

INTERNATIONAL ACCOUNTING

(FINANCIAL STATEMENT ANALYSIS)

Academic Year 2007-2008 - 1st semester

Lecturer:	Davide Moro
Credits:	5 credits
Lecturer:	Davide Moro Contact info: dmoro@liuc.it
Office Hours:	Monday 12:30-13:30
Class:	Monday - 09:30-12:30 a.m.

Course objectives

The course provides an overview of the use of financial accounting information for evaluating past performances and predicting future performance of a company or a division.

This course is designed to prepare students to interpret and analyze financial statements effectively. The viewpoint is that of the user of financial statements. We discuss each financial reporting issue in terms of its effect on assessments of a firm's profitability and risk.

In the first part of the course we explain and analyse the accounting measurement and reporting practices underlying financial statements. We discuss procedures and clues for the analysis and adjustment of financial statements to enhance their economic content for meaningful financial analysis.

We then face the processes and methods of financial analysis, describing and applying analytical tools and techniques used in competitor analysis, credit decisions and valuation. The means of analysis range from computation of ratio and cash flows measures to earnings prediction and equity valuation.

This course is designed primarily for students who expect to be intensive users of financial statements as part of their professional responsibilities.

The main goal of the course is thus to provide students with a broad, practical perspective to work on financial statement analysis. According to this, students will be asked to develop a project work consisting in a financial statement analysis report and to present it at the end of the course.

Syllabus

The course will mainly deal with the following topics (for a detailed structure of the lectures see the enclosed programme):

- how the financial statements integrate with each other;
- what the key numbers are in the various financial statements;
- how to analyse investment, financing and operating activities;
- how to explain, analyse and adjust reported numbers to better reflect firm's economic reality;
- how one assesses a firm's profitability and the factors that affect profitability;
- how to assess the financial condition of the firm;
- whether the firm is worthy of credit;
- how to conduct a comparative financial statement analysis.

Basic requirements

The course requires an understanding of basic accounting concepts and practices. For this reason the course is recommended only to those students who have previously attended and passed a basic course in financial accounting.

References and course material

Textbook: *Financial Statement Analysis – International Edition*, Wild J.J., Subramanyam K.R., Halsey R.F. (9th ed.), McGraw-Hill, 2007. ISBN: 0-07-125441-2.

Cases & Exercises: contained within the textbook and provided by the lecturer.

Examination

Written examination structured as following:

- Open questions and multiple choices about the main topics of the course;
- Exercises: application of tools and techniques for financial statement analysis.

Students can take examination only according to the following alternative two options:

1. **OPTION 1** - Examination divided into two parts:

- a) Intermediate examination: written examination on topics presented within the first 5 lectures of the course; The intermediate examination will be structured as following:
- Open questions about the main topics of the first part of the course;
 - Exercises: application of tools and techniques for financial statement analysis;
 - Multiple choices.
- b) final examination:
- written examination at the end of the course on the remaining topics;
 - open only to those students that have passed the intermediate examination or that has gained, at least, 15 points.
 - 36 points will be available for the second part, in order to allow those students that have not gained a satisfactory result in the first part to improve their average final mark.
 - structured as following:
 - Open questions;
 - Exercises: application of tools and techniques for financial statement analysis;
 - Multiple choices.

2. **OPTION 2** - Final comprehensive examination: written examination on the whole course program.

Students who:

- have not taken the first of the two-part examination, or
- have failed the first of the two part-examination (option 1), or
- desire to improve their marks,

may take the final comprehensive examination. It will be held at the end of the course, simultaneously with the second part of the intermediate examination.

The final comprehensive examination will be structured as following:

- Open questions about the main topics of the course;
- Exercises: application of tools and techniques for financial statement analysis;
- Multiple choices.

N.B. Additional marks (up to 5) for the project work (see below) could be added to those gained in the written examination, regardless the option chosen for taking the exam.

Project Work

Students who wish to improve their final mark and want to “put in practice” skills developed during the course may prepare a final project work. It will consist in writing a financial statement analysis report using a variety of financial analysis tools covered during the course. The project work will be developed in group (up to 5 students for each group) and according to the rules fixed in the document that presents the requirements of the project work. It must be delivered to the lecturer **by 21st of December**.

The project work of each group will be evaluated by the lecturer and can gain from a minimum of 1 up to 5 marks, according to the quality and reliability of the analysis conducted. It means that each student belonging to the group can receive **up to 5 extra marks** to those gained with the examination.