

Financial Accounting

Module 5, AY 2022-2023

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[instructor's email]

Course information

Course Website:

Instructor's Office Hours: by appointment.

Class Time:

Room Number:

TAs:

Course description

This introductory course is designed to familiarize you with the nature and content of financial reporting processes. The overall goal is to develop skills for the interpretation of financial disclosures to help improve risk assessment, forecasting, and decision making.

Financial reports are the primary instrument through which companies communicate their performance to outside parties. This course places a major emphasis on the users' perspective, rather than on the preparers', because most of you will become users of financial statements (e.g., managers, executives, investors, lenders, analysts). For the purpose of evaluating financial statements critically, it is essential to understand the tools and techniques of financial accounting.

While the central concepts of financial accounting are common across jurisdictions, in specific cases the reporting can be different. In these cases, we will refer to the International Financial Reporting Standards (IFRS), which have been adopted by over 100 countries. Occasionally, we will mention the US approach to highlight the differences (if any).

The objective of this course are:

- Master the logic of double-entry bookkeeping.
- Learn the accounting treatment of the transactions that are most common for businesses.
- Understand the rationale behind various accounting methods.
- Appreciate the usefulness of financial reporting for external decision-makers (e.g., investors).
- Learn how to compute and interpret financial ratios.

Course requirements, grading, and attendance policies

There are no prerequisites for this course. Your grade will consist of the following:

Two written group assignments	15%+15%
Class attendance and participation	10%
Written final exam	60%

Group assignments. I will form groups of 4-5 people randomly. After the groups are formed, you will have a short window during which you can make Pareto-improving switches. Submission deadlines will be communicated in due time.

Final exam. The exam is individual and closed-book. You can use a non-programmed calculator. All the course material (slides, discussions during lectures, assignments, exercises, sample exams) can be part of the examination. It is normal for the class to lag behind the course outline at times. If this happens, be assured that the final exam will not cover any topic that we have not discussed in class.

Class attendance and participation. Lecture attendance is required and active participation (e.g., asking and answering questions) is expected. Also, you should arrive to class on time and submit the assignments before the deadline.

Course contents

The following course outline represents my plan for the module, but it may be subject to change as the course progresses if, in my opinion, a change will help promote the best collective learning experience and interests of all students. Any such changes will be communicated to you via email.

- Introduction to financial reporting: cash vs. accrual accounting, the three main financial statements (balance sheet, income statement, statement of cash flows) and the links between them, double-entry bookkeeping
- Revenue recognition: the 5-step model, credit sales, deferred revenue, adjusting entries
- Short-term assets:
 - Inventories
 - Accounts receivables
- Statement of cash flows
- Long-term assets:
 - PP&E
 - Intangibles
- Equity investments
- Long-term liabilities:
 - Long-term debt
 - Leases

- Financial statement analysis
- Income tax reporting
- Derivatives and hedge accounting

Description of course methodology

Developing expertise in financial accounting requires a significant amount of practice. This course utilizes a combination of lectures and exercises. Further, discussing numerous real-life examples will provide opportunities to apply the concepts learnt in practical contexts.

Sample tasks for course evaluation

Sample exams will be provided.

Course materials

Required textbooks and materials

Slides are provided for each topic. From time to time, I may also distribute news articles or additional readings.

Additional materials

Recommended (not required) textbooks are:

- “Financial Accounting” (6th edition), written by Hanlon, Magee and Pfeiffer and Dyckman, published by Cambridge Business Publishers
- “Intermediate Accounting IFRS Edition” (4th edition) written by Kieso, Weygandt, and Warfield, published by Wiley.
- “Financial Reporting and Analysis” (8th edition), written by Revsine, Collins, Johnson, Mittelstaedt, and Soffer, published by McGraw-Hill.

Accounting standards issued by the International Accounting Standards Board (IASB) are available from: <https://www.ifrs.org/issued-standards/list-of-standards/>

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.