

611 Financial Reporting and Statement Analysis

Introduction

611 FINANCIAL REPORTING AND STATEMENT ANALYSIS provides students with an understanding of the concepts and language of accounting, for use as an effective tool in communication, monitoring and resource allocation. Standard techniques of analysis are covered, including ratio and financial statement analysis and financial statement articulation. Students are provided a framework for understanding financial statements, accounting reports and parent-subsidary relationships. The subject provides a solid foundation for understanding managerial accounting.

Case studies

Real-life case studies are incorporated into the subject to provide opportunities for students to apply theory into practice in an authentic context. An example includes

Ellison, D.J.
Crystal Meadows of Tahoe, Inc.
 Case #9-192-150
 Harvard Business School Publishing
 28 June 1993

Students are also asked to access the latest annual report of global companies, such as *Delta Airlines* (USA), *Singapore Airlines* (Singapore), *Qantas Airlines* (Australia), *Toyota Motor Co* (Japan), *General Motors* (USA), and *Fiat S.P.A.* (Italy), and submit reports on their financial reporting.

Who should attend

- Executives wishing to enhance their understanding of the financial reporting and accounting system
- Finance managers seeking to refresh their analytical skills
- Decision makers who need to interpret financial statements and reports

Learning objectives

Upon completion of this subject, students should be able to

- interpret financial statements and the footnotes to the statements
- assess and measure the impact of reporting diversity on a reported company's profitability and book value
- use accounting information to conduct thorough profitability and risk analyses across time and companies
- conduct diagnostic earnings quality analysis

Delivery method

The subject is delivered online over a 12-week period, with an assigned Professor acting as mentor. The class will comprise students from different countries and industry backgrounds. Practical case studies and discussions help to stimulate learning and knowledge exchange, while an examination at the end of the subject will help students review and apply the knowledge and skills learnt.

Assessment

Case analyses (team and individual)	45%
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Discussion board activities	30%
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Final examination	25%
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Prerequisites

None

Syllabus

Segment 1: Introduction

Students are introduced to the syllabus, the resources and communication tools available within the course.

Segment 2: Financial Reporting

The segment provides an overview of the financial reporting system. Students learn how to analyse the information contained in the financial report and interpret the four financial statements. The purpose and elements of the four financial statements articulates the relationships among the financial statements. The role of the independent auditor and the audit process are discussed. Students gain an understanding of the conceptual framework of financial reporting and the diversity of the global regulatory framework of financial reporting.

Segment 3: Accounting Process

The segment provides an overview of the accounting process. It explains how the double-entry framework is applied to business transactions and discusses the differences between the accrual basis and the cash basis of accounting. Students learn to record business transactions in the general journal and enter them in the general ledger. It also shows how a trial balance and the financial statements based on an adjusted trial balance are prepared.

Segment 4: Assets

The segment reviews generally accepted accounting principles (GAAPs) as they apply to key asset accounts. Students learn to account for cash, analyse receivables and apply the allowance method for uncollectible accounts. The computation and analysis of the cost of goods sold and the ending inventory using alternative cost-flow assumptions are demonstrated. The segment also covers the computation of acquisition costs of tangible and intangible assets. Students learn to apply and analyse methods to depreciate or amortise tangible and intangible long-lived assets and to account for alternative investments in securities.

Segment 5: Liabilities and Equity

The segment reviews generally accepted accounting principles (GAAPs) as they apply to key liability and equity accounts. The focus is international, in that a global review of methods and procedures applied in recognising these assets is provided. Students learn to account for and analyse various short-term and long-term liabilities, as well as the impact of off-balance sheet liabilities in general and leases in particular. Students also learn to compare and contrast earnings and comprehensive earnings, and account for the issuance of capital stock and company distributions.

Segment 6: Statement Analysis

The segment explains how an informed analysis of the financial performance of a company can be performed. It also shows how financial performance and risk analysis across companies and across time can be done. Students learn to provide a contextual interpretation of the findings. In addition, students learn to perform a diagnostic earnings quality analysis and how to evaluate the impact of accounting quality.

Required textbook

Stickney, C. and R. Weil. *Financial Accounting: An Introduction to Concepts, Methods, and Uses* (11th ed). Ohio: South-Western, 2005.

Global Faculty

Subject Author

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U21Global subjects are created by acknowledged experts in their field, usually senior academics who have strong understanding of postgraduate requirements. The subject content is further reviewed by academic specialists who appraise the subject from an independent perspective, ensuring a high-quality, professional product.

611 FINANCIAL REPORTING AND STATEMENT ANALYSIS was created for U21Global by **Nasser Spear** who holds the G.L. Wood Chair of Accounting at the University of Melbourne. He is the Deputy Head of the Department of Accounting and Business Information Systems and the former Associate Dean (International) of the Faculty of Economics and Commerce at the University of Melbourne. His research and teaching experience are in the area of financial reporting practice and its economic consequences. Dr Spear has published extensively in the area of financial reporting. He serves on the editorial board of several leading international academic journals. Dr Spear received his PhD from the University of North Texas.

The subject was reviewed by **Margaret Abernethy**, Dean of the Faculty of Economics and Commerce and Chair in Managerial Accounting at the University of Melbourne. She is recognised as a leader in the field for her research relating to the financial management of public sector organisations (in particular, hospital management) and for her work on performance management systems. Dr Abernethy was recently voted as one of the five best teachers in accounting in Australia. She has consulted widely on issues related to costing, budgeting and performance management. Dr Abernethy has published extensively in international academic journals and sits on the editorial board of several international journals, including *Accounting and Finance*, the journal of the Accounting Association of Australia and New Zealand.

Professors

Students' progress will be guided by dedicated Professor Facilitators based around the world. They provide an international perspective and impart knowledge through a wealth of experience in their field of specialisation. Our Professor Facilitators will help students make sense of the information to enable students to transform the information into knowledge and creative solutions.



Rathin RATHINASAMY

Rathin Rathinasamy is Associate Professor of Finance at the Miller College of Business, Ball State University, Indiana, US. He teaches graduate and undergraduate courses in corporate finance, international finance, investments, portfolio theory and international business. His research interests include wealth effects of mergers and restructurings, class action lawsuit effects on stockholders, January effect of the US dollar and stock repurchase effects on real estate investment trusts (REITs). Dr Rathinasamy has received recognition for his research and published in numerous academic journals. His PhD and MBA in Finance are from the University of Tennessee, US.



Kent MILLINGTON

Kent Millington is currently a business consultant and President of IPDevPro, a company specialising in evaluation and commercialisation of intellectual property. As an angel investor, he helps emerging businesses with financial and strategic planning. Dr Millington is also an adjunct professor of Entrepreneurship and Finance at the University of Science and Technology of China, Hefei. As an entrepreneur in residence at Utah Valley State College's Business Department in 2004-2007, he conducted courses in entrepreneurship, mentored students and helped develop a business incubator. He also previously taught at Cornell College, Iowa.



Sabam HUTAJULU

Sabam Hutajulu is Senior Manager, Treasury, at Pertamina Energy Services Ltd Singapore, a Pertamina subsidiary. Besides his role as a Facilitator at U21Global, Dr Hutajulu also teaches Masters of Business Administration courses at the University of Indonesia, Gadjahmada University and Universitas Pembangunan Nasional (UPN) Veteran in Jakarta. Dr Hutajulu holds a PhD in Financial Accounting and Corporate Disclosure from Weatherhead School of Management at Case Western Reserve University. He is a member of the Indonesian Accounting Association (IAI).