

4MFCEZ05 - Financial Analysis

Professor: Tamara NEFEDOVA
Contact information:
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Department: MSO
Semester: 1

Course level: Graduate (M1)
Domain: Economics
Teaching language: English
Number of in-class hours: 24 hours
Number of course sessions: 15h of lectures and 9h of tutorials + Exam
ECTS: 3

Course description and objectives

The course presents a range of targeted tools and techniques for analysis of a business. Financial analysis is used to decide whether a company is solvent, liquid, and profitable enough to be invested in. The course teaches students to think critically when analyzing financial data and to make different decisions based on user-group objectives.

You will learn how to:

- perform a financial analysis of a firm to assess a firm's performance and value
- learn and apply basic valuation techniques
- conduct a credit analysis based on the fundamental analysis approach

Teaching methods include lectures, exercises and case studies. You will be working individually and in groups

Prerequisites

To be successful in accomplishing the requirements of the course, we expect you to have knowledge of **(introductory) financial accounting**.

If you feel you do not have a sufficient background to follow this course, but you are strongly motivated to do so, you can use one or several resources from the list below to catch up:

Quick review of Financial Accounting:

- A quick overview of financial statements by Asquith Damodaran:
http://pages.stern.nyu.edu/~adamodar/New_Home_Page/AccPrimer/accstate.htm
- Chapter 2 and 3 in "Financial Statement Analysis: Valuation - Credit Analysis - Executive Compensation" by Christian Petersen and Thomas Plenborg, Pearson 2012
- Introductory Financial Reporting Standards, by John McCallig, 2nd edition, 2008
- Introductory Financial Accounting and Reporting, by Barry Smith, 2010

Assignments and grading

- Final written examination: 70%
- Group work: 30%

The numerical grade distribution will dictate the final grade. The passing grade for a course is 10/20.

Class participation: Active class participation – this is what makes classes lively and instructive. Come on time and prepared. Class participation is based on quality of comments, not quantity.

Exam policy: In the exam, students will not be allowed to bring any document (except if allowed by the lecturer). Unexcused absences from exams or failure to submit cases will result in zero grades in the calculation of numerical averages. Exams are collected at the end of examination periods.

Course Outline

(Subject to adjustments)

- 1. Financial Analysis and Financial Statements (review)**
- 2. Preparing Cash Flow Statement**
 - a. Indicate the usefulness of the statement of cash flows
 - b. Distinguish among operating, investing, and financing activities
 - c. Prepare a statement of cash flows using the indirect method
 - d. Analyze the statement of cash flows
- 3. Working Capital: concept, estimation and sources**
 - a. Company cycles: investment –financing – operational
 - b. Working Capital concept and Working Capital ratios
 - c. Estimating the need in WC
 - d. Sources of Financing of the WC
 - e. Working Capital and Firm Value
- 4. Ratio Analysis**
 - a. Operating Performance
 - b. Analyzing company's investment policy
 - c. Economic and Financial Profitability
- 5. Valuation**
 - a. Multiple approach or peer-group comparison
 - b. Dividend Discount model
 - c. Discounted cash flow (DCF)
- 6. Debt Financing and Risk Analysis**
 - a. Types of risks
 - b. Measuring Financial Flexibility
 - c. Measuring Short-term Liquidity
 - d. Analyzing Credit and Bankruptcy risks
 - e. Credit Ratings

Bibliography

- [Petersen] Financial Statement Analysis: Valuation - Credit Analysis – Executive Compensation by Christian Petersen and Thomas Plenborg, Pearson 2012
- [Bradshaw] Financial Reporting, Financial Statement Analysis and Valuation: A Strategic Perspective, Mark Bradshaw, James M. Wahlen, 8th Revised Edition or more recent edition (more advanced textbook)
- [Berk] Berk J., et P. Demarzo, Corporate finance, Pearson, 2014
- [Vernimmen] Corporate finance, Theory and Practice, by Pierre Vernimmen, Pascal Quiry, Maurizio Dallochio, Yann Le Fur and Antonio Salvi, John Wiley & Sons, 3rd edition, any recent edition (select chapters)
- Vernimmen English website : www.vernimmen.com
- [BrealyMyers] Corporate finance, Richard Brealey, Stewart Myers and Franklin Allen, McGraw-Hill Irwin, recent edition (select chapters)

- **Other sources:**
 - Companies' websites
 - Databases (COMPUSTAT)

For pre-course study:

- Quick review of Financial Accounting:
- http://pages.stern.nyu.edu/~adamodar/New_Home_Page/AccPrimer/accstate.htm
(A quick overview of financial statements by A. Damodaran)
- Introductory Financial Reporting Standards, by John McCallig, 2nd edition, 2008
- Introductory Financial Accounting and Reporting, by Barry Smith, 2010

Detailed Financial Accounting Textbook:

- [Weygandt] Financial Accounting, IFRS 2 nd edition, by Weygandt, Kiemel, Kieso, 2012

Academic integrity

Be aware of the rules in Université Paris Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work, or that of your own group. Working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.

Academic calendar

Dates (Monday/Sunday)		M1 droit / SG / S.ECO/S.SSO **
02/09/19	09/08/19	
09/09/19	15/09/19	1
16/09/19	22/09/19	2
23/09/19	29/09/19	3
30/09/19	06/10/19	4
07/10/19	13/10/19	5
14/10/19	20/10/19	6
21/10/19	27/10/19	7
28/10/19	03/11/19	Holidays
04/11/19	10/11/19	8
11/11/19	17/11/19	9
18/11/19	24/11/19	10
25/11/19	01/12/19	11
02/12/19	08/12/19	12
09/12/19	15/12/19	Review w.
16/12/19	22/12/19	Exams
23/12/19	29/12/19	Holidays
30/12/19	05/01/20	
06/01/20	12/01/20	
13/01/20	19/01/20	