

FINANCIAL STATEMENT ANALYSIS AND BUDGETING PROCESS

Master in Management and Strategy MIMS SEP-2024 S-FIT

Area Accounting and Management Control

Number of sessions: 15

Term: Functional Specialization

Category: regular

Language: English

Professor: **LUCIA EGEA RONDA**

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Vice Dean, IE Business School Helping Leaders Find Purpose and Build Lasting, Sustainable Business models - Professor | Board Member | Keynote Speaker| Finance passionate | Marathon runner | MotherOf2

International experience at C-level in EdTech, Finance, Business Development, Strategy and Start ups. Professional background developed in Latam, Europe and the US, where Lucía has performed across the value chain: FMCG, Pharma, Telecom, Manufacturing, Consulting and Education domains getting a holistic overview of the business. Intuitive thinker, she likes solving complex problems through analysis and creativity, and bringing positive disruption.

Advisory board member, Business partner and IE educator, she is involved in different initiatives (sustainable corporate development, international challenges, sustainability projects). Orchestrator and Professor at Headspring Executive Development (Joint Venture of IE and Financial Times)

Double graduated cum Laude in business studies both in Spain and in the UK, and number 1 Executive MBA at IE Business School, her curiosity and energy makes her a permanent learner (futures design, human centered approaches, digitalization...)

Mother of 2 and marathon runner, she is bilingual English / Spanish and fluent also in German.

Office Hours

Office hours will be on request. Please contact at:

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Professor: **LUIS FERNANDEZ-REVUELTA PEREZ**

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CV

Ph D. in Business Administration
Member Board of Directors Banco Crédito Cooperativo (Cajamar)
Full Professor in Management Accounting, Universidad de Almería
Ex-Vicepresident of Planning and Quality, Universidad de Almería
Ex-Cajamar Professor in Agribusiness
Consultancy in Costs and Management Control
Associate Professor IE Business School

Office Hours

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SUBJECT DESCRIPTION

The "Financial Statement analysis and budgeting" program is a part of the Master in Management and Strategy, designed to provide students with an in-depth understanding of financial analysis and budgeting through an innovative and practical approach. The course consists of 15 sessions, where the class operates as a simulated company, MIMS (Medical Device Corporation). The faculty acts as the Finance and Accounting Director and Budgeting and Controlling manager, while students form groups aspiring to join the company's accounting department.

During the sessions we will review the main aspects of the financial statements with special interest in the balance sheet, cash flow and the projections of budgets.

LEARNING OBJECTIVES

Upon completion of the course students will be able to:

1. understand the framework for making business decisions using information obtained from the main financial statements;
2. Identify and describe the key aspects affecting a company's cash generation model;
3. Understand the different cash flow patterns depending on a company's life cycle.
4. How to build P&L budgets
5. Identify the decisions to be made with the budgeted information
6. Evaluating the performance

TEACHING METHODOLOGY

IE University teaching method is defined by its collaborative, active, and applied nature. Students actively participate in the whole process to build their knowledge and sharpen their skills. Professor's main role is to lead and guide students to achieve the learning objectives of the course. This is done by engaging in a diverse range of teaching techniques and different types of learning activities such as the following:

For the FINANCIAL STATEMENT ANALYSIS block, 4 double sessions have been designed following the structure below:

Context and Background (30-45 minutes):

The professor provides a comprehensive overview of relevant accounting principles and financial reporting foundations.

This segment includes theoretical explanations, real-world examples, and interactive discussions to ensure a solid understanding of the topics.

Team Work and Analysis - MINI CHALLENGE (Approximately 1 hour):

Students work in teams to apply the learned principles to analyze the financial reports of MIMS and its competitors.

Each team is assigned a specific mini challenge that aligns with the session's focus, encouraging practical application of theoretical knowledge.

Presentation of Findings (5 minutes per team):

At the end of each session, each team presents their findings and analysis.

Presentations are evaluated based on accuracy, depth of analysis, and clarity of communication.

All modifications will be announced in due time.

Learning Activity	Weighting
Lectures	15.0 %
Discussions	20.0 %
Group work	20.0 %
Individual studying	45.0 %
TOTAL	100.0 %

AI POLICY

Generative artificial intelligence (GenAI) tools may only be used in this course for proofreading, grammar check, or image generation, with appropriate acknowledgement. GenAI may not be used for generating answers to class assignments, group submissions, exams. If a student is found to have used AI-generated content inappropriately, it will be considered academic misconduct, and the student might fail the respective assignment or the course.

If you are in doubt as to whether you are using GenAI tools appropriately in this course, I encourage you to discuss your situation with the professors.

PROGRAM

SESSIONS 1 - 2 (LIVE IN-PERSON)

Sustainability Topics:

- Governance

FSA 1+2 - Introduction - Financial Statement Analysis I

Introducing the FSA block.

Understanding class logistics, group work, and evaluation.

Current challenges in interpreting accounting information.

The Financial Statements. Financial Statements and Business Decisions. Investing and Financing Decisions and the Accounting system.

Deep dive on the different techniques to analyze a company: vertical and horizontal analysis, peer to peer comparison, ratio analysis. Decomposing ROE with Dupont.

Book Chapters: Libby, Libby, Hodge (2023). Financial Accounting - Chapter 13. Analyzing Financial

Statements (See Bibliography)

Article: The Trouble with Annual Reports (Financial Times) (CED)

Book Chapters: Libby, Libby, Hodge (2023). Financial Accounting - Chapter 13. Analyzing Financial Statements (See Bibliography)

SESSIONS 3 - 4 (LIVE IN-PERSON)

FSA 3 + 4 - Deep dive on The Statement of Cash Flows

Deep study the Statement of Cash Flows. Understanding the company's operating, investing and financing activities.

Cash Flow profiles

Connecting strategy with numbers. The consequences of a company's decisions.

Team Work and Analysis - **MINI CHALLENGE 1** (Approximately 1 hour):

- Students work in teams to apply the learned principles to analyze the financial reports of MIMS and its competitors.

Each team is assigned a specific mini challenge that aligns with the session's focus, encouraging practical application of theoretical knowledge.

Book Chapters: Libby, Libby, Hodge (2023). Financial Accounting - Chapter 13. Analyzing Financial Statements (See Bibliography)

Practical Case: Financial Policy at Apple, 2013 (A) (HBS 214085-PDF-ENG)

Book Chapters: Libby, Libby, Hodge (2023). Financial Accounting - Chapter 12. Statement of Cash Flows (See Bibliography)

SESSIONS 5 - 6 (LIVE IN-PERSON)

FSA 5 + 6 - Advanced Financial Analysis

Team Work and Analysis - **MINI CHALLENGE 2** (Approximately 1 hour):

- Students work in teams to apply the learned principles to analyze the financial reports of MIMS and its competitors. Each team is assigned a specific mini challenge that aligns with the session's focus, encouraging practical application of theoretical knowledge.

Practical Case: Cash Flow Statement Confessions: Department Store Retailers (A) (UV7320-PDF-ENG)

SESSIONS 7 - 8 (LIVE IN-PERSON)

FSA 7 + 8 - MINI CHALLENGE 3 + final quiz

Content review + QUIZ

Team Work and Analysis - **MINI CHALLENGE 3** (Approximately 1 hour):

- Students work in teams to apply the learned principles to analyze the financial reports of MIMS and its competitors.
- Each team is assigned a specific mini challenge that aligns with the session's focus, encouraging practical application of theoretical knowledge.

SESSIONS 9 - 10 (LIVE IN-PERSON)

PLANNING AND BUDGETING

Budgets and the Budgetary cycle

Advantages of Budgets

Time coverage of Budgets

Steps in developing an Operating Budget Budgeting and Responsibility Accounting Human Aspects of Budgeting

Own Material: C. Cano Sailing (S-C)

SESSION 11 (LIVE IN-PERSON)

Static Budgets & Flexible Budgets

Flexible-Budget Variances and Sales-Volume Variances

Price Variances and Efficiency Variances for Direct Cost Inputs Planning of Variable and Fixed Overhead Costs

Developing Budgeted Variable Overhead Cost Rates & Variances

Developing Budgeted Fixed Overhead Cost Rates & Variances

Practical Case: Nikea Cupboards

SESSIONS 12 - 14 (LIVE IN-PERSON)

Department Challenge: Budget Performance Evaluation

SESSION 15 (LIVE IN-PERSON)

FINAL EXAM - BUDGETING

EVALUATION CRITERIA

Student must pass both sections (Budgeting process, and Financial Statement Analysis). The grade breakdown is as it follows:

	Financial Statement Analysis (50% of total grade)	Budgeting Process (50% of total grade)
Class participation	30%	30%
Group work (department challenge)	30%	30%
Final assignment / exam	40%	40%

criteria	percentage	Learning Objectives	Comments
Final exam	40 %		
Class participation	30 %		
Group Presentation	30 %		

FAILING GRADE AND REASSESSMENT

When students receive a Fail in a course, they have the opportunity to present themselves for reassessment in order to earn the necessary credits toward graduation.

The reassessment of students should be scheduled between 5 and 10 working days after the review session takes place.

Grades for the reassessment are limited to a Low Pass and Fail.

Both, the initial Fail as well as the grade of the reassessment remain on the transcript. For the purpose of calculating the GPA however, only the grade of the reassessment is to be considered. Students receiving a failing grade in the reassessment of a course will not be able to continue in the program.

BIBLIOGRAPHY

Recommended

- Libby, Libby, Hodge. (2023). *Financial Accounting*. 11th. McGraw Hill. ISBN 9781264229734 (Printed)

- Datar & Rajan. (2018). *Horngrén's Cost Accounting: A managerial emphasis*. 16th. Prentice-Hall. ISBN 1292211547 (Printed)

BEHAVIOR RULES

Please, check the University's Code of Conduct [here](#). The Program Director may provide further indications.

ATTENDANCE POLICY

Please, check the University's Attendance Policy [here](#). The Program Director may provide further indications.

ETHICAL POLICY

Please, check the University's Ethics Code [here](#). The Program Director may provide further indications.