Syllabus

Course title
Advanced Financial Statement Analysis

Course code
25400

Scientific sector
SECS-P/07

Degree
Master in Accounting and Finance

Semester and academic year
1st Semester 2020-2021

Year
1

Credits
6

Modular
No

Total lecturing hours
36

Total lab hours
Not foreseen

Total exercise hours
20

Attendance
suggested, but not required

Prerequisites
The frequency of the course “Introduction to Accounting” is strongly suggested to properly follow these lectures.

Course page
https://ole.unibz.it/course/view.php?id=6974
Passw: AS_FSA_20

Specific educational objectives

The course refers to the educational activities chosen by the student and belongs to the scientific area of Business Administration, in particular it helps:

1) As a reader to understand how to interpret the financial disclosure and as a preparer how to communicate what is relevant for stakeholders
2) As an investor how to assess firms performance.

Educational objectives:
The main objective of this course is to equip you with the knowledge to:

a) read, interpret and analyze financial statement data in order to make informed business decisions regarding investment, credit, or resource allocation.

b) compare financial statement of different countries in different accounting principle regime

c) evaluate the fairness of M&A deal

d) understand and present to stakeholders the firm's financial results

Such skills are required for equity and credit analysts, executives, bankers, auditors, investor relations managers, 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 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 can a firm forecast financial statements over multiple years? 6) How to derive the “right cash flow” for DCF valuation?

<table>
<thead>
<tr>
<th>Lecturer</th>
<th>Prof. Massimiliano Bonacchi, Office E207 <a href="mailto:massimiliano.bonacchi@unibz.it">massimiliano.bonacchi@unibz.it</a> <a href="http://www.massimilianobonacchi.net/">http://www.massimilianobonacchi.net/</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific sector of the lecturer</td>
<td>SECS-P/07</td>
</tr>
<tr>
<td>Teaching language</td>
<td>English</td>
</tr>
<tr>
<td>Office hours</td>
<td>please refer to the lecturer’s web page</td>
</tr>
<tr>
<td>Lecturing assistant</td>
<td>Not foreseen</td>
</tr>
<tr>
<td>Teaching assistant</td>
<td>TBA</td>
</tr>
<tr>
<td>Office hours</td>
<td>No assistant</td>
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Part II - Adjusting and assessing specific line items
A) Revenue and Accounts Receivables
- When/what/how much to recognize
- Percentage of Completion - Financial Statements for Construction Companies
- Multiple Element Revenue Arrangements
- Quality of Reported Revenue
- Gross vs Net Revenue
- Accounts Receivables & Accounts Receivable Factoring
- Change in Accounting Estimate vs Accounting Principle

B) Operating Capacity
- Capitalize vs Expense
- Inventory for Manufacturing Companies
- Converting LIFO to FIFO
- Property, Plant and Equipment
- Asset Impairment
- Intangible Assets
- Goodwill Impairment
- Capitalizing R&D
- Quality of Reported PP&E and Depreciation

C) Fixed Claims
- Investments in Debt Securities
- Leases (lessee’s perspective)
- Converting Operating Leases into Capital Leases

D) Estimated Claims
- Income Taxes
- Permanent vs Temporary Difference
- Deferred Tax Assets/Deferred Tax Liabilities
- ETR vs Statutory Tax rate
- Valuation Allowance
- Pensions, Stock Compensation, and Other Employee Benefits
- Equity Method Investment
- Consolidation

Teaching format
The course will combine in-class explanation, problem-solving and case discussion. Students are expected to participate actively in class.

Learning outcomes
Knowledge and understanding of financial statement analysis and evaluation tools.

Ability to apply knowledge and understanding ratio analysis, cashflow analysis and evaluation models.
Making judgments on the appropriate ratio analysis, cash flow analysis and evaluation models.

Communication skills to evaluate reporting performance of a firm.

Learning skills: Ability to apply ratio analysis, cashflow analysis and evaluation models.

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<thead>
<tr>
<th>Assessment</th>
<th>Non-attending student:</th>
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<tbody>
<tr>
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<td>Written exams + Financial Statement Analysis of an unlisted firms of the BZ province with Revenue higher than 10 Million EURO</td>
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<table>
<thead>
<tr>
<th>Assessment</th>
<th>Attending students:</th>
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<tr>
<td></td>
<td>Midterm and Final written exam, Assignments, Group Project</td>
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<tr>
<th>Assessment language</th>
<th>English</th>
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<tbody>
<tr>
<td>Evaluation criteria and criteria for awarding marks</td>
<td>Not Attending Students</td>
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<tr>
<td></td>
<td>Not attending students are evaluated through:</td>
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<tr>
<td></td>
<td>1) Written exam (80%) that covers the following textbook Chapters: 1, 2, 8, 9, 10, 11, 12, 18, 20</td>
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<tr>
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<td>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</td>
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<table>
<thead>
<tr>
<th>Assessment</th>
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<tr>
<td></td>
<td>Midterm 15 or 25%, Final 35 or 45%, Group Assignments 30%, Professionalism 10%.</td>
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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:

\[
\text{Final score} = 0.30 \times (\text{score group assig.}) + 0.10 \times (\text{score professionalism}) + \max\{0.15 \times \text{midterm exam score} + 0.45 \times \text{final exam score}, 0.25 \times \text{midterm exam score} + 0.35 \times \text{final exam score}\}
\]

<table>
<thead>
<tr>
<th>Required readings</th>
<th>FINANCIAL STATEMENT ANALYSIS AND SECURITY VALUATION</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Edition: 5</td>
</tr>
<tr>
<td></td>
<td>Authors: Stephen H Penman</td>
</tr>
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<td></td>
<td>ISBN: 9780071326407</td>
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| Supplementary readings | Also, for most course topics, I will provide additional readings and exercise |