

Università Commerciale Luigi Bocconi
B.I.E.M. - Bachelor in International Economics and Management
Academic Year 2008-09 - Second Semester

Course 6003 - Accounting and Financial Statements Analysis

Class # 16

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Course Objectives and Contents:

This introductory course is designed to provide an understanding of the primary financial statements and the influence of different accounting practices on the communication of financial information. Successful completion of this course should enable students to read and interpret financial statements prepared by enterprises in different legal systems. This necessarily requires that the course devotes attention to the basic rules of accounting language as well as the issues and institutions that influence those rules.

This course addresses the following main issues:

- What is financial accounting and why is it useful?
- What are primary financial statements and what elements are reported in each of them?
- What are the main financial accounting principles and conventions?
- How do we determine the values of the assets and liabilities (as well as their related revenues and expenses) according to the International Financial Reporting Standards (IFRS/IAS)?
- How do we record business transactions and prepare financial statements for a single enterprise?
- How do we prepare financial statements for a group of related enterprises?
- How do we analyze and interpret financial statements in order to assess the performance and soundness of a business entity?

Textbook:

Libby, R., P. Libby, D.G. Short, [LLS] 6th Edition (International).

Assessment:

Written Exam

During the course term students may sit for the first **mid term exam** (of one hour and half) that will be based on sessions S1 - S20 (April 2nd, 2009). Students that obtained at least 18 (out of 30) marks, may sit for a **second mid term exam** (of one hour and half) on sessions S21 – S40 (June 10th, 2009).

Once you have passed the two mid-term exams or the comprehensive exam, you are not allowed to retake an exam at a later date, even if you are not satisfied with the mark you obtained.

Students who do not sit for the first mid term exam (or get less than 18/30) will sit for the **comprehensive exam** (also) on June 10th, 2009. All the other exams will be comprehensive one.

Tentative Class Schedule:

<i>Session/ Tutorial #</i>	<i>Date</i>	<i>Topic</i>	<i>Essential Reading</i>
S1	Tuesday 17/02/2009	<ul style="list-style-type: none"> • General Introduction • Introduction to financial accounting 	Ch 1
S2	Wednesday 18/02/2009	<ul style="list-style-type: none"> • Financial statements and business decisions 	Ch 1
S3	Thursday 19/02/2009	<ul style="list-style-type: none"> • The conceptual framework • Key accounting concepts and definitions (bookkeeping, t-account, elements of the BS and IS, definition of transaction, etc.) • The documents constituting the main financial statements 	Ch. 2
S4	Friday 20/02/2009	<ul style="list-style-type: none"> • The accounting equation • Exercises on the accounting equation (items in the BS) 	Ch. 2
S5	Tuesday 24/02/2009	<ul style="list-style-type: none"> • The operating cycle and the Income Statement (IS) • Definition of revenue, expense, gain and loss • The expansion transaction analysis model (the accounting equation, cont.d) 	Ch. 3
S6	Wednesday 25/02/2009	<ul style="list-style-type: none"> • The expansion transaction analysis model (the accounting equation, cont.d) • Exercises on transactions affecting the IS 	Ch. 3
S7	Thursday 26/02/2009	<ul style="list-style-type: none"> • Year end adjustments (more specific details in later Chapters - refer to Ch 6 -...) <li style="padding-left: 20px;">– Accruals and prepayments <li style="padding-left: 20px;">– Valuations of assets and liabilities <li style="padding-left: 20px;">– Depreciation and amortization <li style="padding-left: 20px;">– Accounting for bad debts 	Ch. 4
S8	Friday 27/02/2009	<ul style="list-style-type: none"> • Year end adjustments (continued) • Worked examples 	Ch. 4
S9	Tuesday 03/03/2009	<ul style="list-style-type: none"> • Year end adjustments (continued) • Worked examples 	Ch. 4
S10	Wednesday 04/03/2009	<ul style="list-style-type: none"> • Financial statement closing process • Worked examples 	Ch. 4
T1	Thursday 05/03/2009	<ul style="list-style-type: none"> • TUTORIAL 1 	Ch. 4
S11	Friday 06/03/2009	<ul style="list-style-type: none"> • Communicating and interpreting accounting information: accountants, financial analysts, etc. 	Ch. 5
S12	Tuesday 10/03/2009	<ul style="list-style-type: none"> • Sales revenue, trade receivables and cash: <ul style="list-style-type: none"> – Definitions – Discounts – Returns and allowances – Cash and cash equivalents: definition 	Ch. 6
S13	Wednesday 11/03/2009	<ul style="list-style-type: none"> • Sales revenue, trade receivables and cash: <ul style="list-style-type: none"> – Exercises 	Ch. 6
S14	Thursday 12/03/2009	<ul style="list-style-type: none"> • Cost of goods sold and inventory: <ul style="list-style-type: none"> – Definitions – Conceptual framework for expensing the inventory – Measurement: definition of cost of inventory (FIFO, LIFO, w.a., specific identification methods) – Financial effects of the different methods: examples 	Ch. 7
S15	Friday 13/03/2009	<ul style="list-style-type: none"> • Cost of goods sold and inventory: <ul style="list-style-type: none"> – Valuation (lower of cost and market) – Exercises 	Ch. 7
S16	Tuesday 17/03/2009	<ul style="list-style-type: none"> • Fixed assets <ul style="list-style-type: none"> – Definitions – Measurement: definition of cost of fixed assets – Repairs, maintenance and additions – Depreciation, depletion and amortization 	Ch. 8
S17	Wednesday 18/03/2009	<ul style="list-style-type: none"> • Fixed assets <ul style="list-style-type: none"> – Worked examples on fixed assets • Accounting for intangibles: <ul style="list-style-type: none"> – Definitions – Measurement, Impairment, Sale – Worked Examples on intangible assets 	Ch. 8
S18	Thursday 19/03/2009	<ul style="list-style-type: none"> • Liabilities: <ul style="list-style-type: none"> – Definitions and classification – Accounts payable – Accrued liabilities 	Ch. 9
S19	Friday 20/03/2009	<ul style="list-style-type: none"> • Liabilities <ul style="list-style-type: none"> – Notes payable – Long term debt – Exercises 	Ch. 9
S20	Tuesday 24/03/2009	<ul style="list-style-type: none"> • Liabilities: <ul style="list-style-type: none"> – Bonds – Worked examples on bonds 	Ch. 10

T2	Wednesday 25/03/2009	TUTORIAL 2	Ch. 10
	Tuesday 2/04/2009	FIRST MID-TERM EXAM	
S21	Wednesday 15/04/2009	<ul style="list-style-type: none"> Accounting for leasing Worked examples on leasing accounting 	Hand outs
S22	Thursday 16/04/2009	<ul style="list-style-type: none"> Equity: <ul style="list-style-type: none"> Definitions Common stock transactions (repurchase, dividend, stock dividend, increase of common equity) Preferred stock 	Ch. 11
S23	Friday 17/04/2009	<ul style="list-style-type: none"> Equity <ul style="list-style-type: none"> Worked examples 	Ch. 11
S24	Tuesday 21/04/2009	<ul style="list-style-type: none"> Investments: <ul style="list-style-type: none"> Definitions Classification Initial measurement, valuation (amortized cost, fair value, equity method) 	Ch. 12
S25	Wednesday 22/04/2009	<ul style="list-style-type: none"> Investments <ul style="list-style-type: none"> Worked examples 	Ch. 12
T3	Thursday 23/04/2009	TUTORIAL 3	
S26	Friday 24/04/2009	<ul style="list-style-type: none"> Measuring and reporting cash flows 	Ch. 13
S27	Tuesday 28/04/2009	<ul style="list-style-type: none"> Measuring and reporting cash flows 	Ch. 13
S28	Wednesday 29/04/2009	<ul style="list-style-type: none"> Measuring and reporting cash flows 	Ch. 13
S29	Thursday 30/04/2009	<ul style="list-style-type: none"> Measuring and reporting cash flows: Worked examples 	Ch. 13
S30	Tuesday 05/05/2009	<ul style="list-style-type: none"> Analyzing financial statements: introduction 	Ch. 14
S31	Wednesday 06/05/2009	<ul style="list-style-type: none"> Analyzing financial statements: Ratio analysis 	Ch. 14
S32	Thursday 07/05/2009	<ul style="list-style-type: none"> Analyzing financial statements: Worked examples 	Ch. 14
T4	Friday 08/05/2009	TUTORIAL 4	
S33	Tuesday 12/05/2009	<ul style="list-style-type: none"> Deferred Taxation 	Hand outs
S34	Wednesday 13/05/2009	<ul style="list-style-type: none"> Deferred Taxation: Worked examples 	Hand outs
S35	Thursday 14/05/2009	<ul style="list-style-type: none"> Accounting for associated companies (equity method) 	Hand outs
S36	Friday 15/05/2009	<ul style="list-style-type: none"> Accounting for associated companies (equity method): Worked examples 	Hand outs
S37	Tuesday 19/05/2009	<ul style="list-style-type: none"> Preparing consolidated financial statements at the date of acquisition . Accounting for goodwill arising on consolidation 	Hand outs
S38	Wednesday 20/05/2009	<ul style="list-style-type: none"> Minority interest Accounting for differences between a subsidiary's fair values and book values 	Hand outs
S39	Thursday 21/05/2009	<ul style="list-style-type: none"> Preparing consolidated financial statements after the date of acquisition: Pre- and post-acquisition profits, intercompany balances, unrealized profits on intercompany sales 	Hand outs
S40	Friday 22/05/2009	<ul style="list-style-type: none"> Accounting for joint ventures Accounting for minority ownerships 	Hand outs
T5	Tuesday 26/05/2009	TUTORIAL 5	Hand outs
	Wednesday 10/06/2009	SECOND MID-TERM EXAM OR COMPREHENSIVE EXAM	