Syllabus

Financial Analysis and Reporting

Professor Petya Platikanova

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Background

All financial decisions in both the private and public sector use accounting information as the basis for action. Good control of financial accounting, or more broadly, financial reporting, permits not only to explain past financial decisions but also to initiate strategic actions, grounded on financial information, and lead the business into new directions. Financial reporting has its own language and may take a variety of presentations. Additionally, accounting systems, including the authoritative guidance for financial reporting, are not identical across firms and countries. All this may confuse you in the process of learning, but should not discourage you from taking the challenge. To understand financial reporting, you need to learn the underlying concepts which will make you able to interpret financial information and forecast future developments. Equipped with accounting concepts, you would be able to discover the wonderland of financial reporting and analysis, with its variety of applications as shaped by the interaction of policy makers, management, investors, and employees.

Learning objectives

Financial reporting and analysis is a course that will prepare you to understand the business strategy and its financial implications. In the end of the course, you will:

1. Familiarly use accounting terminology and understand to some extent accounting regulation;
2. Understand the economic context of the financial reporting and the interplay between different interested parties in this process;
3. Interpret trends and encounter red flags in the four financial statements (balance sheet, income statement, cash flow statement and the statement of shareholder’s equity);
4. Distinguish the interrelation between those statements and understand their limitations;
5. Understand and interpret all types of ratios related to the company’s financial position and profitability;
6. Be able to predict the impact that a change in internal (i.e., a change in an accounting method) and external factors (i.e., economic conditions) should have on the financial results of a company;
7. Estimate the quality of financial reporting, identify possible management practices and prepare rough adjustments;
8. Prepare the forecasted financial statements of the company, which are used in valuation.

Course schedule:

SESSION 1: INTRODUCTION TO FINANCIAL ANALYSIS.


SESSION 2: ANALYSIS OF FINANCIAL DECISIONS.


SESSION 3: ANALYSIS OF INVESTMENT DECISIONS.


SESSION 4: ANALYSIS OF OPERATING DECISIONS.


SESSION 5: PROFITABILITY ANALYSIS.

SESSION 6: RETURNS AND LIQUIDITY.
Leverage and suppliers. Financial position and profitability. Forecasting.

SESSION 7: QUALITY OF FINANCIAL INFORMATION.

The course grade will comprise of the following individual/group evaluations:

1. Exam: Final exam (individual): 60%
2. Two assignments and class participation (individual): 10%
3. Course project: Financial statement analysis part (group): 25%
4. Overall assessment of the business project (group) (including the valuation and financial modelling part): 5%

In resume: individual assessment – 70%; group assessment – 30%.

Important clarifications:

* The student should pass the final exam (i.e., more than 50 points) in order to pass the course. If the exam grade is below 50 points, the course grade will be only the exam grade (with a weight of 1).

* Class participation is strongly encouraged and will be rewarded.

Bibliography
