

## MANDATORY

# FINANCIAL REPORTING AND ANALYSIS

4 ECTS

## APPROACH AND BACKGROUND

It is assumed that financial accounting is the ideal vehicle for communicating the fundamental aspects of the economic and financial reality of the company, such as the size and composition of its wealth or assets, their evolution and changes over time, the results of the specific operations to its activity, together with the process of obtaining them and the importance of the factors that make up that profit or loss, as well as the cash generated.

We are therefore talking about communication and, specifically, an information system that transforms data into useful information for decision-making by different users, both internal and external to the company. That is why it is also said that financial accounting is a language, the language to convey information about business.

The financial accounting program in question intends that we understand and feel comfortable with the terminology used in the documents or statements that it prepares, thus trying to know what they say - and also what they do not say – the said documents or financial statements.

For this reason, it is necessary to previously know those fundamentals of the accounting method necessary to understand the mechanics and logic that exist in the capture, interpretation, quantification and recording of some data, which will reflect the events that occurred in a company during a period of time . The basic and fundamental part of this knowledge would be covered to a great extent with the pre-program previously carried out.

Once the accounting method and its most relevant aspects are known, as well as the structure of the main documents or financial statements that it generates, we will be in a position to enter into the process of interpretation and analysis of said statements; process, whose essential function is to collect and convert an increasing amount and variety of data into knowledge, and thus be able to ask in an intelligent way the pertinent or relevant questions related to the management carried out in the company.

Regarding the development of the program sessions, these are fundamentally based on the resolution and analysis of Exercises and Practical Cases that, together with the support of multimedia Documentation and other complementary Documentation, will be prepared through the different work groups for further development and discussion in class.

In order to make this work properly, it is necessary for participants to prepare in advance, individually and in groups, the sessions.

Likewise, it should be noted that:

- The time to be able to deepen in the subject matter of the program will be limited, also the expectations of the knowledge to acquire must be, since an accounting expert cannot be so before at least ten years, between obtaining the degree, the specialization and the development of the profession.
- The pace and also sometimes the level of certain sessions can cause problems for those who have been "lucky" not to have run into accounting until now; in any case, this is not a program for accounting experts.
- The subject to be developed in the program cannot be injected into a vein, it requires hours of study and work, individually and especially in groups. In this sense, it is advisable that individual doubts are dealt with in the first instance within the working groups.

- The documentation that is followed in class - transparencies - constitutes a fundamental support in the learning of the subject and, therefore, it is a material object of study to the extent that it collects a summary of what one can find in several chapters of a few Accounting books.
- Multimedia documentation will also be an ideal complement for learning the subject.

In any case, we are facing a subject that does not tend to arouse passions; however, it will be attempted.

Ultimately, this program is intended to meet and cover the fundamental accounting needs of those people who carry out an EMBA program, especially managers and / or managers, present or future, non-financial, with the aim that they can be introduced with a certain basis world of business in general and finance in particular, thus being able to know the financial nature implicit in the decisions made in the company at all levels.

## **LEARNING OBJECTIVES**

Upon completion of the program, participants should be able to:

- Understand the "language" of business, its uses and its limitations.
- Interpret and understand the impact of economic events on the P&G balance sheet, income statement or account and statement of cash flows;
- Be familiar with the measurement theories underlying financial statements;
- Demonstrate an understanding of financial reporting: what they do and don't report;
- Be familiar with the differences in various financial reporting environments and its influence on the functioning of capital markets.
- Develop an awareness of ethical dilemmas in financial accounting;
- Recognize how Financial statements communicate economic events to external parties (eg shareholders, investors, creditors, etc.) and the impact that this information has on these different groups.

## **METHODOLOGY**

- The participant is encouraged to be an active learner.
- The learning process will be supported through classroom activities that include both individual and group work.
- Activities may include problem solving, analysis of specific information, discussion of cases and readings, and tests.
- The program will detail the cases, problems and / or readings assigned for each session.
- All participants are required to complete all assignments, cases, and other work.
- The working groups may be necessary to prepare and / or lead the discussion of the task assigned for the session, also to present the cases and exercises.

## **PROGRAM DESCRIPTION**

The program comprises two clearly differentiated parts. A first part, sessions 1 to 7, basically focused on the deepening and development of the accounting method seen in the pre-program, together with two of its most characteristic outputs: the Balance Sheet and the Income Statement.

A second part, sessions 8 to 14, oriented towards the more analytical aspects that includes the knowledge and elaboration of the cash flow statements - especially the Cash Flow Statement (EFE) - together with the use of one of the tools of most well-known and widely used analysis, such as the technique of relationships or ratios.

Likewise, and as a culmination of the aforementioned program, at the end of it after session 15 dedicated to the "Final Test", each of the different existing groups must submit a work consisting of the elaboration of a series of ratios in based on the Balance Sheet and Income Statement of a Company or Group of Companies to be freely chosen for the years 2017 and

2018, which implies having to work with the annual accounts or Annual Report published for the year 2018.

The ratios or metrics in question to be elaborated, in accordance with the documentation available in Technical Note CF3-114 "The Analysis of Financial Statements: Ratios. Classification, descriptions and calculations" will be communicated throughout the program.

Finally, to insist once again on the limited scope of the program, focused especially on those people who, without having an accounting and financial training, need to know the language used in the business world.

## **PROGRAM**

### **SESSION 1**

Presentation, introduction to the course and review of the main basic concepts developed in the pre-program: elements of the financial statements and criteria for their recognition and valuation; the international accounting model IAS / IFRS and the search for the economic essence on the legal form, some examples.

*Trans .: Introduction to Financial Accounting (CF3-109)*

*Others: The Conceptual Framework for Financial Reporting (sc / cf)*

Reading: Website of the Accounting and Auditing Institute (ICAC) and others of interest outlined in the bibliography

### **SESSION 2**

Analysis and recording of transactions in the accounting process: review of the accounting duality or double entry and its fundamental equation through the Eurocity case study.

Introduction to amortizations.

*Trans .: Introduction to Financial Accounting (CF3-109)*

*DM: The concept of depreciation of fixed assets (CF2-014-M) CP: Eurocity (CF1-015)*

### **SESSION 3**

Analysis and recording of transactions in the accounting process (continuation and closing of the Eurocity case with preparation of the income statement and balance sheet).

Introduction to asset impairments in the case of accounts receivable (bad debts), discounts on purchases and the distribution of results (dividends) through the Unifor case study.

Liability provisions: examples

*Trans .: Introduction to Financial Accounting (CF3-109)*

*CP: Unifor SA (CF1-014)*

### **SESSION 4**

Analysis and recording of transactions in the accounting process (continuation and closing of the Unifor case with preparation of the income statement and balance sheet).

Introduction to the accounting problems of the industrial company through the Manufacturing practical case: valuation of the transformed inventories at production cost and implications in the calculation of the cost of the merchandise sold (CMV) - product costs versus period expenses -.

*CP: Unifor SA (CF1-014)*

*DM: Manufacturing, SA (CF1-103-M)*

## **SESSION 5**

The accounting problem of the industrial company (continuation and review of the multimedia solution for Manufacturing).

Introduction to intangible or intangible assets and their accounting problems for their recognition as an asset.

*DM: Manufacturing, SA (CF1-103-M)*

*Trans.: Intangible assets - IAS No. 38 (CF3-101)*

## **SESSION 6**

Review and practice on detailed reading of a Balance Sheet

## **SESSION 7**

Review and recapitulation: QUIZ-type exercise on the first part of the program (40 min.).

## **SESSION 8**

The Working Capital Fund (FM), introduction, concept and breakdown: the Operating Needs of Funds (NOF) and Net Liquid Resources (RLN)

*Trans.: The working capital (FM) and the operational needs of funds (NOF). (CF3-004)*

## **SESSION 9**

Funds Generated by Operations (FGO) and Cash Generated by Operations (CGO).

Exercise: How much were the funds generated by Unifor SA? - CP seen in the first part of the program -, do they coincide with the increase experienced by the working capital?

*DM: Allegro ... ma non troppo! (CF1-102-M)*

## **SESSION 10**

Cash versus Profit. Introduction to the Statement of Cash or Cash Flows (EFE)

*DM: Allegro ... ma non troppo! (CF1-102-*

*M) CP: Hermanos Sánchez, SA (CF1-005)*

## SESSION 11

The Statement of Cash Flows or Cash Flows (EFE), continuation and complete elaboration of the same through the practical cases Hermanos Sanchez and Plásticos Ibónicos.

*CP: Hermanos Sánchez, SA (CF1-005)*

*CP: Iberian Plastics (CF1-012)*

## SESSION 12

The Statement of Cash or Cash Flows (EFE) (continued)

*CP: Iberian Plastics (CF1-012)*

## SESSION 13

Introduction to the analysis of financial statements through the technique of ratios: solvency, efficiency and profitability.

*Trans .: The analysis of financial statements: Ratios, classification, descriptions and calculations (CF3-114)*

*DM: Introduction to financial analysis through ratios (CF2-109-M)*

## SESSION 14

Introduction to the analysis of financial statements using the technique of ratios (continuation and recapitulation and review of the second part of the program).

## SESSION 15

Final test

## EVALUATION SYSTEM

Through the final test (70%) and the Quiz (20%) outlined in the program.

The quality of the presentations and / or work to be carried out by the different working groups (10%) will also be taken into account.

Criterion	Percentage	Comments
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