

Accounting 501 – Section X51, T 6:30-9:30pm
Winter 2016, BUS 3-6
Introduction to Financial Reporting and Analysis
University of Alberta
Department of Accounting, Operations and Information Systems

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Course Web Site: <https://ulearn.ualberta.ca>
Office Hours: T (3:45pm-6:15pm) R (12:45pm-1:45pm)

Objective:

The goal of this course is to promote informed interpretation and analysis of the financial information disseminated by business enterprises. The course provides a framework for understanding contemporary financial reporting practices in Canada, the United States and other developed economies, the diverse forces that shape those practices, and how those practices influence the usefulness of financial information in applied decision settings.

Coverage is organized around two distinct components.

Accounting Fundamentals – provides a basic introduction to the accounting framework and “the language of business”

Financial Reporting and Financial Statement Analysis – an evaluation of IFRS and financial disclosures for purposes of performance analysis. Class assignments and discussions emphasize the use of financial information in developing an accurate profile of the firm's economic performance.

Learning Outcomes:

Upon completion of this course you should be able to:

- 1) Describe both the role and relationship of the major financial reporting statements
- 2) Describe the accounting principles and regulations that frame financial statements
- 3) Appropriately classify and journalize transactions and identify their impact on financial statements
- 4) Use financial statement ratios to evaluate organizational performance
- 5) Obtain and interpret information from an annual report

Course Materials:

Text: *Financial Accounting in an Economic Context* by Jamie Pratt (9th Ed.).

Coursepack (for use in Part II): <https://www.iveycases.com/CoursepackView.aspx?id=8328>

Lecture notes are placed on the course web site prior to topics being discussed in class. It is the student’s responsibility to bring copies of the lecture notes to class, either as hard copy or accessible from the student’s laptop or tablet. Note that the lecture notes are **not** an adequate substitute for class attendance.

Organization:

Class is devoted to lectures, cases and discussions that supplement the assigned readings. This is a fast-paced course and you will find it helpful to complete all the relevant reading prior to class time. Detailed in the schedule below are selected problems for each topic.

Part I: In part I of the course we will develop a wide base of accounting fundamentals. We will systematically go through the financial statements, including the Statement of Financial Position (balance sheet) and Statement of Comprehensive Income (income statement). Most material will be delivered in lecture format and will include a large amount of small group discussion / in class discussion.

Part II: After the midterm we will focus on applying the base of knowledge acquired in part I. We will apply this knowledge to topics such as cash flow, financial statement analysis and disclosure. In part II we will use case analysis as a learning tool. Materials will be provided ahead of class and it is expected that students will come to class well prepared. Formal lecture will be limited and the majority of class time will be spent on application / activities in assigned groups.

Method of Evaluation:

Course grades are determined by the following components:

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|----------------------|------------|
| Class participation | 13% |
| In-class assignments | 12% |
| Case Analysis | 20% |
| Midterm examination | 25% |
| Final examination | <u>30%</u> |
| Total | 100% |

At the end of the term marks will be converted to the letter grade system using guidelines established by the Faculty of Graduate Studies and Research. Grade assignment will be based on the averages you obtain on both the individual and group components.

Participation:

Participation for this course is graded with an emphasis on the quality of participation rather than the quantity. There are a maximum of 13 participation points available. Consistent attendance,

engagement and comments which improve the class environment are encouraged and will result in an increased participation score. In addition, adequate preparation prior to class (especially in part II) will positively impact your participation score (and conversely poor preparation will negatively impact your score).

In-Class Assignments:

The in-class assignments can be submitted individually or in pairs. The course schedule indicates the dates of the in-class assignments. Four exercises will be assigned and submitted in-class throughout the term. Your mark for this component will be based on your performance on all four assignments. **If you miss an in-class assignment you MUST obtain permission prior to the class and then the 3 % for the missed assignment will be added to your final exam grade. Again, to receive credit for missed assignments you MUST inform the instructor of your absence at a minimum the day before or the day of the assignment. Make up assignments are not granted and if you contact the instructor after the assignment date has passed, a mark of zero will be assigned.** Assignments will only be remarked in the case of a marking error or other extenuating circumstances. Any issues with grading must be raised by the class following the class in which the assignments were returned.

Group Project:

The group project and requirements will be posted on the course website by February 23, 2016. The case analysis MUST be done in groups of 3-5. Individual submissions and submissions from groups of two will not be accepted. You must not consult any of your other classmates or anyone else. Consulting others will be considered an act of academic dishonesty. The case due dates are outlined in the schedule. All late assignments will have the mark reduced by 33%. No assignments will be accepted 24 hours after the original due date. All hand in assignments must be hard copy – no e-mails or electronic submission of assignments. Group projects submitted outside of class time should be submitted via the course drop box on the 3rd floor of the business building.

Examinations:

You will be allowed to bring two pages of 8x10 sheets of paper with notes written in your own hand (Note: 2 pages for midterm and 2 additional pages for final exam). You will also be allowed a calculator to assist you with basic computations. All other electronic devices (including but not limited to cell phones, MP3 players, tablets, and electronic foreign language dictionaries) are prohibited. Foreign language dictionaries in print form are allowed; however, they must be checked by the proctor prior to the exam. No sharing of books, notes or other materials is allowed during the exam (this includes talking and discussions with your team mate or neighbor).

The Midterm Exam will be three hours and will be held in class on February 23rd. The Final Exam will be held according to the schedule provided by the Registrar and will be three hours in length.

Course Absence Policy

If a student is absent and is unable to complete the group project/exam within the given guidelines due to illness, the following procedures shall apply. In the case of group work, no extension will be provided to the group unless there are indications that all group members were incapacitated by

illness. If the mid-term exam is missed, no alternate exam will be available; instead, the weight of the mid-term will be transferred to the final exam. If the final exam is missed, then the student must apply to the Faculty of Graduate Studies and Research for permission to write the deferred exam. Permission to write the exam is not automatic – the FGSR policy is to consult with the instructor to obtain information regarding the student when making a determination. If a deferred examination is granted, the deferred examination will be written on May 10, 2016 at 9:00 am. If permission is not granted or the deferred examination is not written on the appointed date, then a mark of 0 shall be entered for the final exam.

Contacting the Instructor:

The best way to contact me is via e-mail sent to emarshal@ualberta.ca. Please include the text “ACCTG 501” somewhere in your subject line depending on your registered section. The general goal is to respond to your e-mail within 24 hours.

Web Site General Information:

The address of the web site is <https://ulearn.ualberta.ca>

You can access the course web site with your CCID and password. Please contact AICT (780-492-9400) or the helpdesk@ualberta.ca for assistance if you do not have your CCID or password.

Most files on the web site are PowerPoint, Word or PDF files. To access those files, you will need at a minimum Office 2010 and Adobe Acrobat XI Reader. Acrobat Reader is free and can be downloaded from the internet. You are eligible to purchase Office 2010 at a significantly discounted price through the University of Alberta.

Web Site Information:

The course website is organized into various sections. Lectures are organized by topic. I endeavor to post everything we discuss in class to the website, but if something is missing please let me know asap.

Accommodating Disabilities:

Please contact me as soon as possible if you have a disability or condition that may require some modification of seating, testing, or any other class requirement, so that we can make appropriate arrangements. If you need special arrangements in the event the classroom must be evacuated, please let me know.

Conduct:

Because we regard this class as we would any job responsibility, it seems prudent to clarify, in advance, the policy on academic integrity. Given the professional nature of the MBA program, it is unlikely that a student in this class would turn in work which is not his or her own. However, if we determine that the work is not entirely that of the student(s) whose name(s) appear on the work, the student(s) involved may not pass this course and be further subject to program-level discipline. Specifically, in order to protect the integrity of the MBA degree, the University may expel, suspend, reprimand, or reduce a course mark of any student who breaches the Code of Student Behavior in one of the following ways:

- (1) Assisting another student in the commission of an academic offence;
- (2) Plagiarism;
- (3) Cheating;
- (4) Distributing confidential academic material;
- (5) Misrepresenting facts for the purpose of obtaining academic advantage.

The following web site provides a summary of what constitutes an academic offense and the possible penalties. <http://www.ualberta.ca/~unisechr/chtsheet.html>

Please note that as defined above, it is an academic offence for group members to include the name of a group member on an assignment when that member has not contributed to assigned group work.

The University requires the following statement be included with the course syllabus:

The University of Alberta is committed to the highest standards of academic integrity and honesty. Students are expected to be familiar with these standards regarding academic honesty and to uphold the policies of the University in this respect. Students are particularly urged to familiarize themselves with the provisions of the Code of Student Behaviour (online at www.uofaweb.ualberta.ca/secretariat/studentappeals.cfm) and avoid any behaviour which could potentially result in suspicions of cheating, plagiarism, misrepresentation of facts and/or participation in an offence. Academic dishonesty is a serious offence and can result in suspension or expulsion from the University.

Policy about course outlines can be found in §[23.4](#)(2) of the University Calendar

TENTATIVE SCHEDULE

Note: This is a general guideline for the semester. To accommodate student interests we may find it necessary to make alterations to the schedule as the semester progresses. Topics will be covered in sequence; however, it may be necessary to go faster or slower than indicated. Also note that the textbook is a guide. There will be strong emphasis on the notes provided in class, which may have material not covered in the text.

****WE WILL BE LOOKING AT FINANCIAL STATEMENTS DURING CLASS AND WILL BE DOING SEVERAL ACTIVITIES WHERE YOU NEED A COMPUTER. YOU WILL OFTEN GET MORE OUT OF CLASS IF YOU BRING A LAPTOP OR OTHER PORTABLE DEVICE (other than a phone)****

| Date | Topic | Readings | Deliverables / Notes |
|------------|--|---|--|
| January 5 | Class Introduction | Chapter 1 p. 1-19, 24 and 25 Chapter 2 (ignore Cash Flows on p. 44-46) | |
| January 12 | Formalization of Introduction Material (as needed) Transaction Analysis and Financial Statements (cont'd) | Chapter 1 p. 1-19, 24 and 25 Chapter 2 (ignore Cash Flows on p. 44-46) Chapter 3, Chapter 4 (ignore section 4.7) | |
| January 19 | Transaction Analysis and Financial Statements (cont'd) | Chapter 3, Chapter 4 (ignore section 4.7) Chapter 6 – Accounts Receivable (sales covered Feb 2) Chapter 7 Inventory (omit 7.5.4) | Ch 6, Ch 7 –Selected topics – see PowerPoint for guidance |
| January 26 | Transaction Analysis and Financial Statements (cont'd) | Chapter 3, Chapter 4 (ignore section 4.7) Chapter 9 Long-Lived Assets Chapter 10 Liabilities Chapter 11 Leases (11.9 only) | <u>In-Class Assignment #1</u> Ch 9, Ch 10, 11 –Selected topics – see PowerPoint for guidance |

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| February 2 | Revenue Recognition, Expense Matching and Earnings Quality (cont'd) | Chapter 5 Chapter 13 (omit EPS, Tax, Comprehensive Income) Chapter 6 – Sales Returns | Ch 5, Ch 6, Ch 13 –Selected topics – see PowerPoint for guidance |
| February 9 | Revenue Recognition, Expense Matching and Earnings Quality (cont'd) | Chapter 5 Chapter 13 (omit EPS, Tax, Comprehensive Income) Chapter 10 – Liabilities revisited | <u>In-Class Assignment #2</u> |
| February 16 | READING WEEK (No Class) | | |
| February 23 | MIDTERM (6:30-9:30pm) Topics Covered from January 5 th – February 9th | | |
| March 1 | Cash Flow + Midterm Review Cash Flow: Coursepack: Solving the Puzzle, Chapter 14 (omit direct method), | | |
| March 8 | Cash Flow | Chapter 14 (omit direct method) Coursepack: Merrill Lynch | <u>In-Class Assignment #3</u> |
| March 15 | TOPIC TBD | | |
| March 22 | Financial Statement Analysis | Chapter 5 (Sections 5.7-Appendix 5A) Coursepack: F/S and Ratio Analysis Pharmaceutical Case | |

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| March 29 | Financial Statement Analysis | Chapter 5 (Sections 5.7-Appendix 5A) Coursepack: Blackberry | <u>In-Class Assignment #4</u> |
| April 5 | Disclosure | Class Notes | Cases Due |

****Textbook Problems:** Please feel free to do the problems in the text as you see fit. The solutions are posted online. We will not cover every topic in as much detail as covered in the text, but if you learn by doing problems you may choose to guide your own learning in this fashion. Please be aware that you are only responsible for what we cover in class.