
FINANCIAL REPORTING & ANALYSIS

**Grado en Administración de Empresas / Bachelor in
Business Administration BBA SEP-2024 FRA-NBA.2.M.D**

Area Accounting and Management Control

Number of sessions: 25

Academic year: 24-25

Degree course: SECOND

Number of credits: 5.0

Semester: 2º

Category: COMPULSORY

Language: English

Professor: **ANA HERNANDEZ-ROS OTAMENDI**

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Professor of Accounting and Finance:

- Professor of Accounting, IE, 2004 to present; Professor in BBA Finance courses until 2023
- Award as Best Professor IE Business School in MIM Program (December 2021)
- Nominate as Best Professor IE Law School (July 2023)
- Professor of Accounting and Elective courses at IE International MBA, MIM, LLMI BL, MAB, GOMBA, BBA and EMBA programs.
- Professor in Master in Financial Analysis, Universidad Carlos III de Madrid, 2003-2013
- Professor in Master Programmes at UAH, EOI, CE Garrigues, Sagardoy Business School in Corporate Finance and Mergers & Acquisitions
- Director, Master Executive Corporate Finance, CE Garrigues, 2008-2014

Professional Background and Experience:

- Vice-President in Mergers and Acquisitions, SG Spain. 1997-2003
- Financial Analyst at Goldman Sachs International (M&A Department), London. 1994-1996
- Independent Financial Advisor at EY and with own clients
- In-company trainer within financial institutions and corporations since 2003
- Degree in Business Administration. CUNEF. 1994

Office Hours

Office hours will be on request. Please contact at:

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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.

LEARNING OBJECTIVES

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.

TEACHING METHODOLOGY

This 25-session course (midterm and final exams included) will be held over a 5-month-period, from January 2025 through May 2025.

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.

IE University teaching method is defined by its collaborative, active, and applied nature. Students actively participate in the whole process to build their knowledge and sharpen their skills. Professor's main role is to lead and guide students to achieve the learning objectives of the course. This is done by engaging in a diverse range of teaching techniques and different types of learning activities such as the following:

| Learning Activity | Weighting | Estimated time a student should dedicate to prepare for and participate in |
|---|-----------|--|
| Lectures | 20.0 % | 25.0 hours |
| Discussions | 12.0 % | 15.0 hours |
| Exercises in class, Asynchronous sessions, Field Work | 12.0 % | 15.0 hours |
| Group work | 8.0 % | 10.0 hours |
| Individual studying | 48.0 % | 60.0 hours |
| TOTAL | 100.0 % | 125.0 hours |

AI POLICY

Generative artificial intelligence (GenAI) tools may be used in this course for research, ideation, generating an outline, proofreading, grammar check, coding, image generation with appropriate acknowledgement. GenAI may not be used for assignments, group submissions, exams. If a student is found to have used AI-generated content inappropriately, it will be considered academic misconduct, and the student might fail the respective assignment or the course.

If you are in doubt as to whether you are using GenAI tools appropriately in this course, I encourage you to discuss your situation with me.

Below, a suggested format to acknowledge the use of generative AI tools. Please note that acknowledging AI will not impact your grade.

I acknowledge the use of AI systems to [specify how you used generative AI]. The prompts used include [list of prompts]. The output of these prompts was used to [explain how you used the outputs in your work]

If AI was permitted to use in your assignment, but you have chosen not to include any AI generated content, the following disclosure is recommended:

No content generated by AI technologies has been used in this assignment.

PROGRAM

SESSION 1 (LIVE IN-PERSON)

Sustainability Topics:

- Environment
- Governance
- Social Challenge

REVIEW OF FINANCIAL ACCOUNTING AND INTRODUCTION TO FINANCIAL REPORTING AND ANALYSIS

A. FINANCIAL ACCOUNTING USES AND FRAMEWORK

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

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

Technical note & tutorials: The Balance Sheet explained (FIA020162-U-ENG-VID)

Technical note & tutorials: The different formats of the Balance Sheet (FIA020164-U-ENG-VID)

Technical note & tutorials: The Income Statement explained (FIA020165-U-ENG-VID)

Technical note & tutorials: Intro to the Statement of Cash Flows (FIA020329-U-ENG-VID)

Technical note & tutorials: Comprehensive Income Statement (FIA020328-U-ENG-VID)

SESSION 2 (LIVE IN-PERSON)

Sustainability Topics:

- Environment
- Governance
- Social Challenge

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

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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

Technical note & tutorials: The Accounting Equation (FIA020160-U-ENG-VID)

Technical note & tutorials: Debits and Credits and the Income Statement (FIA020152-U-ENG-VID)

Technical note & tutorials: Accrual basis of accounting (FIA020103-U-ENG-VID)

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 4

Technical note & tutorials: Revenue Recognition in Financial Accounting (FIA020185-U-ENG-VID)

Technical note & tutorials: Revenue recognition in financial accounting: When (FIA020221-U-ENG-VID)

Technical note & tutorials: Tour of Accounts Receivable and Inventory (FIA020193-U-ENG-VID)

Technical note & tutorials: Accounts receivable valuation (FIA020177-U-ENG-VID)

Technical note & tutorials: Bad debt expense (FIA020196-U-ENG-VID)

Technical note & tutorials: Exercise feedback Understanding bad debt expense (FIA020239-U-ENG-VID)

Technical note & tutorials: Impact of writing off a bad debt in financial accounting (FIA020234-U-ENG-VID)

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 4

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 5

Technical note & tutorials: Introduction to Inventory in Financial Accounting (FIA020226-U-ENG-VID)

Technical note & tutorials: FIFO-LIFO-Average cost flow (FIA020122-U-ENG-VID)

Technical note & tutorials: Notes on FIFO and LIFO in Financial Accounting (FIA020225-U-ENG-VID)

Technical note & tutorials: Inventory errors in financial accounting explained (FIA020232-U-ENG-VID)

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 6

Technical note & tutorials: Tour of PPE (FIA020178-U-ENG-VID)

Technical note & tutorials: Introduction to property plant and equipment in financial accounting (FIA020238-U-ENG-VID)

Technical note & tutorials: Depreciation (FIA020190-U-ENG-VID)

Technical note & tutorials: Introduction to concept: Capitalise or expense (FIA020228-U-ENG-VID)

Technical note & tutorials: Impairment (FIA020121-U-ENG-VID)

SESSION 8 (LIVE IN-PERSON)

Sustainability Topics:

- Environment
- Governance
- Social Challenge

ADVANCED ACCOUNTING ANALYSIS

REPORTING AND ANALYSING LONG TERM ASSETS

INTANGIBLE ASSETS

- Intangible assets and amortization
- Capitalization of R&D
- Goodwill
- Sustainability, reputation, and intangible value

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 6

Technical note & tutorials: Goodwill in Financial Accounting (FIA020236-U-ENG-VID)

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 7 for Liabilities and Chapter 8 for Leasing

Technical note & tutorials: The importance of liabilities (FIA020230-U-ENG-VID)

Technical note & tutorials: Tour of Liabilities on a Real Financial Statement (FIA020179-U-ENG-VID)

Technical note & tutorials: Provisions and Contingent Liabilities (FIA020188-U-ENG-VID)

SESSION 11 (LIVE IN-PERSON)

ADVANCED ACCOUNTING ANALYSIS REPORTING AND ANALYSING LIABILITIES

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

Book Chapters: Financial Accounting using IFRS, 3e. Chapter 7 for Liabilities and Chapter 8 for Leasing

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 9

Technical note & tutorials: Introduction to Equity (FIA020120-U-ENG-VID)

Technical note & tutorials: Tour of a Real Equity Statement (FIA020180-U-ENG-VID)

Technical note & tutorials: Equity and cash dividends (FIA020242-U-ENG-VID)

Technical note & tutorials: Share dividends and share splits (FIA020184-U-ENG-VID)

Technical note & tutorials: Why do companies buy treasury shares? (FIA020194-U-ENG-VID)

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 10

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 11

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

Technical note & tutorials: Intro to the Statement of Cash Flows (FIA020329-U-ENG-VID)

Technical note & tutorials: Analysis with the Statement of Cash Flows (FIA020356-U-ENG-VID)

Technical note & tutorials: Operating cash flow vs operating income in financial accounting (FIA020224-U-ENG-VID)

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 11

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 12

Technical note & tutorials: DuPont Formula (FIA020241-U-ENG-VID)

Technical note & tutorials: Exercise feedback: DuPont Formula (FIA020174-U-ENG-VID)

Technical note & tutorials: ROA and ROE in Financial Accounting (FIA020220-U-ENG-VID)

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 12

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)

Sustainability Topics:

- Environment
- Governance
- Social Challenge

LINKING FINANCIAL RATIOS AND SUSTAINABILITY

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

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

Technical note & tutorials: Sustainability in Financial Accounting (FIA020115-U-ENG-VID)

Technical note & tutorials: Sustainability ratios (FIA020181-U-ENG-VID)

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

EVALUATION CRITERIA

FINAL EXAM

The final exam will cover all the course content. The minimum grade for final exam is 4 out of 10. The exam is closed book and no formula sheet will be allowed in the exam.

MIDTERM EXAM

The midterm exam will cover the material specified in the part of the course correspondent to the midterm- sessions 1 through 13. The midterm exam is closed book and no formula sheet will be allowed in the exam.

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 | Learning Objectives | 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 80% 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 their choice from the two options detailed below. The maximum grade that may be obtained in the retake exam (3rd call) is 10.0 (out of 10.0).

If you are retaking Financial Reporting Analysis you have available two options of which you need you choose one:

1. Midterm- 40% of the final grade, no minimum grade required, and Final exam- 60% of the grade and a minimum of 4 out of 10 required to pass the course. The final grade after the weighted average of the midterm and final exams has to be a minimum of 5 out of 10.

OR

2. Final exam- 100% of the grade and a minimum of 5 out of 10 required to pass the course.

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.

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>

BEHAVIOR RULES

Please, check the University's Code of Conduct [here](#). The Program Director may provide further indications.

ATTENDANCE POLICY

Please, check the University's Attendance Policy [here](#). The Program Director may provide further indications.

ETHICAL POLICY

Please, check the University's Ethics Code [here](#). The Program Director may provide further indications.