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Advanced financial accounting

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Course aims and intended learning outcomes

The course approaches the themes of corporate financial accounting, financial public information and financial analysis in an International Financial Reporting Standards (IFRSs) setting. Its aim is to develop an advanced and critical understanding – methodological as well as application oriented - of some of the major issues arising from drawing up, interpretation and analysis of financial statements. These skills are useful for top executives, accounting and finance managers and consultants, controllers, auditors, as well as for financial analysts of banks and institutional investors.

Due to the broadness of the subject, an applied and selective approach is adopted, integrating theory and discussion of case studies related to financial statements of entities (both banks and industrial companies or groups).

In the first part of the course, the financial reporting system and its principles are reviewed in an application-oriented approach, to help the student to develop an applied overview of the general relations and problems arising from financial reporting drawing up and analysis: these basic skills are essential for a profitable attendance at the course.

In the following parts of the course, some of the major financial accounting, analysis and reporting issues are discussed: equity and Earnings Per Share, impairment of fixed assets, financial instruments, consolidated financial statements.

Management commentary and other public corporate financial information issues are discussed during case studies.

Each topic will be considered from three related points of view: representation; measurement problems and models; impacts on information interpretation and analysis.

Course content

1. *The financial information system and its basic principles: an applied overview*
 - The relations connecting the statements of financial position, of income, of comprehensive income, of changes in equity and of cash flows.
 - The statement of cash flows: operating, investing, and financing activities.
 - Comparing financial statements and using main financial ratios.
2. *Equity and Earnings per Share (EPS)*
 - Stockholders' equity fundamentals.
 - EPS in a simple and in a complex capital structure.
 - From EPS to Price Earnings (P/E).
3. *Impairment of tangible and of intangible fixed assets*
 - Impairment basics.
 - Impairment of property, plant and equipment, and of intangible assets.
4. *Financial Instruments*
 - Classification.
 - Measurement.
5. *Consolidated financial statements*
 - Consolidated financial statements: principles.



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- Consolidated financial statements with non-controlling interest.
 - Group financial analysis and ratios: basics.
6. *Management commentary and other public corporate financial information*
- Shareholders letter and Management commentary to financial statements.
 - Interim reporting.
 - Public information in corporate Mergers, Acquisitions and Restructuring.

Reading list

Basic textbook and for mandatory preliminary readings.

D. CHRISTIAN-N. LÜDENBACH, IFRS Essentials, Wiley, 2013.

Further textbooks.

PKF INTERNATIONAL, Wiley Interpretation and application of IFRS, Wiley, 2018.

J. MAYNARD, Financial Accounting, Reporting, and Analysis, Oxford University Press, 2017.

INTERNATIONAL ACCOUNTING STANDARDS BOARD, IFRS Standards – Issued at 1 January 2018, International Accounting Standards Board, 2018 (“Red Book”, official english text of IFRSs and accompanying documents, two volumes).

IFRS, Management commentary: A framework for presentation, IFRS Practice Statements, December 2010 (available on-line on www.ifrs.org/Current-Projects/IASB-Projects/Management-Commentary/IFRS-Practice-Statement).

Textbooks use: notes.

The list of the mandatory preliminary readings chapters is available on Blackboard.

The basic textbook, providing summaries of the accounting principles and many examples, is the main reference both for mandatory preliminary readings and for the course. The further textbooks are suggested for specific needs of in-depth and updated study on particular topics.

Due to the continual evolution process of IFRSs, differences in contents between current IFRSs and suggested textbooks are common: additional materials on current IFRSs discussed during lessons will be available for students.

Indications on relevant chapters in textbooks and further readings suggestions will be given during lessons.

Additional materials (slides, business cases, papers, comments or schemes on current IFRSs, companies' separate financial statements or groups' consolidated financial statements, former exam questions and solution drafts, audio podcasts, etc.) are posted on the professor's Blackboard page.

An integrated study of textbooks, of the relevant parts of current IFRSs standards and interpretations, and of additional materials and financial statements discussed during lessons is recommended.

Teaching method

Individual mandatory preliminary readings are requested, in order to reach a uniform students' entry level, concerning both basic contents and specific financial accounting vocabulary. An early start of preliminary readings is recommended.

Lessons will combine theory with case studies, discussion of financial statements of listed entities, and related financial analyses: an active participation by students is encouraged and recommended.



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Additional materials are aimed at helping students to develop a critical and applied approach to financial accounting and financial analysis problems, as well as to enhance their communication skills on the subject.

Assessment method and criteria

Written exam. Time allowed: approximately from 100 to 120 minutes.

Assessment combines theory issues and application problems, with a particular attention to problems discussed during lessons and to materials provided.

Assessment covers several topics of the course through a set of questions (varying from 5 to 8, depending on the length and complexity of the answer required), frequently structured in subquestions in order to draw a logical path for the student's answer. In some cases schemes are provided as a further guide to answer applied questions.

Usually each question has a similar weight in total valuation; possible relevant differences in weight are communicated at the beginning of the written exam.

A wide collection of former exam texts and of solution drafts for the applied questions is available in the professor's Blackboard page and should be used as exercise book (of course paying attention to possible changes in current IFRSs).

Notes and prerequisites

Further information and news can be found on the professor's Blackboard page and on the professor's University webpage in English at http://docenti.unicatt.it/eng/alberto_marchesi.

Office hours

Office hours at Dipartimento di Scienze dell'economia e della gestione aziendale, nr. 7 via Necchi, Milano:

- either at the dates announced both on Blackboard and on the News of the professor's University webpage;
- or by specific meeting, to be requested by e-mail to alberto.marchesi@unicatt.it.