

FINANCIAL ANALYSIS

COURSE OUTLINE

1. Introduction

The Financial Analysis course answers questions such as how does a company ensure that it has enough money to operate and grow? How do managers evaluate the financial health of their business?

Through case studies, lectures, and readings students learn the basic analytical skills and principles of financial analysis.

2. Objectives

Standard techniques of analysis such as ratio analysis, pro forma statements, analysis of working capital, necessary funds for operations, cash flow analysis and the calculations of their profitability are developed. Students are also introduced to the basic concepts related to management of necessary funds for operations and its interrelations with the firm's sustainable growth and competitiveness.

3. Learning Outcomes

Evaluate the basic characteristics of a business model
Analyze and interpret financial statements
Execute financial forecasts
Diagnose financial problems
Design Action Plan to remedy such problems

4. Competences

This course builds and reinforces the following competences:

- Students should possess and understand knowledge that provides the basis or opportunity for originality in the development and/or application of ideas, often in a research context.
- Students should know how to apply the knowledge acquired and their problem-solving capacity in new and little-known settings within broader (or multidisciplinary) contexts related to their area of study.
- Students should be able to integrate knowledge and deal with the complexity of making judgements based on information that is incomplete or limited, but

- includes considerations of the social and ethical responsibilities linked to the application of the students' knowledge and judgements.
- Identifying and effectively dealing with information that is relevant to the job (Information Management).
 - Using material and economic resources in the best, fastest, most economical and effective way possible to obtain the desired results (Resource Management).
 - Performing critical analysis and interpretation of the contents of a company's balance sheet, income statement and cash flow statement to diagnose problems and make decisions. Developing criteria for understanding the limitations of financial information and its subjective nature.
 - Estimating needs for operating funds and choosing the most suitable financial products to finance them: loan policies, factoring, confirming, collection and payment terms with customers and suppliers, etc.
 - Performing economic analysis of operating decisions using differential cost analysis (e.g., accepting or rejecting an order, manufacturing or outsourcing, withdrawing a product, closing a department, offering a discount).
 - Designing cost-assignment systems for assessing the profitability of products, customers and departments. Understanding the incentives and behavior derived from the organization's own system.

5. Content and Methodology

The emphasis will be placed on the financing required for the normal operations (sales) of the company, i.e. to finance current assets and current liabilities related to sales.

Finally, this course will enable you to see the financial consequences of your decisions in operations, marketing, etc. All these decisions have an effect on the balance sheet.

- Book. Everything you need in terms of tools and knowledge is in chapters 1 and 2 of the book "Finance for Managers" (FFM), Ed. McGraw-Hill, 2012 by E. Martínez Abascal. Use them as a reference any time you need them... and know them by heart. Estimated time 3 hours per chapter.
- Cases. After studying each note, we will apply that knowledge to the cases. You should be prepared to dedicate 2-3 hours per case.
- Preparation sheet (PS). In order to save time I recommend you to follow closely the preparation sheet of every case.
- Exhibits, supplements to do and done. To facilitate the calculations required (sometimes many) I have included the "supplements to do". After doing the calculations you may check them with the "supplements done" after each class, and identify errors. The supplements and exhibits are available in excel format online.

6. Evaluation

Professionalism 30% and Final Exam 70%. Professionalism includes any type of participation during the course. The details about the grading policy will be explained in class.