

## **FINANCIAL REPORTING & ANALYSIS**

**Grado en Administración de Empresas / Bachelor in  
Business Administration BBA SEP-2023 FRA-NBA.2.M.A**

Area Accounting and Management Control

Number of sessions: 25

Academic year: 23-24

Degree course: SECOND

Number of credits: 5.0

Semester: 2º

Category: COMPULSORY

Language: English

Professor: **ROGELIO MENENDEZ OTERO**

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### **Adjunct Professor Roger Menéndez Otero**

Adjunct Professor Menéndez works in the world of finance and financial analysis from a triple perspective:

- as an adjunct-professor in university programs in accounting, financial analysis and finance;
- as a business consultant through the Part-Time CFO® program, supporting SMEs to professionalize their financial function and dealing with M&A and restructuring, and
- as an executive trainer, helping big listed companies to deal with financial challenges, in the banking, energy and technology sectors, as well as entrepreneurs through the Chamber of Commerce of Spain.

#### **Academic Background:**

- Master degree in Business (licenciado en Ciencias Económicas y Empresariales) in Universidad de Santiago de Compostela.
- Paris X Erasmus program.
- Management program of RCC at Harvard University.

#### **Professional Experience:**

- CEO of Bloomington Finances. Consulting and financial training (2004 to present). Executive training, among others, in BBVA, Banco Sabadell, El Corte Inglés Group, Bankia - CajaMadrid, Repsol, Analistas Financieros Internacionales (AFI), Endesa, Naturgy - Gas Natural.
- Executive training at Abrente Consultants.
- Spanish Chamber of Commerce, Fundación INCYDE. Financial consultancy for entrepreneurs. (2007 to 2014)

#### **Academic Experience:**

- Adjunct professor in Business Administration departments, since 2004 (Universidad Carlos III de Madrid), Instituto de Empresa (2019).

By appointment through rmenendez@faculty.ie.edu

## 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

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:

<b>Learning Activity</b>	<b>Weighting</b>	<b>Estimated time a student should dedicate to prepare for and participate in</b>
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

## 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

## 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	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 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.

## **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>

### **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.

