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# Financial Accounting and Analysis

Professor: Amedeo Pugliese  
Germán López Espinosa

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Office hours: by appointment

Course Type: Compulsory

Credits: 4

Term: 3

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## Course Description

This course has two modules:

- Module 1: Financial Accounting
- Module 2: Financial Analysis

## Evaluation Criteria

Each of the modules will account for 50% of the final grade.

It is necessary a minimum grade of 5/10 in both modules to pass the course.

Students are required to attend at least 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program.

Students who fail the course during the regular evaluation are allowed ONE re-take of the evaluation, in the conditions specified above. If the course is again failed after the retake, the student will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the “Retake” period). In the meantime, the student will get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

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## Module 1: Financial Accounting

**Professor:** Germán López Espinosa

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### Objectives

- The capacity to analyse and synthesise problems occurred in the banking business.
- The ability to solve new problems by applying the knowledge and skills acquired.
- Drawing up and formulating conclusions and personal opinions from reports, studies, and opinions already expressed by other authors.
- Defining and expressing which solutions are most in keeping with ethical principles and corporate business responsibility principles linked to the banking business.
- Solve real cases of financial reporting decisions.
- Improve their analytical skills and logical reasoning.

### Methodology

There will be ten hour-and-a-half lectures where we will discuss the concepts, standards and effects of IFRS reporting on economic decision-making. These sessions are based on the accounting standards but the professor will focus on specific topics and cover some additional support material. Class slides will be available on Global Campus, although the lectures may not follow the slides literally. Some of the lectures will be devoted to in-class analysis of more complete cases, where student participation is especially encouraged.

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There will be classes where students will solve real accounting case studies aimed at developing the ability to make professional judgement. These case studies should help review the main concepts covered in class and prepare for the final exam.

The competences, the learning outcomes, the assessment elements and the quality of the learning process included in this Teaching Plan will not be affected if during the academic trimester the teaching model has to switch either to a hybrid model (combination of face-to-face and on-line sessions) or to a complete on-line model.

### Evaluation criteria

To pass the course, you must earn at least 50 points out of 100, according to the following distribution:

1. Class participation: 15 points.
2. Exam: 60 points (a minimum of 25 is required to pass the course).
3. Analysis and Presentation of Course Project based on IFRS 9 disclosures: 25 points.

### Retaking Assessments:

Class participation: 10 points.

Exam: 60 points (a minimum of 25 is required to pass the course).

Analysis and Presentation of Course Project based on IFRS 9 disclosures: 30 points.

Students are required to attend at least 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

Students who fail the course during the regular evaluation are allowed ONE re-take of the evaluation, in the conditions specified above. If the course is again failed after the retake, the student will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the "Retake" period). In the meantime, the student will get an "incomplete", which will be replaced by the actual grade after the final exam is taken. The "incomplete" will not be reflected on the student's Academic Transcript.

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## Calendar and Contents

1. Introduction to IFRS.	1 session
2. IAS 32. Financial Instruments Presentation.  Equity-Liability distinction.  Case Studies.	2 sessions
3. IFRS 10. Consolidated Financial Statements  The concept of Control.  How to apply the principle of Control.  Non-controlling interests (NCIs).  The effect of control on financial ratios.  Case Studies.	3 sessions
4. IFRS 9. Financial Instruments  Initial Measurement.  Subsequent Measurement.  Derecognition.  Impairment. Expected Credit Losses: <ul style="list-style-type: none"> <li>• Different buckets.</li> <li>• Lifetime ECL.</li> <li>• 12-month ECL.</li> <li>• Disclosures.</li> <li>• Impact on Regulatory Capital.</li> <li>• SA vs IRB.</li> </ul>	4 sessions

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How to Analyze IFRS 9 Disclosures: Some examples.  IFRS-9 and COVID-19 crisis.  CECL and COVID-19 crisis.	
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### Reading Materials/ Bibliography/Resources

- IAS 32
- IFRS 9
- IFRS 10
- Financial Statements (which will be provided) of 4 banks to become familiar with Notes.

### Bio of Professor

Germán López Espinosa is Professor at School of Economics and Business of Universidad de Navarra and IESE Business School. He earned his M.A. in Auditing at Colegio de Economistas de Alicante and his Ph.D. in Universidad de Alicante. His research emphasizes the link between Banking, Finance and Accounting. He has been academic fellow at IASB and visiting scholar at NYU's Stern School of Business.

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## Module 2: Financial Analysis

**Professor:** Amedeo Pugliese

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### Objectives

The objective of this module is to introduce the student to the analysis of the financial statements of a (public) company. Upon successful completion of the course, students should be able to discern the typical complexities and issues arising with valuation and interpretation of financial statements for stand-alone firms or business groups. The student is expected to be able to:

1. Understand the differences in structure and usefulness of the different financial statements and the impact of accounting regulations on these statements.
2. Analyze the financial and economic situation of a company from the data contained in the different financial statements.
3. Turn the information in the financial statements into a coherent report which describes the conclusions of the analysis.
4. Evaluate the effects of different accounting policies on company valuation.

### Methodology

The module will be structured into 10 sessions of 90-minute blocks (see the detailed, but tentative, planning below), each of which will consist of 80 minute-sessions and a 10-minute break. Sessions will include discussion of case studies, as well as lecturing which will incorporate practical exercises. In order to follow the lectures and case analyses, the student should prepare for both through personal study, and the completion of some individual and/or team complementary tasks.

Lectures will mainly provide the theoretical foundations, the concepts and methodologies that make up the main components of the course list (see lecture plan below). These classes are (loosely) based on the textbooks that support the course, but we have prepared a set of slides which review the main material more specifically. Both the textbooks and the slides should be the fundamental support for personal preparation before and / or after the lectures.

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The case study sessions (marked in the planning as "Case analysis") will include the discussion of the financial statements of real companies and relate to specific industries. One of the main aims of practical sessions is fostering students' participation in the discussions. Students are required to turn in a (short) report on the case prior to class discussion. The case writeup will have some guiding questions which will help preparing these reports. In the last practical session you will need to do a group presentation of a full-case analysis. Details on this presentation will be provided in the first week of class.

Every week you will have an additional session (for a total of five) with the TA, where you will solve practical questions. These should help you review the main topics and keep up with the theory classes.

The competences, the learning outcomes, the assessment elements and the quality of the learning process included in this Teaching Plan will not be affected if during the academic trimester the teaching model has to switch either to a hybrid model (combination of face-to-face and on-line sessions) or to a complete on-line model.

## Evaluation criteria

### Ordinary Assessment

To pass the course, you should get at least 50 points out of 100, according to the following distribution:

1. Final exam: 60 points (must get at least 25 to pass the course)
2. Continuous Ass (Class Participation): 10 points.
3. Continuous Ass (Case Analysis: 25 points.

### Retake

If the student has not passed the course, the final exam can be retaken during the retake period. The final grade will be computed using the grade in the retake exam.

### Students in remote

Evaluation of students who are following the course remotely due to justified reasons will be evaluated with the same grade items. The group project will be done individually and sent via email (to amedeo.pugliese@upf.edu) and the exam will be done online, details to be discussed with the professor.

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## Calendar and Contents

Topics and Sessions	# Sessions
<b>A. Financial Statement Analysis</b>	
Introduction to the analysis of financial statements: objectives and methodologies	2
The analysis of the statement of shareholder's equity	
The Analysis of the Balance Sheet (I): asset and liability composition	
The Analysis of the Balance Sheet (II): working capital issues; the SSAF	
Case #1	
<b>B. The Role of Financial Statements in Valuation</b>	
The main financial statements: structure and measurement	3
The Analysis of the Balance Sheet (I): asset and liability composition	
The Analysis of the Balance Sheet (II): working capital issues; the SSAF	
Case #2	
<b>C. Residual Earnings Model: Risk and Growth</b>	
The Analysis of Growth and Sustainable Earnings	4
Analysis of the Quality of the Financial Statements	
Analysis of Credit Risk and Return	
Case #3	
<b>The End of Accounting?</b>	1

## Reading Materials/ Bibliography/Resources

The main reference textbooks for the course are:

Penman, Stephen H. (P). Financial Statement Analysis and Security Valuation (5e). McGraw-Hill International.

Palepu, K., Healy, P.M. and Peeks, E. (PHP). Business Analysis and Valuation (IFRS Edition) (4e). Cengage Learning

The textbooks are referenced in the table of contents as (P) and (PHP).

Scientific articles and reports (if relevant)

Slides provided by the professor.

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## Bio of Professor

Amedeo Pugliese is a Professor of Accounting at the University of Padua and visiting professor (long-term) at the Universtitat Pompeu Fabra. Amedeo held positions at the University of Naples 'Federico II' (Italy), Queensland University of Technology (Australia) and KU Leuven (Belgium). His research interests span across corporate governance, accounting in the banking industry and the effects of changes in financial regulation during systemic crisis. His work has been published in highly reputable scientific journals, such as Academy of Management Journal, Journal of Management Studies, British Journal of Management, Corporate Governance: an International Review.