

Financial Accounting

Module 5, 2024-2025

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Course information

See my.NES

Course description

The firm's financial statements tell us what resources the firm has and how it uses them to generate economic value. This introductory course is designed to familiarize you with the nature and content of financial reporting processes.

The goal is not to turn you into an accountant, but rather to develop literacy in financial accounting – a skill that will improve your risk assessment, forecasting, and decision making.

The objectives of this course are:

- Master the logic of double-entry bookkeeping.
- Learn the accounting treatment of businesses' most common transactions.
- Understand the rationale behind various accounting methods.
- Appreciate the usefulness of financial reporting for external decision-makers (e.g., investors).

While the central concepts of financial accounting are common across jurisdictions, in specific cases the reporting can be different. In such 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).

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%
Written final exam (blocking element)	70%

Group assignments. You will form groups of 4-5 people, the groups will remain the same for the whole course. Submissions that are late by less than 6h receive a 50% penalty, and receive zero

points from 6h after the deadline. Technical issues are not a justification for late submissions – if you are experiencing problems uploading your answers through the system, send them by email before the deadline.

Final exam. The exam is individual and closed-book, but you can use a cheat sheet (one-sided A4, handwritten). 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. The exam will last 2 hours. Following the general policy of NES, students are entitled for a make-up exam if they have missed the final with a valid reason or if they have failed in the final. The difficulty of tasks and the grading scheme in the make-up are likely to be different than those in the final. The final exam is a blocking element, that is, taking it is a necessary condition to receive a passing grade.

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 content

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.

- *Introduction to financial reporting*
cash vs. accrual accounting, the four main financial statements and the links among them, recording basic transactions
- *The accounting cycle*
double-entry bookkeeping, adjusting entries
- *Inventory*
the matching principle, merchandising and manufacturing companies, cost flow assumptions
- *Long-lived assets*
PP&E, intangibles, depreciation/amortization, impairment, disposal
- *Statement of Cash Flows*
classification of cash flows, indirect method
- *Long-term debt and Leases*
amortized cost method, early retirement, financed purchase vs. leasing, lessee accounting, lessor accounting
- *Equity and debt investments*
minority investments (FVTPL, FVTOCI), significant influence (equity method), debt at amortized cost and fair value
- *Revenue recognition and Accounts Receivables*

the 5-step model, revenue deductions, particular types of sales, the allowance method, earnings management.

Course materials

Required 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.
- Chapter 2 of "Corporate Finance," written by Berk and DeMarzo, published by Pearson Education.

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

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 of Questions

Sample exam questions will be provided.

Academic integrity policy

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