

COURSE DESCRIPTION AND OUTLINE

Course Information	
Name	FINANCIAL ANALYSIS
Code	
Degree	Business Administration and Management
Year	4º
Semester	1º and 2º
ECTS credits	5
Type of course	Optional
Department	Financial Management
Area	Finance
University	Universidad Pontificia Comillas
Teachers	Coord.: SUSANA DE LOS RÍOS SASTRE Ignacio Castejón Hernández, Iñigo Labad Arregui, Ofelia Marín-Lozano Montón, and Pedro Mirete Ferrer

Teachers Information	
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Name	Ignacio Castejón Hernández
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Tutorials timetable	To be announced in class
Name	Iñigo Labad Arregui
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Name	
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Name	
Name	Pedro Mirete Ferrer
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Phone	
Tutorials timetable	To be announced in class

DETAILED COURSE INFORMATION

Course context and application	
Contribution to Degree's professional profile	
<p>The objective of this course is to obtain a basic understanding of financial analysis. The students will learn how to apply theoretical knowledge on relevant aspects of financial analysis in real life business cases.</p> <p>The student will learn to analyze a company's financial statements and search for the necessary information related to the financial markets or the economic environment in order to use it for a company's valuation, mainly from a fundamental approach. This subject helps the student to interpret accounting statements; to prepare financial forecasts and to give his/her opinion about a company's financial situation.</p> <p>This course is useful for students who want to become financial analyst and work, for example, in investment banking.</p>	
Prerequisites	
<p>This course takes place during the last year of a business undergraduate student, and it needs to be taken after an initial course on Finance (Corporate Finance, Financial Management or the like). It assumes the student is familiar with Accounting and Financial Statements and with the different financial assets and its valuation.</p> <p>The topic is taught in English and most of the material, bibliography and recommended readings will be in English. All students must be fluent in English to be able to follow the course.</p>	

Competences - Objectives	
General Competences	
Instrumental skills	
Ability to plan and organize	
Ability to manage information from different sources	
Oral and written communication in an explicit language	
Interpersonal skills	

<p>Interpersonal skills: listening, arguing and discussing</p> <p>Ability to work in a team and leadership skills</p> <p>Critical thinking capacity</p> <p>Ethical commitment</p> <p>Recognition and respect to diversity and multiculturalism</p>
<p>Systemic skills</p>
<p>Ability to learn and work independently</p> <p>Adaptation to change</p> <p>Motivation to improve the quality of their works</p> <p>Ability to develop, transmit and report ideas, projects, problems and solutions</p> <p>Initiative and entrepreneurial spirit</p>
<p>Specific Competences</p>
<p>Conceptual (to know)</p>
<ul style="list-style-type: none"> - Knowing the meaning of efficiency in financial markets. - Analyzing, interpreting and projecting a company's Financial Statements. - Knowing and understanding the different valuation methods, both in theory and practice, and the conditions under which they should be used. - Knowing the most commonly used financial analysis types - Knowing <i>bottom-up</i> and <i>top-down analysis</i>. - Valuing a company and issuing an investment recommendation.
<p>Procedural (to know-how)</p>
<ul style="list-style-type: none"> - The student knows and understands the concept of efficiency in financial markets, the types of efficiency and their implications. - The student is able to analyze and interpret a company's financial statements, to give opinion about its financial situation and to make financial projections. - The student can search for and find the necessary information related to the financial markets or the economic environment in order to use it for a company's valuation. - The student is able to do a company's valuation based on different methods. He can tell the difference between different valuation methods and use the most suitable one. - The student is able to see the differences between technical and fundamental analysis and use the most suitable one depending on the circumstances. - The student is able to value a company based on fundamental analysis. - The student can do a well-founded <i>bottom-up</i> and <i>top-down analysis</i>. - The student is able to give a well-founded valuation of a company as well as an investment recommendation.
<p>Attitudinal (know how to be)</p>
<p>The student is honest when performing his academic activities and is not passive when faced with the dishonesty of others.</p>

COURSE CONTENT

Content Programme
Chapter 1: INTRODUCTION TO FINANCIAL ANALYSIS
1.1 Financial analysis: concepts, objectives and limitations 1.2 Types of financial analysis 1.3 Fundamental analysis vs technical analysis 1.4 Key qualifications and abilities for financial analysts 1.5 Financial analysis process
Chapter 2: TOP-DOWN SECURITY ANALYSIS
2.1 Fundamental analysis: Top-down approach 2.2 Macroeconomic analysis: a. Economic cycle b. Stock market cycle c. Business cycles 2.3 Key economic factors and its impact on international business environment
Chapter 3: FINANCIAL STATEMENT ANALYSIS
3.1 Balance Sheet analysis 3.1.1 Capital structure and the cost of capital 3.2 Income Statement analysis. 3.3 Comparative analysis of the Balance Sheet and Income Statement: common-size analysis
Chapter 4: CASH FLOW ANALYSIS
4.1 The Cash Flows Statement 4.2 Types of Cash Flow 4.3 The calculation of Free Cash Flow
Chapter 5: FINANCIAL RATIO ANALYSIS
5.1 Activity ratios 5.2 Liquidity ratios 5.3 Leverage ratios 5.4 Profitability ratios
Chapter 6: FINANCIAL FORECASTS AND PROJECTIONS
6.1 Selecting the Key Forecast Drivers 6.2 Forecasting a company's Income Statement and Balance Sheet 6.3 Sensitivity analysis
Chapter 7: MULTIPLE VALUATION
7.1 Uses and limitations of equity and enterprise value multiples 7.2 Price Earnings ratio (P/E) 7.3 EV/EBITDA. 7.4 Price to Book Value (P/BV). 7.5 Dividend yield.
Chapter 8: DISCOUNTED CASH FLOW VALUATION
8.1 Valuation using free cash flow of the firm (FCFF) 8.2 Valuation using free cash flows to equity (FCFE)

TEACHING METHODOLOGY

General methodological aspects of the course	
This course requires the students attend the class sessions. There are regular teaching sessions, case study discussions and practical problems and questions. Active student participation is important.	
Classroom methodologies: activities	Skills
<p>For the development of the content and skills previously described, the following activities will be undertaken:</p> <p>Lectures: The teacher will define and explain the technical terms and analysis, giving examples and orientation of the study of each chapter; by using different means: computer resources (PowerPoint presentations, Word and Excel), whiteboard and any other considered as appropriate depending on the situation.</p> <p>The student should listen carefully, trying to understand the rationale and ideas being explained, and making connections with his previous knowledge on the field. Classroom discussions are encouraged, and students can interrupt the professor asking questions or requesting for further explanations. Preparation prior to the class is essential to take the most of the teaching session.</p> <p>Workshops: During these workshops, the students will carry out activities and problems, supervised by the teacher, trying to apply in practice the theoretical content explained in the lectures. Sometimes the work will be done individually, and sometimes the students will work as a team.</p> <p>Seminars: A couple of sessions will be spent in presentations from guests who are professionals from different areas related to Financial Analysis. Attending these seminars is mandatory for all students.</p>	<p>Conceptual skills Interpersonal skills Attitude skills</p>
Work out of the classroom: activities	Skills
<p>Prior and post- class study of the theoretical concepts</p> <p>Outside of the classroom, the students must read the materials assigned by the teachers, they also must work and solve problems and questions and look for additional information when needed. They need to spend some time working in group assignments.</p>	<p>Systemic skills Procedural skills Instrumental skills</p>

ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
Classroom participation and discussions	5%
On-going assessments	15%
Teamwork	20%
Final exam	60%
<i>Details will be communicated on the first day of class</i>	

- To pass the course/ subject in the April-May period exam, the student will have to achieve a minimum mark of 4.0 out of 10 in the final written exam. Below this mark, the established formula will not be applied; being the course/subject graded as a fail.
- In case a student fails, in the second or subsequent attempts, the grade will be 100% the final exam mark.
- The students that have a formal exemption to attend class (including those who are on an exchange programme abroad), the course grade will be 100% of the final exam grade.

SUMMARY OF THE STUDENT EXPECTED WORKING HOURS			
Hours in classroom			
Lectures	Practical workshop classes	Seminars	Assessment
25	24	2	4
Hours outside the classroom			
Individual work on theoretical knowledge	Individual work on practical knowledge	Teamwork	Study
20	15	20	20
ECTS CREDITS:			5

BIBLIOGRAPHY AND ADDITIONAL READING LIST

Bibliography
Textbooks
DAMODARAN, A. <i>Damodaran on Valuation: Security Analysis for Investment and Corporate Finance</i> , Ed. John Willey & Sons. Available at http://pages.stern.nyu.edu/~adamodar/
Articles and news
A variety of material will be handed out in the classroom or through the Moodle course webpage
Web pages
Additional material
The student will be supplied with lesson notes and slides through the Moodle course webpage
Additional reading list
Textbooks
<ul style="list-style-type: none"> ▪ DAMODARAN, A. (2012). <i>Investment Valuation: Tools and Techniques for Determining the Value of any Asset</i>. Ed. Wiley. (2nd edition) ▪ HOOKE, J. (2010). <i>Security Analysis and Business Valuation on Wall Street</i>. Ed. John Willey & Sons. ▪ KOLLER, T., GOEDHART, M. Y WESSELS, D. (2010). <i>Valuation: Measuring and Managing the Value of Companies</i>, 5th Edition, Ed. John Willey & sons ▪ PENMAN, S.H. (2009). <i>Financial Statement Analysis and Security Valuation</i>, 4th Edition, Irwin/McGraw-Hill.