Syllabus
Course description

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 accountin principle regime
	c) evaluate the fairness of M&A deal
	d) understand and present to stakeholder 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?

Lecturer	Prof. Massimiliano Bonacchi, Office E207 massimiliano.bonacchi@unibz.it http://www.massimilianobonacchi.net/
Scientific sector of the lecturer	SECS-P/07
Teaching language	English
Office hours	please refer to the lecturer's web page
Lecturing assistant	Not foreseen
Teaching assistant	TBA
Office hours	No assistant
List of topics covered	The course consists of three integrated parts: Part I - Understanding the business environment and financial reporting quality. We need to understand the business environment:: Macroeconomic, Industry and Firm's Strategy. Part II - Framework to uncover a company's value-creation activities A) Introduction – Earnings Quality & Financial Statement Analysis - Business Activities and Articulation of Financial Statements - Earnings vs ΔCash and concept of accrual accounting - Overview of Earnings Quality and Earnings Management - How accounting choices help/hinder our understanding of the business B) Review of Financial Statements - Review of line items from Core Introductory accounting and their earnings quality issues and common abuses - Overview of other line items to be covered in Part II C) Reformulation of Financial Statements - Why the need to reformulate statement? - Implementation issues when reformulating statements - Profitability Analysis - Other ratio analysis (growth prospects and risk)

	- Profitability analysis for a specific company 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.

Assessment	**Non-attending student:** Written exams + Financial Statement Analysis of an unlisted firms of the BZ province with Revenue higher than 10 Million EURO **Attending students:** Midterm and Final written exam, Assignments, Group Project
Assessment language	English
Evaluation criteria and criteria for awarding marks	<u>Not Attending Students</u> 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 <u>Attending Students</u> 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 = $0.30 \times$ (score group assig.) + $0.10 \times$ (score professionalism) + Max $\{0.15 \times$ midterm exam score + $0.45 \times$ final exam score, $0.25 \times$ midterm exam score + $0.35 \times$ final exam score$\}$

Required readings	FINANCIAL STATEMENT ANALYSIS AND SECURITY VALUATION Edition: 5 Authors: Stephen H Penman ISBN: 9780071326407
Supplementary readings	Also, for most course topics, I will provide additional readings and exercise