

# CASH FLOW ANALYSES (22E00600, 6 cr)

## SYLLABUS

Version August 2017

Instructors' contact information	Course information
<b>Name:</b> Emma-Riikka Myllymäki <b>E-mail:</b> emma-riikka.myllymaki@aalto.fi <b>Office:</b> G3.08 <b>Office Hours:</b> By appointment	<b>Status of the course:</b> M.Sc. degree, advanced elective course in accounting <b>Academic Year, Period:</b> I (Fall 2017) <b>Location:</b> Chydenia Tue 14:15-16:00 and Thu 14:15-16:00, <b>except Thu 28.9. 12:15-14:00 main building</b>
<b>Name:</b> Jari Melgin <b>E-mail:</b> jari.melgin@aalto.fi <b>Office:</b> G3.35 <b>Office Hours:</b> By appointment	<b>Language of Instruction:</b> English <b>Course Website:</b> <a href="https://my-courses.aalto.fi/course/search.php?search=22E00600">https://my-courses.aalto.fi/course/search.php?search=22E00600</a>

### 1. LEARNING OUTCOMES

After completing the course, students have knowledge and skills needed in analyzing cash flow information from the perspective of an outside stakeholder. Moreover, students will have knowledge of balance sheet forecasting, liquidity planning and the basics of cash management from the perspective of a company management. Moreover, students are familiar with the research on cash flows.

### 2. OVERVIEW

The purpose of cash flow analyses; cash flow statement as a part of financial statements; cash flow -based ratios; financial statement users' perspective on cash flow information; the strengths and weaknesses of cash flow information in financial statement analysis; the connection between balance sheet and strategic liquidity planning and short term working capital and cash management; research on cash flows

### 3. PREREQUISITES

Introduction to Accounting (22A00100), Introduction to Financial Accounting (22C00100), Financial Accounting (22C00400), Capstone (BsC) (22C99904), or comparable courses at another University.

#### 4. ASSESSMENT AND GRADING

Grading scale 0 – 5. Grading is based on the total points from final exam and exercises. Max 100 points, which consists of

- max 60 points from the exam, and
- max 40 points from the exercises.

To pass the course, student must obtain

- a) at least 30 points from the exam (= 50 % x 60 points) AND
- b) at least 50 points from the whole course: exam and exercises (= 50 % x 100 points).

The points from the exercises are valid in the three exams of the academic year 2017-18.

#### 5. ASSIGNMENTS

##### **Exercises**

- Five (5) exercises in total, and the solutions to the exercises are discussed in the exercise classes.
- The written solutions to the exercises must be submitted to MyCourses before each exercise class.
- The solutions to the exercises are prepared either alone or in a group (max 3 group members).
  - o The course participants form the groups themselves.
  - o The group itself takes the responsibility of ensuring equally distributed workload.
- Each exercise is graded 0-8 points. Points are based on the solution and active class participation.

#### 6. READINGS

- IAS 7 Statement of Cash Flows.
- Mackenzie, B., Njikizana, T., Coetsee, D., Chamboko, R., Colyvas, B., Hanekom, B., & Selbst, E. *Wiley IFRS 2014: Interpretation and Application of International Financial Reporting Standards*. E-book. Chapter 6: Statement of Cash Flows.
- Scott, W.R. 2015. *Financial Accounting Theory*. 7<sup>th</sup> edition. Chapter 11: Earnings management.
- Jury, T.D.H. 2012. *Cash flow analyses and forecasting: the definitive guide to understanding and using published cash flow data*. E-book.
- Hales, J., and S. F. Orpurt. 2013. A review of academic research on the reporting of cash flows from operations. *Accounting Horizons*, 27(3): 539-578.
- Orpurt, S. F., and Y. Zang. 2009. Do Direct Cash Flow Disclosures Help Predict Future Operating Cash Flows and Earnings? *The Accounting Review* 84 (3): 893-935.
- Nwaeze, E. T., S. S. M. Yang, and Q. J. Yin. 2006. Accounting Information and CEO Compensation: The Role of Cash Flow from Operations in the Presence of Earnings. *Contemporary Accounting Research* 23 (1): 227-265.
- Lee, L. F. 2012. Incentives to Inflate Reported Cash from Operations Using Classification and Timing. *The Accounting Review* 87 (1): 1-33.
- Baños-Caballero, S., P. J. García-Teruel, & P. Martínez-Solano. 2010. Working Capital Management in SMEs. *Accounting & Finance* 50: 511-527.

## 7. SCHEDULE

Date	Lecture	Exercise
Tue 12.9.	<ul style="list-style-type: none"> <li>Course info</li> <li>Background of cash flow analyses (ERM &amp; JM)</li> </ul>	
Thu 14.9.	<ul style="list-style-type: none"> <li>Principles and preparation of cash flow statements (ERM)</li> </ul>	
Tue 19.9.	<ul style="list-style-type: none"> <li>Guest lecturer, KHT Samuli Perälä, PwC</li> </ul>	
Thu 21.9.		Ü Exercise 1. (ERM)
Tue 26.9.	<ul style="list-style-type: none"> <li>cash flow vs. net income</li> <li>cash flow –based financial ratios (ERM)</li> </ul>	
Thu 28.9.		Ü Exercise 2. (ERM)
Tue 3.10.		Ü Exercise 3. (ERM)
Thu 5.10.	<ul style="list-style-type: none"> <li>Long term strategic balance sheet and liquidity planning (JM)</li> </ul>	
Tue 10.10.		Ü Exercise 4. (JM)
Thu 12.10.	<ul style="list-style-type: none"> <li>Short term working capital and cash management (JM)</li> </ul>	
Tue 17.10.		Ü Exercise 5. (JM)
Thu 19.10.	<ul style="list-style-type: none"> <li>Course ending (ERM &amp; JM)</li> </ul>	

## 8. COURSE WORKLOAD

Participation in lectures and in-class exercises	24 h
Self-directed studying incl. preparation for the lectures, exercises, and exam	132 h
Exam	4 h
<b>Total</b>	<b>160h (6 cr)</b>

## 9. EXAM MATERIAL

- List of readings
  - Lecture slides
  - Exercises
  - Discussions during the lectures and exercises
- NB! The exam may include questions from the reading material that are not covered during the lectures. The exam may include questions from the lectures that are not covered in the reading material.

## 10. ETHICAL RULES

Aalto University Code of Academic Integrity and Handling Thereof>

<https://into.aalto.fi/pages/viewpage.action?pageId=3772443>

## 11. ADDITIONAL INFORMATION

**NB! Students who have completed 22C00900 Kassavirta-analyysit cannot participate in this course!**