**Financial Statement Analysis and Planning & Control**

Professor Monica Veneziani and Professor Carlotta D’Este

# Module I Financial Statement AnalysisProfessor Monica Veneziani

***COURSE AIMS AND INTENDEND LEARNING OUTCOMES***

The aim of this course is to develop an understanding of the published financial statements and the role of financial analysis and analysts. Students will gain a balanced view regarding the relevance of accounting information for decision-making and the reliability of accounting statements. They will gain the intermediate skills of financial analysis and benchmark analysis. The focus is on a detailed methodology for the analysis of financial statements. This methodology is divided into four steps: qualitative reading of financial statements; construction of the reclassified statement of financial position and statement of profit or loss; building and understanding of the usual financial ratios in cross sectional and time series analysis and assessment of the financial performance of firms.

At the end of the course the student will be able to:

* Apply the main methods of analysis and interpretation of financial statements;
* Interpret the main financial statement ratios and connect the information deriving from the related analysis with the main economic, financial and equity dynamics related to business management;
* Make an assessment of a firm's level of patrimonial and financial strength, profitability and liquidity.

More in detail:

*1. Knowledge and understanding*

The overall aim of this module is to provide them with a set of key concepts, models and cases that will help students to gain a deep understanding of the complex issues of the published financial statements and the role of financial analysis and analysts in a dynamic business environment. The course considers the point of view of external analysts.

*2. Applying knowledge and understanding*

As part of the course, some reclassification and analysis methodologies will be proposed and interpreted, aimed at evaluating the global economic structure of a company by an external analyst, with the support of concrete cases and exercises.

*3. Making judgments*

After studying this module you should be able to:

a) Explore and assess the reliability of accounting statement pointing out the most critical area of financial statements;

b) Critically analyse the role of the accounting information for decision making to develop sustainable competitive advantage;

c) Synthesis the ways in which companies’ managers could improve the financial performance and acquire new market shares.

 *4. Communication skills*

The course allows students to acquire the knowledge to interact with administrative directors, CFOs, professional accountants and auditors. The course prepares students for the professions of:

- Accountant

- Manager

- Financial advisor

- Auditor

At the end of the course, students will acquire interdisciplinary communication skills related to financial statements. Communication skills are particularly developed during the training activities which include the discussion of case studies in the classroom.

*5. Learning skills*

The student, through theoretical lectures and practical exercises, matures the ability to learn the contents of the course and then apply them at the professional level.

***COURSE CONTENT***

* The financial statements in the corporate information system;
* Reliability and functions of the financial statements;
* Qualitative reading of the financial statements;
* Reclassifications of the balance sheet according to financial criteria and according to operational criteria;
* The main reclassifications of the income statement and the ability to represent the different contributions of management to the income process. The reclassified schemes: Value of production and Added value, Revenues and cost of sales.
* Indicators (financial, economic, patrimonial and development indicators);
* Cash flow statement and flow analysis (outline);
* The reference parameters for the interpretation of financial ratios and the role of databases;
* Analysis and interpretation of the financial statements;
* Cost-effectiveness, production of value and degree of sustainable development.

***READING LIST***

* Teodori C., (2022). *Analisi di bilancio. Finalità, caratteristiche, interpretazione [Financial statement analysis. Purpose, characteristics, interpretation]*. Giappichelli Editore, Torino.

Topics discussed in class will be uploaded in the area “Materiali Didattici” (slides and exercises) on the course blackboard webpage.

***TEACHING METHOD***

During the course, interactive lectures will be complemented with in-class exercises and group work. Practice exercises and their solutions will be uploaded to Blackboard.

***ASSESSMENT METHOD AND CRITERIA***

#### Assessment is the same for all students (frequented and not attending). Assessment will be in the form of a written examination. The exam involves the response to open questions of theory and the solution of exercises and case studies. To pass the exam it is necessary to achieve the sufficiency in the theoretical part (50%) and in the exercises/case studies (50%). No books of any kind, regulations, or course notes can be used during the examination. The use of a non-programmable calculator is allowed. The written exam, in addition to verifying the knowledge and understanding of the topics covered, aims to verify the above competences (see Learning outcomes): the questions, in fact, include descriptive elements but also critical ones. Necessary to pass the exam is a correct use of the terminology and a clear and concise written part that exposes the logical connections between the aspects considered. The duration is about 2 hours.

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

#### NOTES AND PREREQUISITES

The course presupposes that students enrolling already have a good understanding of accounting practices and financial statement.

Information on office hours available on the teacher's personal page at: <http://docenti.unicatt.it/>

# Module II: Planning & Control

## Professor Carlotta D’Este

***COURSE AIMS AND INTENDEND LEARNING OUTCOMES***

The course focuses on the measurements companies use in order to support management, approaching the issue from two perspectives: (i) the analysis of accounting methods used to measure financial data related to businesses’ financial performance and position, and (ii) the use of financial data in businesses’ operating and strategic decisions. The course aims at providing students with fundamentals of costing and budgeting methods and techniques to support the management in the area of decision making, planning and allocation of resources. Particularly, a full array of costing choices and techniques and economic analysis development and use will be illustrated.

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

* Calculate the product cost;
* Develop the profitability analysis consistent with the decision-making framework;
* Support short-term decision making with a schedule of relevant costs (make or buy, product/segment elimination, add-on processes, capacity allocation);
* Analyse the relationship among costs, volume and results;
* Carry out basic variance analysis;
* Prepare master budget.

***COURSE CONTENT***

The course program is developed along three sections:

* An introduction to cost terms and concepts: cost accumulation for inventory valuation and profit measurement, cost assignment, process costing, joint and by-product costing;
* Information for decision-making: cost–volume–profit analysis, Measuring relevant costs and revenues for decision-making, pricing decisions and profitability analysis, activity-based costing, decision-making under conditions of risk and uncertainty;
* Information for planning, control and performance measurement: the budgeting process, management control systems, standard costing and variance analysis.

***READING LIST***

Arcari, Programmazione e controllo, McGraw-Hill, Milano, 2023

# Additional recommended textbook for further study and additional practice:

* Baraldi S., Cifalinò A., Sacco P., Esercizi svolti di programmazione e controllo, Giappichelli, 2013.
* Gasparini, F., Programmazione e controllo. Guida allo svolgimento di esercizi e problemi, Pearson, Edizione 2016.

***TEACHING METHOD***

The course programme develops through lectures, analysis and discussion of business cases, and exercises. The teaching methods aim at equipping students with the necessary skills to design and use of main costing and budgeting methodologies.

***ASSESSMENT METHOD AND CRITERIA***

Closed-book written final exam, including applied problems, exercises and multiple choice and open-ended questions to test the knowledge and the ability to apply it.

The evaluation criteria are: correct application of the cost analysis and budgeting criteria, precision in the related calculations, clarity in the presentation of alternatives for short and long-term decisions, correct use of the technical terminology acquired and clarity in the presentation of the theoretical contents.

***NOTES AND PREREQUISITES***

The course assumes that students enrolling already have a good understanding of accounting practices.

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