

## [FINACC] FINANCIAL ACCOUNTING

### Introduction

The goal of this course is to help you understand better the financial information that companies publish in financial reports such as annual accounts and prospectuses. This knowledge is essential for business analysis and decision-making.

### Objectives

- Understand the form and purpose of the three principal financial statements (balance sheet, income statement, and cash flow statement) and how they are constructed;
- Define the key terms in them;
- Extract from them useful information about a company's business.

### Content

To interpret financial statements, one needs to understand how they have been prepared. In the first sessions we will describe the mechanics of accounting: how economic events are recorded and summarized in financial statements.

Financial statements are rarely neutral. A company's top managers might be evaluated on the numbers in them. But those same managers are also responsible for preparing the statements. Moreover, they often have discretion over the method used to account for a particular item in the accounts. The accounting estimates and methods that a firm adopts make up its accounting policies. We will devote much of the course to describing and illustrating the key accounting policy choices managers must make and examining the potential impact of those choices on the firm's accounts.

There is quite a lot of technical material in the course. Explanation and illustration of that material using lectures, readings, cases and problem assignments form the heart of the course.

The course starts by introducing the three main financial statements: the balance sheet, the income statement and the cash flow statement. The balance sheet serves as an outline to understand the accounting treatment of different economic transactions in the firm such as valuing inventories, revenue recognition, depreciation and impairment of non-current assets, different forms of financing, etc.

## Methodology

The course includes the following activities (62,5hrs):

- An introductory online course to build a solid foundation and technical notes are a required reading and serve as preparation for each session. A technical note specifically addresses the topic we will cover in class and will help you work on the case or problem assigned.
- Sessions, where we will spend most of the time discussing cases and problems. I will also bring real life examples to illustrate some of the points.
- A team assignment.
- A final individual exam.

The focus of the course will be eminently practical, and I expect your active contribution. It is important that you set up and follow a regular study schedule. Accounting is often called (and not just by accountants) 'the language of business'. As with the study of any language, to become proficient requires constant practice.

## Evaluation

1. Final Exam (70%)
2. Team Assignment (10%)
3. Participation in Class (20%)

The IESE Business School's Honor Code and Learning Partnership apply to all activities in this course. For individual assignments, unless explicitly stated, you should not interact with anyone else. For deliverables to be done in teams you should interact only with the members of your team.

## Competences

### General Competences

CG1-To explain and discuss business situations in a rigorous, effective way using both formal and informal procedures, and providing relevant information to support their observations and conclusions.

CG9-To distinguish and categorize relevant information effectively for business decision making.

### Specific Competences

CE3-To evaluate the quality of the information contained in financial reports and to detect cases of irregular accounting.

CE21-To estimate the operating needs of funds and choose the most appropriate financial products for financing: credit policies, factoring, confirming, terms of payment with clients and suppliers, etc.