

Syllabus

Name:			
Financial Analysis			
Responsible:			
Ewa Chojnacka, PhD			
Program:	Type:	Term:	ECTS:
Bachelor	Lecture/Practical Classes	Summer	6
Contents & Objectives:			
<p>The accounting information presented in financial statements is the basis for many financial and business decisions. Understanding financial statements as well as assessing company's financial condition is an important skill for many professionals, such as for example managers, finance department employees, financial analysts or investors. Financial analysis is a kind of universal tool, which may be applied to financial statements constructed according to different accounting systems and national legislation standards. Moreover, taking into consideration that all EU-listed companies must prepare their accounts in accordance with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS), the practical application of financial analysis seems to be even more important.</p> <p>Generally, financial analysis consists of two methods. The first one is connected with the use of horizontal and vertical analysis. Horizontal analysis is the comparison of financial information over a several reporting periods, while vertical analysis is the proportional analysis of a financial statement, where each element of financial statement is presented as a percentage of another item. The second method of financial analysis is based on many kinds of ratios, which allow us to assess the profitability, solvency, liquidity, and stability of a company. During the lecture, both theoretical concepts and a case study method will be used. Additionally, students will be assigned individual tasks which they will perform during the class.</p> <p>Topics to be addressed include general information on financial analysis, general introduction to balance sheet and income statement, horizontal and vertical analysis of financial statements, financial ratios based on the balance sheet and on income statement, Du Point Model, and the limitations of financial statement analysis. The analytical approaches (case studies as well as assignments) will be illustrated using financial statements of the Polish public companies quoted on the Warsaw Stock Exchange.</p> <p>Objectives: the course objective is to prepare students to analyse and interpret financial statements from different points of view (e.g. as managers, owners or lenders). The course provides students with the key concepts and procedures of financial analysis. Students are expected to understand the fundamental concepts and to be able to apply these analytical tools and concepts in order to assess the financial standing of a company and compare it to other companies.</p>			
Prerequisites:			
The course is designed for students in the Bachelor's program who have basic knowledge of financial statement construction, i.e. balance sheet and income statement in accordance with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS).			
Course Structure:			
Week	Content		
1	General information on financial analysis (definition, concept, objectives and the scope of economic and financial analysis).		
2	Financial statements as a source of information used in the process of financial analysis (the construction of financial statements: balance sheet, income statement, selected differences between financial statements prepared according to IFS and according to the Polish Accounting Act).		
3	Horizontal and vertical analysis of balance sheet and income statement.		
4-5-6	Financial ratios analysis: balance sheet/income statement ratios (profitability analysis, operational analysis, liquidity ratios, financial leverage and debt service ratios). The limitations		

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	of financial analysis.
7	Du Pont Model.
8	The disclosure of non-financial information in company statements. The use of non-financial information in company analysis.
9-15	Team assignments. The students will be asked to work in groups, perform the analysis of public companies and then present their case.

Literature:

1. S. H. Penman, Financial Statement Analysis and Security Valuation, Boston 2010; Chapters: 7-12.
2. E. A. Helfert, Financial Analysis: Tools and Techniques. A Guide for Managers, Boston 2001; Chapters: 2, 4.
3. Various case studies.

Grading:

Contact: