

# Syllabus

## *Course Description*

Course Title	Advanced Financial Statement Analysis
Course Code	25400
Course Title Additional	
Scientific-Disciplinary Sector	ECON-06/A
Language	English
Degree Course	Master in Accounting and Finance
Other Degree Courses (Loaned)	
Lecturers	Prof. Massimiliano Bonacchi, Massimiliano.Bonacchi@unibz.it <a href="https://www.unibz.it/en/faculties/economics-management/academic-staff/person/35968">https://www.unibz.it/en/faculties/economics-management/academic-staff/person/35968</a>
Teaching Assistant	Dott. Giacomo Fierro Dott. Mag. Julian Festini-Sughi
Semester	First semester
Course Year/s	1
CP	6
Teaching Hours	36
Lab Hours	-
Individual Study Hours	-
Planned Office Hours	18
Contents Summary	<p>This course explores the tools you will need to analyze and exploit information in corporate financial statements. The main objective of the course is to equip you with the knowledge to read, interpret and analyze financial statement data in order to make informed business decisions regarding investment, credit, or resource allocation. Such skills are required for equity and credit analysts, executives, bankers, auditors, consultants and other users of financial information. The course addresses questions such as 1) How do operating and financial decisions contribute to a firm's return? 2) Why does a firm's performance differ from its</p>

	<p>competitors? 3) Has the firm distorted its accounting numbers and how will this influence its reported performance? 4) How does the financial performance today predict future events, such as credit default or equity valuation? 5) How to derive the “right cash flow” for DCF valuation?</p>
<b>Course Topics</b>	<p>The course consists of three integrated parts:</p> <p>Part I - Understanding the business environment and financial reporting quality.</p> <p>We need to understand the business environment: Macroeconomic, Industry and Firm's Strategy.</p> <p>Part II - Framework to uncover a company's value- creation activities</p> <p>A) Introduction – Earnings Quality &amp; Financial Statement Analysis</p> <ul style="list-style-type: none"> <li>- Business Activities and Articulation of Financial Statements</li> <li>- Earnings vs Cash and concept of accrual accounting</li> <li>- Overview of Earnings Quality and Earnings Management</li> <li>- How accounting choices help/hinder our understanding of the business</li> </ul> <p>B) Review of Financial Statements</p> <ul style="list-style-type: none"> <li>- Review of line items from Core Introductory accounting and their earnings quality issues and common abuses</li> <li>- Overview of other line items to be covered in Part II</li> </ul> <p>C) Reformulation of Financial Statements</p> <ul style="list-style-type: none"> <li>- Why the need to reformulate statement?</li> <li>- Implementation issues when reformulating statements</li> <li>- Profitability Analysis</li> <li>- Other ratio analysis (growth prospects and risk)</li> <li>- Profitability analysis for a specific company</li> </ul> <p>Part II - Adjusting and assessing specific line items</p> <p>A) Revenue and Accounts Receivables</p> <ul style="list-style-type: none"> <li>- When/what/how much to recognize</li> <li>- Percentage of Completion - Financial Statements for Construction Companies</li> <li>- Multiple Element Revenue Arrangements</li> <li>- Quality of Reported Revenue</li> <li>- Gross vs Net Revenue</li> </ul>

	<ul style="list-style-type: none"> <li>- Accounts Receivables &amp; Accounts Receivable Factoring</li> <li>- Change in Accounting Estimate vs Accounting Principle</li> </ul> <p>B) Operating Capacity</p> <ul style="list-style-type: none"> <li>- Capitalize vs Expense</li> <li>- Inventory for Manufacturing Companies</li> <li>- Converting LIFO to FIFO</li> <li>- Property, Plant and Equipment</li> <li>- Asset Impairment</li> <li>- Intangible Assets</li> <li>- Goodwill Impairment</li> <li>- Capitalizing R&amp;D</li> <li>- Quality of Reported PP&amp;E and Depreciation</li> </ul> <p>C) Fixed Claims</p> <ul style="list-style-type: none"> <li>- Investments in Debt Securities</li> <li>- Leases (lessee's perspective)</li> <li>- Converting Operating Leases into Capital Leases</li> </ul> <p>D) Estimated Claims</p> <ul style="list-style-type: none"> <li>- Income Taxes</li> <li>- Permanent vs Temporary Difference</li> <li>- Deferred Tax Assets/Deferred Tax Liabilities</li> <li>- ETR vs Statutory Tax rate</li> <li>- Valuation Allowance</li> <li>- Pensions, Stock Compensation, and Other Employee Benefits</li> <li>- Equity Method Investment</li> <li>- Consolidation</li> </ul>
<b>Keywords</b>	Advanced statement analysis
<b>Recommended Prerequisites</b>	The frequency of the course "Introduction to Accounting" is strongly suggested to properly follow these lectures.
<b>Propaedeutic Courses</b>	
<b>Teaching Format</b>	The course will combine in-class explanation, problem- solving and case discussion. Students are expected to participate actively in class.
<b>Mandatory Attendance</b>	suggested, but not mandatory
<b>Specific Educational Objectives and Learning</b>	ILO (Intended Learning Outcomes)

<b>Outcomes</b>	<p>ILO 1 - Knowledge and Understanding:</p> <p>ILO 1.1 Economic and financial communication to stakeholders at national and international level.</p> <p>ILO 1.2 Business-economic models and performance measurement for planning and management control, including internal and external auditing models and methods.</p> <p>ILO 1.3 Accounting courses will also enable the acquisition of expertise in specialized topics that characterize the profession of chartered accountant and auditor.</p> <p>ILO 2 Applying knowledge and understanding:</p> <p>ILO 2.1 To develop and integrate the results of economic and financial communication into business decision-making models.</p> <p>ILO 2.2 For the design and management of corporate restructurings and other extraordinary operations.</p> <p>ILO 3 Making judgments:</p> <p>ILO 3.1 Ability to apply acquired knowledge to make strategic and operational decisions and to solve administration and finance issues for companies, intermediaries, and financial markets, while jointly considering multiple analytical perspectives—economic, legal, financial, strategic, and managerial.</p> <p>ILO 3.2 Ability to select data and use appropriate information to describe a problem related to the management of companies, intermediaries, and financial markets</p> <p>ILO 4 Communication Skills:</p> <p>ILO 4 Ability to communicate effectively, both orally and in writing, the specialized content of individual disciplines, using different registers depending on the audience and the communicative and educational purposes, and to assess the educational impact of such communication</p> <p>ILO 5 Learning Skills:</p> <p>ILO 5.1 Ability to develop general models based on the phenomena studied</p>
<b>Specific Educational Objectives and Learning Outcomes (additional info.)</b>	

<b>Assessment</b>	<p>Non-attending student: Written exams + Financial Statement Analysis of an unlisted firms of the BZ province with Revenue higher than 10 million EURO</p> <p>Attending students: Midterm and Final written exam, Assignments, Group Project ILOs 1-5 assessed</p>
<b>Evaluation Criteria</b>	<p>Not Attending Students Not attending students are evaluated through: 1) Written exam (80%) that covers the following textbook Chapters: 1, 2, 8, 9, 10, 11, 12, 18, 20 2) Assignment (20%) Financial Statement Analysis of an unlisted firms of the BZ province with Revenue higher than 10 million EURO to be submitted by the day before the exam date</p> <p>Attending Students Midterm 15 or 25%, Final 35 or 45%, Group Assignments 30%, Professionalism 10%. Your total grade will weigh the final exam more heavily if you do better on the final than on the midterm exam. That is, your final score in the class will be determined using the following formula: Final score = <math>0.30 \times (\text{score group assig.}) + 0.10 \times (\text{score professionalism}) + \text{Max} \{0.15 \times \text{midterm exam score} + 0.45 \times \text{final exam score}, 0.25 \times \text{midterm exam score} + 0.35 \times \text{final exam score}\}</math></p>
<b>Required Readings</b>	<p>FINANCIAL STATEMENT ANALYSIS AND SECURITY VALUATION</p> <p>Edition: 5</p> <p>Authors: Stephen H Penman ISBN: 9780071326407</p>
<b>Supplementary Readings</b>	
<b>Further Information</b>	
<b>Sustainable Development Goals (SDGs)</b>	Quality education