**Financial Reporting and International Accounting Standards (for Specialisation in Management of Banks and Insurance Companies)**

## Prof. Gabriele Villa

# *COURSE AIMS AND INTENDED LEARNING OUTCOMES*

The course aims to complete the educational path on accounting information through the analysis of the most relevant information profiles that characterise the regulation of financial statements according to the IAS/IFRS international accounting standards.

In its first part, the programme provides a summary of the foundations of the IAS/IFRS financial statements. Subsequently, the course examines the main technical-evaluation aspects relating to the preparation of the IAS/IFRS consolidated financial statements: the definition of the consolidation area, the methods and procedures of consolidation, and the accounting representation of the equity investments. Through the analysis of some company cases, the course also focuses on the process of reading and interpreting the consolidated financial statements in an instrumental way to qualify the health conditions of the group and its business segments.

Then, the course explores some advanced topics of financial reporting (the choices underlying the representation of M&A transactions, the logic of the *impairment* *test* of goodwill in the group financial statements, the accounting of financial instruments), particularly relevant in the perspective of companies issuing securities listed on regulated markets. At the end, the course introduces the topic of integrating financial information into analyst forecasts in the context of preparing *equity research*.

At the end of the course, students will know:

– the rationale for preparing the financial statements according to international accounting standards;

– the logic of construction, reading and interpretation of the group's consolidated financial statements drawn up in accordance with international accounting standards;

– some advanced IAS/IFRS topics (approaches to accounting for M&A operations in the consolidated financial statements, accounting for financial instruments).

At the end of the course, students should be able to:

– prepare the consolidated financial statements of the group according to international accounting standards;

– recognise M&A transactions in the consolidated financial statements according to IFRS 3;

– develop the *impairment test* of the *goodwill* for the purposes of the consolidated financial statements pursuant to IAS 36;

– classify and value the financial instruments in the consolidated financial statements in application of IFRS 9;

– represent leasing transactions in accordance with IFRS 16;

– read and interpret the consolidated financial statements;

– understand the relationship between financial reporting and *equity research*.

***COURSE CONTENT***

1. *The IAS/IFRS financial statements: the foundations*.

* Reference principles.
* Valuation logic and the relationship between cost and fair value.
* Separate financial statements and consolidated financial statements.
* The structure of the balance sheet and income statement: classifications, OCI, recycling.

2. *The drafting of the IAS/IFRS consolidated financial statements.*

– The methodological foundations of the consolidated financial statement.

– The measurement of capital and group income.

– The origin and analysis of consolidation differences.

– Consolidation eliminations and adjustments.

3. *Business combinations under IAS/IFRS.*

– Methods for identifying *business combinations*.

– *Purchase price allocation*: assumptions and effects.

– *Minority* treatment and *step-up acquisition.*

4. *The impairment test in the consolidated financial statement.*

– Purposes and scope of the *impairment test*.

– The impairment test of intangible assets and launch.

– *Business combination, cash generating unit* and *impairment test*.

5. *Identification and evaluation of financial instruments and leasing contracts.*

– Financial instruments: concept.

– Identification and evaluation of the various categories of financial instruments.

– *Fair value* and *impairment test* of financial instruments.

– Representation of *leasing* contracts.

6. *Reading and interpretation of the consolidated financial statement.*

– A model for the interpretation of the health of the group.

– From consolidated financial statements to *segmental reporting*.

– Gaap-measures, non-Gaap measures and group performance.

– Financial reporting and *equity research*.

***READING LIST***

The textbook will be chosen from one of the following two options, indicated by the lecturer at the beginning of the course:

option 1

A. Lionzo, *Il bilancio consolidato secondo i principi contabili internazionali – Assunti, principi e logica valutativa*, in A. Palma (edited by), *Il bilancio di esercizio. Profili aziendali, giuridici e principi contabili*, Giuffrè, Milan, 2016, ch. VIII.

F. Dezzani-P.P. Biancone-D. Busso, *IAS/IFRS,* Ipsoa, 6th edition, 2022.

option 2

A. Incollingo, R. Macchioni (edited by), *Il bilancio secondo i principi contabili internazional IAS/IFRS,* 5th edition, Giappichelli, 2023.

Further reading list references as well as information on the study material to be used, including the IAS/IFRS and the OIC Documents, will be provided to students during the course.

***TEACHING METHOD***

Classroom lessons, characterised by interactive teaching and the development of some business cases, will be supplemented by a cycle of practical exercises concerning the technique for drafting the group consolidated financial statement.

Participation of experts is also scheduled.

Lectures and practical exercises are carried out with the aid of slides and other support material. The slides are made available to students through the Blackboard platform before each lesson.

Regular attendance at lessons and practical classes is an indispensable condition for the student's adequate preparation.

***ASSESSMENT METHOD AND CRITERIA***

Written exam divided into two parts: the first part is structured into multiple choice questions (both theoretical-general and applied-quantitative) relating to points 1, 3, 4, 5 and 6 of the programme; the second part consists of an exercise relating to the construction of the consolidated financial statement of the group. Students will pass the test if they achieve a score of at least 18/30 in each part of the exam.

The oral exam can be: a) requested by students who have passed the final written test, in the case they believe that their preparation does not match the results of the test; b) requested by the lecturers, including as a complete replacement of the written test indicated above.

***NOTES AND PREREQUISITES***

Students are expected to have gained adequate knowledge about:

– the fundamental principles of business management (from an institutional, strategic and organisational point of view);

– the accounting model, i.e. the process of recording values according to the double-entry method;

– the economic-financial model underlying the drafting of the year-end summaries;

– the main valuation profiles for the composition of the financial statement;

– the reading, interpretation and economic-financial analysis of the company financial statement.

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.