



BBA-B1-ACC-002-E-L MRS
Introduction to financial analysis
Semester 2, 2019 – 2020

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OFFICE HOURS	By appointment

COURSE DELIVERABLE	DUE DATE	WEIGHT ON FINAL GRADE
Assignment 1 (Individual)	Session 4	15%
Assignment 2 (Individual)	Session 8	15%
Group work	One week after the last class	30%
Final exam	Session 10	40%

Kedge Business School and its professors, encourage you to use your Pro-Acts, company projects and internships as privileged opportunities to apply the reflexions, theories, concepts and tools presented during this course

INTRODUCTION AND OBJECTIVES

Course Purpose & Objectives

The objective of the course is to give students a methodology and the tools to perform a financial analysis. The aim of financial analysis is to carry out a company's economic reality, by identifying its strengths and weaknesses in terms of value creation, liquidity and solvency, taking into account its environment.

Courses contribution to program objectives

KB1. Understanding management foundations and techniques

KB6. Apply managerial concepts, techniques and tools in a chosen area of specialization

Course Contribution to Application of Critical Thinking (Optional)

Courses description

Financial statements. Financial analysis. Margin analysis. Leverage effect. Liquidity. Solvency.

COURSE MATERIAL

Textbooks

P. Vernimmen. 2014. *Corporate Finance: Theory and practice*, 2nd Edition. Ed: John Wiley and Sons, Incorporated. (Cyberlibris Scholarvox)

Crossknowledge

Websites

<http://www.vernimmen.com>

SUPPLEMENTARY READINGS

References (Cyberlibris Scholarvox)

Fridson M. 2011. *Financial Statement Analysis: A Practitioner's Guide*, 4th edition. Ed: John Wiley & Sons, ISBN: 9780470635605.

Financial Analysis

Graham M. 2010. *Understanding Financial Statements: The essential guide to understanding and interpreting the financial statements of a business*. Ed: Cape Business Seminars, ISBN: 9780620488501.

Peterson Drake P. 2012. *Analysis of Financial Statements*, 3rd edition. Ed: John Wiley & Sons, ISBN: 9781118299982.

Schroeder R G. 2008. *Financial Accounting Theory and Analysis: Text and Cases*, 9th edition. Ed: John Wiley & Sons, Incorporated, ISBN: 9780470128817.

Vance D. E. 2002. *Financial Analysis and Decision Making*. Ed: McGraw-Hill, ISBN: 9780071406659.

COURSE CONTENTS AND TIMETABLE

SESSIONS	TOPIC	PRELIMINARY READING(S) AND ASSIGNMENTS	ADDITIONAL READING(S) AND ASSIGNMENTS
1	Introduction The context of financial analysis	Crossknowledge “Introduction to finance”	Vernimmen, Chapter 8 “How to perform a financial analysis”
2	The income statement	Crossknowledge Fundamentals in finance “What is an income statement?” & “What is a by function income statement”	Vernimmen Chapter 3 “Earnings” and Chapter 9 “Margin analysis : structure” Section 9.1
3	Margin analysis	Crossknowledge Fundamentals in Finance “How to analyze a by function income statement”	Vernimmen Chapter 9 “Margin analysis : structure” Section 9.2 to end of chapter
4	Leverage effect		Vernimmen Chapter 13 section 13.2 “The leverage effect
5	The balance sheet and the working capital	Crossknowledge “What is a balance sheet” “What is working capital”	Vernimmen Chapter 11 “Working capital and capital expenditures”
6	Analysis of solvency and liquidity	Cross knowledge “Financial analysis of working capital”	Vernimmen Chapter 12 “Financing”
7	Case studies		
8	The cash flow analysis	Crossknowledge Fundamentals in Finance “Understanding the cash flow statement” “How to analyze a cash flow statement”	Chapter 5 section 5.2 “Cash flow statement”
9	Case study		
10	Final exam		

TEACHING APPROACH/ INSTRUCTIONAL METHODS

A Word of Advice

Class will be conducted as a combination of lectures, class discussion and case studies. Students are expected to work on all the material provided and to be fully prepared for each session. The acquisition of fundamental knowledge requires regular work and attendance.

Organization of the sessions

During the first part of each session, the professor provides explanation of the concepts, while during the second part, students work in subgroups on examples and/or assigned exercises.

Individual Assignments

2 assignments (session 4 and session 8); Final exam

Group work

Case study

EVALUATION OF STUDENT PERFORMANCE

DELIVERABLE	%
Individual assignment #1	15
Individual assignment #2	15
Case study	30
Final Exam	40

Methods Used to Evaluate Student Performance

Individual Assignments (70%)

Individual assignment sessions #4 & #8 : students answer individually to single and multiple answer questions, true / false question and open questions. These assignments serve to control learning progress during the course. The two assignments respectively cover topics from sessions 1 to 3 and 5 to 7. Documents not allowed.

Final Exam: No documents, laptop not allowed. Students have to perform a financial analysis of a company. The objective is to evaluate students ability to perform a financial analysis, to use, calculate, analyze financial data, to come to a conclusion about a company's economic reality, taking into account its environment.

Financial Analysis

Grading criterias: Calculations 20%; Analytical skills 50%; Synthesis skills 20%; Presentation 10%

	Below Requirements	Meets Requirements	Exceeds Requirements
Calculations 20%	Do not use relevant data or mix up the data, calculations are false	$\frac{3}{4}$ of the data are relevant, $\frac{3}{4}$ of the calculations are correct	All the data used are relevant, all the calculations are correct
Analytical skills 50%	No able to choose pertinent and useful data, not able to analyze the data	Able to choose the pertinent data, analyzes and comments correctly $\frac{3}{4}$ of the data	Able to choose the correct data, able to do supplementary pertinent calculations, analyze and comment correctly all the data
Synthesis skills 20%	Not able to provide a synthesis of strengths and weaknesses of the company, do not generate solutions or infeasible ones	Able to provide a synthesis of $\frac{3}{4}$ of the strengths and weaknesses of the company, generates a single feasible solution	Able to provide a synthesis of all the strengths and weaknesses of the company, generates several feasible solutions
Presentation 10%	Lots of spelling mistakes, unclear, not easy to read	Some spelling mistakes, easy reading, clear, quite neat work	Very easy reading, no spelling mistake, very good presentation, very neat work

Collective assessment (30%)

Group work case study

Each group picks a company and performs and financial analysis of the company, using data from Point Risk database.

Instructions :

- The company should be an industrial or commercial company, avoid financial services firms (banks, insurance companies and investment banks) and real estate investment trusts, at least 3 years (2016-2018) of financial statements must be available,
- 7 to 10 pages maximum, (*before including the annexes : balance sheets, income statement, ...*),

Financial Analysis

- Dead line : the week following the last session
- Send the report to **karim.elasri.kedgebs@analyse.urkund.com**
- Incomplete reports or reports not following preparation instructions will not be graded.

Suggested structure report :

- Brief presentation of the company (20 lines max) : 2 points
- Examination of revenues and charges, how operating profit and benefit are formed ? (based on the last three years), analysis of pertinent ratios, leverage effect (éventuellement) : 4 points
- Financial policy of the firm, analysis of the components of the nature and the components of working capital, compare to a competitor (3 years) : 4 points
- Financial structure : analysis of debt ratios over three years : 3 points
- Synthesis of major elements, strenghts and weaknesses of the company : 5 points

Grading criteria:

Relevance of data and calculations : 20% ; Analytical skills : 40% ; Synthesis skills : 30% ; Presentation : 10%

	Below Requirements	Meets Requirements	Exceeds Requirements
Relevance of data and calculations 20%	Do not use relevant data, calculations are false	$\frac{3}{4}$ of the data are relevant, $\frac{3}{4}$ of the calculations are correct	All the data used are relevant, all the calculations are correct
Analytical skills 40%	No able to choose pertinent and useful data, not able to analyze the data	Able to choose the pertinent data, analyzes and comments correctly $\frac{3}{4}$ of the data	Able to choose the correct data, able to do supplementary pertinent calculations, analyze and comment correctly all the data
Synthesis skills 30%	Not able to provide a synthesis of strengths and weaknesses of the company, do not generate solutions or infeasible ones	Able to provide a synthesis of $\frac{3}{4}$ of the strengths and weaknesses of the company, generates a single feasible solution	Able to provide a synthesis of all the strengths and weaknesses of the company, generates several feasible solutions
Presentation 10%	Lots of spelling mistakes, unclear, not easy to read	Some spelling mistakes, easy reading, clear, quite neat work	Very easy reading, no spelling mistake, very good presentation, very neat work

Financial Analysis



Isabelle Ducassy is a professor of Finance at Kedge BS (September 2003). She teaches financial analysis and corporate finance. Isabelle Ducassy holds a PhD from Toulouse University. Her research focuses on corporate finance, and her areas of interest are financing choices, financial structure, performance, ownership structure (and particularly family business).

ACADEMIC FRAUD

Definition

Academic fraud is a breach of ethics.

“Is achieved using unfair means or deception, to obtain material or undue moral advantage, or with the intent to avoid the enforcement of laws”. (Translated from the original source: Dictionnaire Juridique des Lois, 2010, available at: www.dictionnaire-juridique.com/definition/fraude/php)

Plagiarism consists of attributing authorship by (partial or total) copying, imitation or misappropriation.

The act of fraud is committed by one or more students/participants when they:

- appropriate written or oral work to themselves when they are not the author (in whole or in part) of the work, by omitting any references or quotations to the author or to the owner of the work;
- present any data that has been falsified or invented in any way;
- use the identity of the author, attributing the contents of and/or a resource to him/her, but without explicitly mentioning that they are not the author;
- appropriate the creative work of someone else and present it as their own;
- acquire excerpts of texts, images, results etc. from external sources by including them in their own work without mentioning the origins of the excerpts;
- summarise the original idea of an author by expressing it in their own words but omit quoting the source;
- cheat in an academic evaluation.

Plagiarism can occur in:

- an academic article or book;
- an exercise or a case study;
- a study or a report;
- a dissertation or a thesis;
- any document of which the student/participant is not, but purports to be the author.

Sanctions

Any student/participant having committed academic fraud, or having participated in it, will be sanctioned by the professor in charge of the course. The professor can apply 1st and 2nd level sanctions (detailed below). The professor will send a copy of the sanction to the student's/participant's programme. The student/participant will be informed/and or convoked by the programme director (or his/her representative) to a hearing prior to the possible convening of the Kedge Business School Disciplinary Council. In the case of a hearing of the Disciplinary Council, they can decide to apply 3rd and 4th level of sanctions.

Any student/participant guilty of academic fraud will receive one of the following sanctions:

Financial Analysis

- Applied by the professor in charge of the course, Kedge Business School faculty member (1st and 2nd level):
 - A grade of zero for the work concerned and a formal warning;
 - A grade of zero for the course or module concerned and a formal warning.
- Applied by Kedge Business School's Disciplinary Council (3rd and 4th level):
 - Suspension from the programme for one or two semesters;
 - Exclusion from the programme.

N.B.: Plagiarism within a partner institution can result in these sanctions being applied by Kedge Business School, notwithstanding partner's decision.