



## **PCEO Grado en Derecho / Grado en Administración y Dirección de Empresas**

### **30615 - Financial Statements**

**Course 2014 - 2015**

**Curso: 3, Semestre: 2, Créditos: 6.0**

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## **Basic information**

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### **Teachers**

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### **Recommendations to attend this course**

Given that this is a compulsory subject taught in the second year, there are no prerequisites for taking this course except those necessary for enrolment in the Degree in Business Administration. Nevertheless, it would be advisable to have acquired the knowledge and skills studied in Financial Accounting I and Financial Accounting II in the first year of the degree.

The student is advised to attend the scheduled theoretical and practical classes, to carry out the proposed cases, tasks and autonomous work.

### **Course Schedule and Deadlines**

Activities and deadlines will be announced through the Online Teaching Platform (ADD) at the beginning of the term. Dates of the final exams are provided in the Faculty web site and/or in the Online Teaching Platform (ADD).

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### **Learning outcomes that define this course**

**The student, in order to pass the course, will have to show her/his competence in the following skills:**

**1:**

To be able to apply the requirements of commercial and accounting regulation regarding the elaboration and disclosure of financial-accounting reporting by companies.

**2:**

To be able to design and to present the reporting structure of the annual accounts and other reports used by companies.

**3:** To be able to implement) the principles required by Spanish law when preparing the annual accounts.

**4:**

To be able to describe and differentiate the meaning of the different items that are included in each annual account from the perspective of the evaluation of the economic-financial situation of the company.

## Introduction

### Brief presentation of the course

Financial Statements is a compulsory subject taught in the second term of the second year of the Degree in Business Administration.

Financial Statements is taught once the students have completed two six-month accounting subjects, its basic objective being to study the contents, requisites, objectives and meaning of business accounting information, especially that included in the annual accounts.

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## Competences

### General aims of the course

#### The expected results of the course respond to the following general aims

The course and the expected results correspond to the following approaches and general objectives:

- To study the objectives of business accounting reporting.
- To know the basic contents of business reporting within the Spanish regulation framework.
- To know the structure of disclosure of annual accounts and other reports used by companies.
- To learn to draw up financial statements.
- To interpret correctly the meaning of the different magnitudes that arise in the financial statements.

#### Context/Importance of the course for the master degree

The course Financial Statements is taught during the second semester of the second year of the degree in Business Administration. The students of this degree have completed two six-month accounting courses (Financial Accounting I and II). Thus, when they start Financial Statements, they know and dominate accounting technique and the recognition and valuation criteria contained in the Spanish regulation.

In this context, the course Financial Statements completes the students' knowledge of the process of the elaboration of business accounting reporting, given that its main objective is to study the way in which companies must present their accounting information to third parties, once the economic facts have been adequately registered and assessed. Furthermore, this course allows the student to correctly interpret data registered in the financial statements.

#### After completing the course, the student will be competent in the following skills:

- 1:** To elaborate and to write comprehensive management projects for companies and other entities
- 2:** To understand and to apply professional criteria with scientific rigor to solve economic, business and organizational problems.
- 3:** To use technological tools and instruments required for professional performance.

**4:** To apply knowledge in practice

## **Relevance of the skills acquired in the course**

The learning outcomes of the course Financial Statements are relevant because

- They complete the process of the elaboration of accounting reporting started in previous courses.
- They justify the aim and meaning of business accounting reporting.
- They reveal how preparers of business accounting reporting should present it.
- They illustrate how an external user of business reporting can obtain it.
- They explain the meaning of the different accounting magnitudes that conform financial statements, in general, and the annual accounts, in particular.

All the above is particularly important because most graduates will carry out their professional activity in areas where they will be obliged to work with financial statements elaborated in accordance with the criteria explained in this course, as preparers of these financial statements or as external users of the information contained within them.

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## **Evaluation**

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### **Assessment tasks**

**The student will prove that he/she has achieved the expected learning results by means of the following assessment tasks:**

**1:**

1. For the JUNE EXAM, two evaluation systems are available:

A) CONTINUOUS ASSESSMENT

The student must take two individual writing exams and carry out a group task in a group during the semester:

- **FIRST WRITTEN EXAM:** this will deal with the contents of lessons 1 to 3 of the programme, and will be taken after lesson 3 has been concluded. This exam will consist of theoretical and practical questions.
- **SECOND WRITTEN EXAM:** this will deal with the contents of lessons 4 to 8 of the programme, and will be taken after lesson 8 has been concluded. This exam will consist of theoretical and practical questions.
- **GROUP TASK:** linked with the study of the real disclosure of accounting reporting, the students should apply the knowledge acquired in weekly theoretical and practical classes to the financial statements of a real company. Periodically, the students will have to report on their progress on the dates assigned for P6-type practices and present a comprehensive report at the end of the semester.

To participate in the continuous assessment, the student must give in and discuss in class a minimum of 70% of the proposed activities.

B) GLOBAL ASSESSMENT SYSTEM

The student that does not choose the continuous assessment system, does not pass the subject in the continuous assessment system, or wants to improve his/her mark, will be entitled to sit the global exam, prevailing, in all cases, the best mark. The global exam consists of a written exam and, if the student so desires, a group task.

- **WRITTEN EXAM:** to be taken on the dates fixed by the faculty in the calendar of exams, this will consist of theoretical questions and practical cases. Theoretical questions can be closed questions (multiple choice

questions) or open-ended questions, and the student must prove that he/she has assimilated and understood the basic concepts of this course. Practical cases will be similar to those solved in the practical sessions of the course.

- **GROUP TASK:** linked with the study of the real disclosure of accounting reporting, the students should apply the knowledge acquired in weekly theoretical and practical classes to the financial statements of a real company. Periodically, the students will have to report on their progress on the dates assigned for P6-type practices and present a comprehensive report at the end of the semester.

2. In the **SEPTEMBER EXAM** the assessment will be carried out following the **GLOBAL ASSESSMENT SYSTEM**. If the students have carried out the group task during the semester, it will also be taken into account for the assessment of the September exam.

## Assessment criteria

### A) CONTINUOUS ASSESSMENT

The final mark will be calculated using the following weights of each component of the assessment:

- **FIRST WRITTEN EXAM:** 40%
- **SECOND WRITTEN EXAM:** 40%
- **GROUP TASK:** 20%

In each written exam and in the group task, students should get a minimum mark of 4 out of 10. In order to pass the subject, the final mark should be equal to or greater than 5 out of 10.

### B) GLOBAL ASSESSMENT

For students that carry out the group task, the weight of the written exam in the final mark is 80%, and the remaining 20% corresponds to the group task. The written exam and the group task require a minimum mark of 4 out of 10. To pass the subject, the final mark should be equal to or greater than 5 out of 10. If the resulting mark obtained by the student using the weights above is less than the mark obtained in the written exam, the final mark of the course will be the latter.

For students that do not carry out the group task, the mark will be the mark obtained in the written exam.

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## Activities and resources

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## Course methodology

### The learning process that has been designed for this course is based on the following activities:

The learning process designed for the course Financial Statements comprises 6 ECTS credits and distributes 150 student working hours in 60 class hours (theoretical and practical), 8 P6-type practices hours and 82 distance learning hours.

The 60 class hours of theoretical and practical sessions consist of 30 participative lectures and 30 practical hours solving problems and practical cases. The class time of the course is organised as follows:

#### - *Participatory Lectures:*

These will involve the description and explanation of basic concepts referring to the disclosure of accounting reporting by companies, in particular, dealing with the content of the annual accounts. In these lectures, the participation of students will be essential to discuss the main concepts analysed in each session.

Participatory lectures will last 2 hours and will include a revision of the most relevant concepts and the explanation of new concepts, finishing with a summary of the most relevant points of the lecture.

Students will have at their disposal the recommended bibliography for each lesson and they are expected to review it in

detail before attending the corresponding lecture.

- *Practical classes.*

Every week, besides the theoretical participatory lecture, students will attend a practical class to solve cases.

There will be two types of problems and cases. Some of them will be designed to consolidate and to help to understand the most relevant issues explained in the participatory classes. Others will deal with real business information, working with annual reports of companies that are publicly traded for easy access to the information.

Some problems and cases will be done individually but there will be other cases that will be solved by groups of 2-3 people using the methodology of the cooperative learning. Some of these cases solved in groups will have to be presented to the other class members during classes.

The P6-type practices will be carried out in different weeks during the semester. In these) practices, students will report on their progress in the real disclosure of accounting information. Questions and doubts that arise when analysing the accounting reporting of a real company will also be solved.

Finally, the 82 hours of the student's distance learning will consist of 30 reading hours and personal reflection about the programme of the course or the bibliography, 30 hours to complete the group task and 22 hours to do individual exercises, participating in learning platforms and tutorials.

## **Outline of the Programme**

**The programme offered to the students to help them achieve the learning results includes the following activities :**

**1:**

### **SECTION 1.**

#### LESSON 1.- ACCOUNTING INFORMATION

In this section, the student will learn the requirements of the accounting and commercial regulation about the elaborating and issuing of financial-accounting reporting by companies.

### **SECTION II.**

#### LESSON 2.- ANNUAL ACCOUNTS: THE BALANCE SHEET

#### LESSON 3.- ANNUAL ACCOUNTS: THE INCOME STATEMENT

#### LESSON 4.- ANNUAL ACCOUNTS: THE STATEMENT OF CHANGES IN EQUITY

#### LESSON 5.- ANNUAL ACCOUNTS: THE STATEMENT OF CASH FLOWS

#### LESSON 6. ANNUAL ACCOUNTS: THE NOTES THERETO

In this section the student can learn the structure of the annual accounts, apply the Spanish requirements to elaborate the annual accounts and understand the meaning of the different items that conform each of them.

### **SECTION III.**

#### LESSON 7.- OTHER REPORTS

Together with the annual accounts, commercial regulation obliges companies that exceed a certain size to issue two additional reports that complement the information included in the financial statements: the management report and the audit report. Although they are two reports with very different characteristics, the student will learn the meaning of both and their usefulness for knowing the financial position of the company.

### **SECTION IV.**

#### LESSON 8.- OTHER FINANCIAL REPORTING

This section will permit the student to learn the contents of another type of financial reporting that is less

regulated and less required by the commercial regulation, but that includes information with different characteristics to the information included in the annual accounts. In this context, simplified reporting, intermediate reporting, planned reporting and the elaboration and meaning of the state of value added will be analysed.

In addition to the learning activities above, with the 8 hours planned for P6-type practices, the task referring to the real disclosure of accounting reporting will be monitored and questions and doubts arising about how companies disclose their accounting reporting will be solved.

## **Course planning**

### **Calendar of actual sessions and presentation of works**

The calendar of classes will be published in the web site of the Faculty and/or in the Online Teaching Platform (ADD) and the presentation of works and other activities will be announced by the lecturer and through the appropriate channels in each group.

## **Table of contents**

### **Table of contents**

#### **LESSON 1.- THE ACCOUNTING INFORMATION**

- 1.- The accounting information. Main characteristics.
- 2.- Classification of accounting information.
- 3.- The annual accounts.

#### **LESSON 2.- ANNUAL ACCOUNTS: THE BALANCE SHEET**

- 1.- The balance sheet: expression of the financial position of the company.
- 2.- The format of the balance sheet.
- 3.- Items of the balance sheet: most significant properties.
- 4.- Functional classification.
- 5.- Classic imbalances.

#### **LESSON 3.- ANNUAL ACCOUNTS: THE INCOME STATEMENT**

- 1.- The nature of the income statement.
- 2.- The format of the income statement
- 3.- Other operational formats.
- 4.- More relevant results.
- 5.- Quality of the result for the year.

#### **LESSON 4.- ANNUAL ACCOUNTS: the statement of changes in equity**

- 1.- Objectives and usefulness of the statement of changes in equity.
- 2.- Disclosure of the statement of changes in equity.
- 3.- The statement of recognised income and expense.
- 4.- The statement of total changes in equity.

## **LESSON 5.- ANNUAL ACCOUNTS: THE STATEMENT OF CASH-FLOWS**

- 1.- Fund-flows and changes in cash.
- 2.- The statement of cash-flows.
- 3.- Elaboration of the statement of cash-flows.
- 4.- Disclosure of the statement of cash-flows.

## **LESSON 6.- ANNUAL ACCOUNT: NOTES TO THE ANNUAL ACCOUNTS**

- 1.- Concept and usefulness
- 2.- Content of the notes to the annual accounts

## **LESSON 7.- OTHER REPORTS**

- 1.- The management report.
- 2.- The audit report.

## **LESSON 8.- OTHER FINANCIAL REPORTING**

- 1.- The statement of value added.
2. Simplified reporting.
- 3.- Intermediate accounting reporting.
- 4.- Planned accounting reporting.

## **Bibliographic references of the recommended readings**

- Archel Domench, Pablo. Estados contables : elaboración, análisis e interpretación / Pablo Archel Domench, Fermín Lizarraga Dallo, Santiago Sánchez Alegría . - 3ª ed. Madrid : Pirámide, 2010
- González Pascual, Julián. Análisis de la empresa a través de su información económico-financiera : aplicaciones prácticas / Julián González Pascual . - 4ª ed. Madrid : Pirámide, D.L. 2011
- González Pascual, Julián. Análisis de la empresa a través de su información económico-financiera : fundamentos teóricos y aplicaciones / Julián González Pascual . - 4ª ed. Madrid : Pirámide, 2011