**Consolidated Financial Statement and International Accounting Standards**

Professor Monica Veneziani and Professor Carlotta D’Este

**Module I – Consolidated Financial Statements**

Professor Monica Veneziani

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

The course is designed to provide the theoretical and technical foundations related to the preparation of consolidated financial statements under both Italian GAAPS and International Financial Reporting Standards (IAS/IFRS).

According to the foregoing objectives, at the end of the course students are expected to demonstrate to:

* understand and clarify the theoretical premises underlying the preparation of consolidated financial statements
* know the accounting standards and the basic accounting procedures required by law and regulations in order to prepare consolidated financial statements
* be able to prepare consolidated financial statements under the aforesaid accounting standards and procedures, using the consolidation worksheet and making consolidation entries
* be able to analyze the items presented on the consolidated financial statements, expressing an opinion on the overall value creation process of corporate groups.

More in detail:

*a) Knowledge and understanding*

This course provides students with a comprehensive understanding of consolidated financial statements and how to prepare and analyse them. The focus is on the accounting principles, methods, and techniques that are related to groups in compliance with the evolution of national and international accounting standards. The course allows the student to learn all the phases of determination of consolidated financial statement values according to national legislation.

*b) Applying knowledge and understanding*

On the basis of the knowledge acquired, at the end of the course, the student will be able to draw up and critically read the consolidated financial statements of industrial, commercial and service companies (excluding banks and insurance companies). Knowledge and understanding applied to the financial statements will also be an indispensable working tool for the studies in the PHD or master' degrees.

*c) Making judgment*

The course allows students to critically address the operational and assessment issues related to the different phases of construction of the consolidated financial statements. The student will be able to analyze, interpret and provide, with methodological adequacy, solutions to the most recurrent business problems related to the financial statements.

*d) 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.

*e) 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 complete programme is given below.

a) Group companies

a.1. Kinds of group companies.

a.2. Definition, purposes and classification of group companies.

a.3. Structure of group companies.

b) Introduction to the consolidated financial statement

b.1. Purposes.

b.2. The Legislation evolution.

b.3. National and International accounting standards.

c) Consolidation area

c.1. Financial relationship in entities excluded from the consolidation and the control of an investee.

c.2. Group area and the criteria to define the consolidated area.

d) Construction of the consolidated financial statement

d.1. Pre-conditions for consolidation.

d.2. Methods of consolidation.

d.3. Consolidation differences.

d.4. Minority interests.

d.5. Intragroup transaction.

d.6. Assessment of investments in entities excluded from the consolidation.

e) Published consolidated financial statement

e.1. Features of balance sheet and income statement.

e.2. Notes and management commentary.

e.3. Additional prospects and information.

f) Evolution of national and international accounting standards

f.1. International accounting standards.

f.2. The most important differences between national and international accounting standards.

g) Second year of consolidated financial statement (outline)

g.1. Accounting bookkeeping.

h) Reading and interpretation of consolidated financial statement

h.1. Kind of group and the consolidated financial statement.

h.2. Purpose of additional prospects and information.

h.3 Financial ratios

***READING LIST***

Teodori C., *Il bilancio consolidato. Caratteristiche, costruzione e interpretazione*, 2020, Giuffrè, Milano.

Additional teaching material, as slides, exercises and their solutions, will be uploaded to Blackboard.

***TEACHING METHOD***

During the course, interactive lectures will be complemented with in-class exercises. 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 assumes that students have a good knowledge of financial accounting basics and individual financial statement.

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

**Module II – International Accounting Standards**Professor Carlotta D’Este

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

The course deals with the topic of international harmonization of accounting standards and practices, providing students with theoretical and technical knowledge for the preparation and presentation of annual reports according to International Financial Reporting Standards IAS/IFRS.

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

* understand objectives underlying the preparation and presentation of annual reports according to the International Financial Reporting Standards IAS/IFRS
* know the IASB’s Conceptual Framework and accounting principles
* apply International Financial Reporting Standards IAS/IFRS to the preparation and presentation of firms’ annual reports
* Read and understand the results of either separate and consolidated financial statements, prepared according to International Financial Reporting Standards IAS/IFRS, understanding and identifying the main critical issues

***COURSE CONTENT***

* The international harmonization process of accounting standards and practices and the convergence between local and international GAAPs: the role of European Union and other organizations involved
* The International Financial Reporting Standards’ sources: the European Union directives and regulations and the IASB’s accounting standards
* The IASB’s Conceptual Framework: contents and structures of financial statements under IAS 1 and IAS 7
* International Financial Reporting Standards: Property Plant and Equipment, Intangibles, Inventory and Liabilities
* Financial statement analysis and companies’ financial performance assessment

***READING LIST***

Quagli A., *Gli standard dello IASB nel sistema contabile italiano*, 2019, Giappichelli, Torino.

Additional teaching material, as slides, exercises and their solutions, will be uploaded to Blackboard.

Suggested readings: International Financial Reporting Standards IAS 2, IAS 11, IAS 16, IAS 36, IAS 37, IAS 38, IFRS 16, IFRS 9.

***TEACHING METHOD***

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

***ASSESSMENT METHOD AND CRITERIA***

The course is assessed by a closed-book written final exam (100%), consisting of two distinct sections:

* the first part includes applied problems and exercises, requiring students to determine the cost of financial items and to make the related journal entries, along with the preparation and presentation of financial statements under IAS 1 and IAS 7
* the second part consists of an open-ended question, requiring the student to express an opinion on financial items presented on a listed entity’s financial statements, that will be provided together with the exam text.

The exam will be aimed at assessing students’ knowledge of accounting rules and records and their ability to apply them to exercises and problems. Furthermore, it will allow to appreciate their ability to express an opinion on companies’ overall performance.

Students assessment will take into account the accuracy in the application of accounting rules and techniques, as well as answers consistency and students’ ability to critically analyse accounting data.

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

***NOTES AND PREREQUISITES***

The course assumes that students have a good knowledge of financial accounting basics.

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