

MSc Finance and MSc Finance and Private Equity

Interpreting Financial Statements

Syllabus

The aim of the course is to provide students the basic tools to read financial accounting information. The course will take a “user” perspective while introducing the main financial accounting concepts. It covers the essential topics to prepare the students for the corporate finance course.

Topics

1. Using and understanding financial accounting information

- 1.1. The users of financial statements
- 1.2. Financial reporting standards

2. The Financial Statements

- 2.1. The balance sheet
 - 2.1.1. The fundamental accounting equation
 - 2.1.2. Assets
 - Fixed and current assets
 - Tangible and intangible assets
 - Notion of capital expenditures and depreciation
 - 2.1.3. Debt and Equity
 - Debt vs. current liabilities
 - Equity: capital stock and retained earnings
 - 2.1.4. Net working capital
 - 2.1.5. The impact of transactions on the accounting equation
 - Operational transactions
 - Financial transactions (debt/equity issuance, dividends payout and share repurchases)
- 2.2. The income statement or “P&L”
 - 2.2.1. Revenue and expenses
 - 2.2.2. Income levels (Gross margin, EBITDA, EBIT, Net Income)
 - 2.2.3. Non-cash items: depreciation
- 2.3. The statement of cash flows
 - 2.3.1. Cash flow from operating activities
 - 2.3.2. Cash flow from financing activities
 - 2.3.3. Definition of free cash flow
 - 2.3.4. Corporate liquidity vs. profitability

3. Articulation between financial statements

- 3.1. The relation between the balance sheet and the income statement
- 3.2. The relation between the balance sheet and the statement of cash flows

Text

H. Stolowy and M. Lebas, Financial Accounting and Reporting: A Global Perspective (2nd edition), Cengage Learning