

FINANCIAL ACCOUNTING

Introduction

The principal aim of this course is to help you understand better the financial information companies publish in financial reports such as annual accounts and prospectuses.

Objectives

Although, as managers, you're primarily interested in how to use financial statements, you need to know – at least in outline – how they've been prepared for two reasons: 1) because you will not understand a transaction unless you know how to account for it; 2) you will not know how to interpret a firm's financial statements unless you know how the transactions of the firm can affect its financial statements' appearance. In this way, you will have a better idea of what they can and cannot tell you about a company. In addition, communication with accountants will be easier. Thus, in the course, we show how financial events are recorded and summarized in financial statements.

Financial statements are rarely neutral. A company's top managers are evaluated on the numbers in them. But those same managers are also responsible for preparing the statements. Moreover, in many countries they have the ability as well as the incentive to make the numbers look better. For example, managers in all companies must make estimates when preparing financial statements. They often have discretion over the method used to account for a particular item in the accounts. The accounting estimates and methods that a firm adopts make up its accounting policies. We devote much of the course to describing and illustrating the key accounting policy choices managers must make and examining the potential impact of those choices on the firm's accounts.

Learning Outcomes

RA12. Equip students with learning skills that enable them to continue studying independently and self-directedly.

RA19. Enable students to apply acquired knowledge and solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study.

RA11. Enable students to integrate knowledge and address the complexity of making judgments based on incomplete or limited information, including reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.

RA20. Enable students to communicate their conclusions, along with the knowledge and rationale supporting them, to both specialized and non-specialized audiences clearly and unambiguously.

RA21. Listen, understand, and compare differing viewpoints to develop an objective understanding of a business situation. Communicate in a structured and persuasive manner (Interpersonal communication).

RA13. Work effectively in multicultural teams, assuming project leadership when necessary. Integrate the value of diversity into the team's decision-making and work process (Multicultural teamwork skills).

RA14. Critically evaluate information and the context of a business situation to reach prudent decision-making conclusions (Critical thinking).

RA22. Acquire self-knowledge and self-control necessary to work effectively under pressure in professional environments, understanding others' motivations and the corporate culture (Emotional intelligence).

RA2. Apply well-established ethical criteria in business decision-making, respecting the inherent dignity of each individual and the pursuit of the common good. (Integrity)

RA15. Develop a proactive mindset open to organizational change to design and promote process improvement initiatives and facilitate adaptability to new organizational cultures (Innovative spirit).

RA16. Assess the quality of financial information based on the accounting policies adopted by company management, to make the necessary adjustments that allow for business diagnostics and decision-making.

RA8. Apply financial diagnostic tools with a general management approach to determine the intrinsic value of a business.

Content

There is quite a lot of technical material in the course and some of it is tricky. Explanation and illustration of that material using lectures, cases and problem assignments form the heart of the course. The reading and case assignments for each session will be made available on Virtual Campus with enough time for preparation.

I assume that you have covered on your own the contents of the online course "Accounting: Making Sound Decisions". As part of the online course, you should have read notes CN-230-E, CN-231-E and CN-232-E. I also assume that you have mastered the content of the cases discussed in the presential pre-course held on August 31st. In particular, before the first day of class, you are expected to be familiar with the mechanics of journal entries and T-accounts, the balance sheet, the income statement, and the cash flow statement using the direct method.

None of your case analyses or solutions to problem assignments will be collected. Desire to master the material should be incentive enough to do them. Solutions to assigned problems will be made available on the Virtual Campus after the class session. In addition, Practice Sets (PS) will also be posted regularly on the Virtual Campus. These are collections of exercises that review the topics covered during the previous weeks. The solutions are included, and you are not supposed to turn in those exercises.

It is important that you set up and follow a regular study schedule. Accounting is often called (and not just by accountants) 'the language of business'. As with the study of any language, being proficient requires constant practice.

Instructional Activities

AF1: Training sessions and meetings with the teacher (classes, seminars, lectures, tutorials, company visits, simulations): 25hrs

AF2: Individual student work (personal study, preparation of assignments): 27hrs

AF3: Teamwork (preparation of group assignments and execution of simulations): 5hrs

AF4: Evaluation tests: 3hrs

Evaluation

SE3 (Writing exams): 70%; SE4 (Class participation): 30%

The exam portion of the grade will be the higher of: (1) the average of the grades earned in the midterm and final exams (each being weighted equally); or (2) the grade earned in the final exam. However, I reserve the right to change any student's course grade, based on my subjective assessment of the student's class participation. The exams will measure your understanding of the first four learning outcomes and your class contributions will confirm your understanding of the two last learning outcomes.