# Financial Statement Analysis and Managerial Accounting

## Prof. Laura Zoni

**Mod. I – Financial Statement Analysis**

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

The course is designed to provide an understanding of financial statements and of key financial metrics used to evaluate and communicate firm’s financial performance.

In terms of skill-objectives at the end of the course the student should demonstrate to:

* posses “financial statement literacy”, i.e. students should be able to examine annual reports and understand a substantial portion of information contained therein,
* be able to calculate and understand the meaning of key financial ratios (metrics),
* extract financial data from databases such as AIDA, Amadeus and Orbis to evaluate financial strengths and weaknesses of one firm,
* develop awareness on the impact of financial communication on major decision makers.

***COURSE CONTENT***

The course content is organized as it follows:

* Introduction to the content of the annual report of listed firms, users, the role of investor relator and auditors.
* Content and structures of the three main financial statements and their links: balance sheet, income statement and cash flows statement.
* Accounting principles for the evaluation of main assets and liabilities.
* Ratios and cash flow analysis.
* Key financial metrics used in financial communication.
* Firm’s financial strengths and weaknesses.

***READING LIST***

W. T Harrison Jr, C. T. Horngren, G. L. Sundem, C. W. Thomas, W. M Tietz, T Suwardy, *Financial Accounting*, International Financial Reporting Standards 11th edition, Pearson, 2018 is the recommend textbook. In the detailed program distributed via Blackboard reference is made to the relevant chapters and pages.

Additional teaching material as slides, cases, solutions, group work assignments will be uploaded in Blackboard, from time to time.

***Course Methodology***

# During the course, interactive lectures will be complemented with exercises and excerpt of real financial statements. Practice exercises from the textbook are suggested, and solutions are distributed via Blackboard. Further, to stimulate interaction and experiential learning, group work will be assigned and assessed as an integral part of the course evaluation. Group assignment(s) and a short project are described in details in the analytical programme.

# The course assumes full attendance and active participation in and outside class (group work). Should students have problems in attending, they should please contact the instructor.

***ASSESSMENT METHOD AND CRITERIA***

Skill objectives will be evaluated according to group assignment(s) (20%) and a short project (25%), and a closed book written final exam (55%), which will cover all the topics presented in the lectures.

The group assignment and the short project will be evaluated based on their completeness, in-depth analysis and consistency of the argumentations expressed.

The final exam will include a mix of multiple choice and open questions. The final exam will test the knowledge and the ability to apply it in specific firm context.

In the case of students not attending class the closed book written exam is worth 100%.

The course evaluation is expressed by means of a grade on a 30-point scale.

***NOTES AND PREREQUISITES***

The course presupposes that the students have a good understanding of introduction to financial accounting and fundamentals of management.

Information on office hours is available at <http://docenti.unicatt.it/>zoni.

**Module II – Managerial Accounting**

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

Accounting for costs and profitability measurement is vital to support different management processes: the attention directing process, the decision making process and the decision influencing process. These three processes allow companies to be “in control” e.g. improve managers’ awareness about the cost of resources and support/influence them in making goal congruent decisions.

The course is designed to develop the knowledge of fundamentals of cost accounting techniques and methodologies, improving the abilities of students in applying costing techniques and methodologies to different decision making settings.

Specifically, at the end of the course the student should be able to:

* Classify costs in relevant categories.
* Manage cost analysis.
* Structure profitability analysis.
* Support business decisions systematically, identify what are relevant costs and revenues and logically conduct the analysis.
* Critically understand a product costing system both in a traditional and in a more contemporary environment.

### **course CONTENT**

The course content is organized as it follows:

* Cost classifications
* Profitability analysis, segmental profitability.
* Cost volume profit analysis.
* Relevant costs and revenues and short-term decision making.
* Product costing: traditional versus Activity Based Costing.
* Customer profitability analysis.

 ***READING LIST***

Drury C., Management Accounting for Business, 7th Edition, Cengage Learning, 2018 is the recommended textbook. At the end of each chapter problems with solutions will be selectively assigned for practice. For the list of relevant chapters/problems see the detailed programme published in Blackboard.

Debriefing slides will be uploaded in Blackboard as well as cases and solutions.

***TEACHING METHOD***

# During the course, interactive lectures will be complemented with exercises, problems and case analysis. Practice exercises and problems from the textbook are suggested, and solutions are included in the textbook. Further, to stimulate interaction and experiential learning, group work will be assigned and assessed as an integral part of the course evaluation. Group assignment(s) are described in details in the analytical programme.

# The course assumes full attendance and active participation in and outside class (group work). Should students have problems in attending, they should please contact the instructor.

***ASSESSMENT METHOD AND CRITERIA***

Students will be evaluated according to group assignments (40%) and a closed book written final exam (60%), which will cover all the topics presented in the lectures.

Group assignments will be evaluated base on their completeness, in-depth analysis and consistency of the argumentations expressed.

The final exam will consist of a mix of exercises and multiple-choice questions. The final exam will test the knowledge and the ability to apply it in specific firm context.

In the case of students not attending class, the closed book written exam is worth 100%.

The course evaluation is expressed by means of a grade on a 30-point scale.

***NOTES AND PREREQUISITES***

The course assumes an introductory knowledge of financial accounting, fundamentals of management, and basic calculous.

Information on office hours is available at <http://docenti.unicatt.it/>zoni.