in a course will need to check the syllabus of the assigned professor, as well as contact the professor individually, regarding the specific evaluation criteria for them as re-takers in the course during that semester (ordinary call of that Academic Year). The maximum grade that may be obtained in the retake exam (3rd call) is 10.0 (out of 10.0).

After ordinary and extraordinary call exams are graded by the professor, you will have a possibility to attend a review session for that exam and course grade. Please be available to attend the session in order to clarify any concerns you might have regarding your exam. Your professor will inform you about the time and place of the review session.

- Students failing more than 18 ECTS credits after the June-July re-sits will be asked to leave the

Program. Please, make sure to prepare yourself well for the exams in order to pass your failed subjects.

- In case you decide to skip the opportunity to re-sit for an exam during the June / July extraordinary call, you will need to enroll in that course again for the next Academic Year as a re-taker and pay the corresponding extra cost. As you know, students have a total of 4 allowed calls to pass a given subject or course, in order to remain in the program.

PROFESSOR BIO

Professor: **FERNANDO DE LA CALZADA LÓPEZ DE ARRIBA**

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FERNANDO DE LA CALZADA LÓPEZ DE ARRIBA

Fernando de la Calzada holds a Master of Science in Industrial Engineering from ICAI and an Executive MBA from IESE Business School. He currently works as Deputy General Manager at Grupo Presto Iberica where he is focused on the areas of Finance, Strategy and Corporate Development. In the past, he also worked as Strategy Consultant in Deloitte, where he participated in many projects for national and multinational companies.

He combines his managerial position with his academic activity as Associate Professor of IE University where he teaches Financial Accounting, Accounting for Decision Making, Cost Accounting, Organizational Management, Seminars of Stock Market and Financial Reporting and Analysis. Thanks to this double activity he always provides his students with practical examples of the relation between Finance and the real performance of companies. Since 2017, he is also teaching in the IE School of Human Sciences and Technology. From 2015 to 2022 he has been awarded with the "Award for Teaching Excellence" for his courses in Financial Accounting, Accounting for Decision Making and Financial Reporting and Analysis.

From 2010 to 2012 he also collaborated as Associate Professor at Universidad Complutense of Madrid teaching Strategy, Operations and Business Management. His fields of interest are focused on Finance, Business Strategy, Open Innovation and Entrepreneurship.

Academic Qualifications

- MBA in Business Administration IESE Business School, University of Navarra, Spain, 2010
- Master of Science in Industrial Engineering, ICAI – University Pontificia of Comillas, Spain, 2003

Academic Experience

- Adjunct Professor of Finance, IE School of Human Sciences and Technology, Spain, 2017-Present
- Adjunct Professor of Financial Accounting, Cost Accounting, Accounting for Decision Making and Financial Reporting and Analysis; IE University, IE Business School, Spain, 2011-Present
- Individual Advisor, IE University, 2011 – Present
- Collective Advisor, IE University, 2021 – Present
- Coordinator of Financial Accounting Subject in BBA, IE University, IE Business School, Spain, 2012-2015
- Associate Professor, Management Department, University Complutense of Madrid, Spain, 2010-2012

Professional Experience

- Deputy General Manager, Presto Iberica Group, Spain, 2004-Present

- Strategy Consultant, Deloitte, Spain, 2003-2004

OTHER INFORMATION

Office hours will be on request. Please contact me at fdl@faculty.ie.edu