# Financial Accounting (Consolidated Financial Statements/Financial Statement Analysis)

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***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course has two main objectives: 1. To study the techniques for constructing consolidated financial statements and the cash-flow statement, so as to supplement the knowledge acquired by the student in the Business Economics and Business Quantitative Methods and Calculations courses; 2. To get the student started with financial statement analysis.

*Previous knowledge*

Financial Accounting course (First level degree – or equivalent course) is a prerequisite to Financial Accounting (Consolidated Financial Statements/Financial Statement Analysis) course.

***COURSE CONTENT***

Module I

The first module tackles the following topics: 1. Consolidated financial statements (consolidation area; standardisation of the financial statements; structure and content of summary formats; choice of valuation criteria; consolidation principles; treatment of consolidation differences; intra-group balances elision; treatment of the holdings of minority shareholders); 2. Techniques for constructing the cash-flow statement (according to national accounting principles.

Module II

The second module tackles the following topics: the objectives of financial statement analysis; the viewpoints of the internal analyst and external analyst in analysing the statements; the criteria for analysing operations and the other transactions; the reclassification of the balance sheet; the reclassification of the income statement; the reclassification of the cash-flow statement; information relevant for analysing the strategy pursued in the individual areas of the core business; information relevant for analysing financial strategies; analysing financial statements through indicators; the role of financial statement analysis in analysing business and financial forecasts.

***READING LIST***

P. Russo, *L’analisi di bilancio*, *Mc Graw Hill,* 2023. [In particular, the paragraphs indicated in the syllabus are part of the material for the examination, which will also be posted on the Blackboard platform at the beginning of the course]

OIC – Organismo Italiano di Contabilità, Principi contabili: *OIC 17 “Bilancio consolidato e metodo del patrimonio netto”* (Consolidated financial statement section).

OIC – Organismo Italiano di Contabilità, Principi contabili: *OIC 10 “Rendiconto finaziario”* .

OIC – Organismo Italiano di Contabilità, Principi contabili: *OIC 25 “Imposte sul reddito”* (some references).

***TEACHING METHOD***

The course is divided into two modules: one is on consolidated financial statement and one on statement analysis. The lectures in the second module will be implemented by optional exercises aimed at consolidating the logic and techniques of statement analysis by studying more applicative cases than those analysed in class.

***ASSESSMENT METHOD AND CRITERIA***

The examination will be a written test divided up into two parts, each of which will ascertain the student's understanding of the themes developed in each of the two modules. In order to pass the course, the student must pass both parts of the written test.

At the end of the first module, in reference to the consolidated financial statement, there will be a partial test on the module, designed to ascertain students’ knowledge of the content of the first module.

The results of this partial test will be recognised as valid for the winter examination dates and, as such, students who pass will be exempt from sitting the written examination on content from module one.

In order to pass the test students must:

Module One

* understand and know how to apply consolidating entries and draw up a consolidated financial statement using methodologies presented in class;
* be able to construct and interpret financial statements.

Module Two

* understand and know how to reclassify financial statements;
* be able to recognise the parts of a balance sheet, profit and loss account and cash flows attributable to individual lines of management and non-management operations;
* understand the relationship between economic, asset and financial data and know how to reconstruct said relationships within the economic, asset and financial analysis of single lines of management and non-management operations;
* know the determinants of typical management income and typical cash-flow management.

***NOTES AND PREREQUISITES***

Considering the course content and the teaching methods employed, regular class attendance, although not mandatory, is highly recommended.

Further information can be found on the lecturer's webpage at *http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board.*