

# Macao Polytechnic Institute

## School of Business

### Bachelor of Accounting

#### Module Outline

Academic Year 2020 / 2021 Semester 2

<b>Learning Module</b>	Financial Statement Analysis	<b>Class Code</b>	ACCT4140-421	
<b>Pre-requisite(s)</b>	Nil			
<b>Medium of Instruction</b>	English		<b>Credit</b>	3
<b>Lecture Hours</b>	28 hrs	<b>Lab/Practice Hours</b>	17 hrs	<b>Total Hours</b> 45 hrs
<b>Instructor</b>	Vincent Leung		<b>E-mail</b>	wsleung@ipm.edu.mo
<b>Office</b>	M523, Meng Tak Building, Main Campus		<b>Telephone</b>	8599-3323

#### Description

This course provides an introduction to key accounting concepts and knowledge. Accounting objectives, conventions, standards and the rules that govern disclosure are examined. Other topics include ratio and cash flow analysis, analysis of inventories and analysis of long-lived assets.

The course focuses on financial accounting from both the user's perspective and preparer's perspective. Its premise is that students are better prepared to understand and analyze real financial reports, and learning is based on financial statements in real world situation.

#### Learning Outcomes

After completing the learning module, students will be able to:

1. Develop prerequisite knowledge necessary to understand the regulatory and conceptual frameworks which underpin the preparation of limited company financial statements.
2. Develop prerequisite knowledge and skills necessary to analyse and interpret the financial statements of limited companies using ratio analysis and explain the limitations of ratio analysis
3. Develop prerequisite knowledge necessary to perform critical analysis on a firm performance and explain how a company's strategy is reflected in past financial performance.

4. Assess and analyse the role of financial statement analysis in assessing the credit quality of a potential debt investment and in screening for potential equity investments
5. Demonstrate effective teamwork, communication and interpersonal skills and enhanced numerical skills and fluency in the use of Spreadsheet and PowerPoint.

**Alignment of Program and Course Intended Learning Outcomes**

PILO \ CILO	1	2	3	4	5
1. Integrate the contemporary theories, principles of accounting and business disciplines relevant to general business practice.	√				
2. Assess general business scenarios with mathematical and statistical skills.		√			
3. Apply critical thinking and logical analysis skills and techniques to solve business problems.			√	√	
4. Interpret and analyze accounting information for internal control, planning, performance evaluation, and coordination to continuously improve business process.				√	
5. Apply accounting or business software for business analysis.					√
6. Develop queries to assess management information from database to improve efficiency and effectiveness.					
7. Synthesize the latest requirement of international accounting and auditing standards in preparing financial statements and auditing reports.					
8. Utilize appropriate written and spoken forms to communicate effectively with stakeholders in various cultural environment.					√
9. Recommend an appropriate course of action by ethically examining the economic, environmental, political, legal and regulatory contexts of global business practice.					
10. Utilize the latest empirical findings and academic studies to support the recommendation of business projects.					

<b>Content</b>	<b>Duration</b>
<b>1. Introduction to Financial Reporting</b>	3 hrs
1.1 Traditional assumptions of the Accounting Model	
1.2 Using the Internet	
<b>2. Introduction to Financial Statements and Other Financial Reporting Topics</b>	3 hrs
2.1 The Financial Statements	
2.2 The Accounting Cycle	
2.3 Auditor's Opinion	
2.4 Management's Responsibility for Financial Statements	
<b>3. Balance Sheet</b>	3 hrs
3.1 Basic Elements of the Balance Sheet	
3.2 Assets	
3.3 Liabilities	
3.4 Stockholders' Equity	
<b>4. Income Statement</b>	3 hrs
4.1 Basic Elements of the Income Statement	
4.2 Earnings per Share	
4.3 Retained Earnings	
4.4 Dividends and Stock Splits	
4.5 Legality of Distributions to Stockholders	
<b>5. Basics of Analysis</b>	3 hrs
5.1 Ratio Analysis	
5.2 Financial Statement Variation by Type of Industry	
5.3 Review of Descriptive Information	
5.4 Comparisons	
<b>6. Liquidity of Short-term Assets; Related Debt-Paying Ability</b>	3 hrs
6.1 Operating Cycle	
6.2 Current Assets Compared with Current Liabilities	
6.3 Other Liquidity Considerations	
<b>7. Long-term Debt-Paying Ability</b>	3 hrs
7.1 Income statement consideration	
7.2 Balance sheet consideration	
7.3 Special Items that Influence a Firm's Long-Term Debt-Paying Ability	
<b>8. Profitability</b>	3 hrs
8.1 Profitability measures	
8.2 Segment reporting	
8.3 Revenues by Major Product Lines,	
8.4 Gains, Losses from Prior Period Adjustments	
8.5 Comprehensive income considerations	
<b>9. For the Investor</b>	3 hrs
9.1 Leverage and its Effects on Earnings	
9.2 Earnings per Common Share	
9.3 Price Earnings Ratio	
9.4 Dividend Payout and Yield	
<b>10. Statement of Cash Flows</b>	3 hrs
10.1 Basic Elements of the Statement of Cash Flows	
10.2 Financial ratios and the statement of cash flows	
10.3 Procedures for Development of the Statement of Cash Flows	
<b>Project Assignment Presentation and Review</b>	9 hrs
<b>Mid-term Test and Revision</b>	3 hrs
<b>Final exam</b>	3 hrs
Total Hours:	45 hrs

## **Teaching Method**

This course is primarily conducted by means of class lectures. A series of assignments and in-class test would be used to assess students' understanding of the course materials. Mid-term test is used to monitor students' progress and commitment of knowledge acquisition throughout the course. A comprehensive final examination is used to assess students' overall performance at the end of the course.

TM1: Accounting knowledge is delivered primarily by lectures with the aid of slides on concepts of accounting methodologies, with the technical skills and techniques illustrated by solving problems.

TM2: Short formative oral or written quizzes will be given at the end of the lessons. Discussions are part of the class activities in which teamwork will be encouraged. Current events with financial, accounting, and socio-economic implications will be raised in class to help students think and understand the linkage of the course learning with the current news events, the importance of the need of ongoing learning as well as to monitor progress of students' knowledge acquisition in Accounting.

TM3: Students must prepare for assignment besides class attendance, as they will be asked to work on problems or respond to conceptual issues in the readings.

In order to achieve the outcomes of this course, students are expected to perform the following learning tasks:

- Read and prepare assigned materials before class
- Review and work on exercises after class to evaluate understanding
- Attend seminars and meetings that help to expand the knowledge horizon
- Prepare and collect project information
- Prepare for test and final examination
- Seek advice from instructor for difficulties encountered
- Form study group to learn and practise skills and knowledge

## Alignment of CILOS with TMs

CILO No.	TMs are primarily designed to assist students' understanding
CILOs 1, 2, 3, 4, 5	TM1: Interactive lectures - Lectures: in-depth coverage of accounting is presented with PowerPoint slides and other additional illustration materials as necessary - Q&A: time allowed to raise questions from both instructor and students
CILOs 1, 2, 3, 4, 5	TM2: In-class discussion exercises and formative quizzes - In-class exercises and Q&As will be discussed to direct student attention to the issues. - Formative Quizzes: students will take short oral or written quizzes at the end of the class to review what they learn.
CILOs 1, 2, 3, 4, 5	TM3: Assignments - Students are required to complete assigned questions and problems. At least one major problem will be assigned from a list of questions after each chapter at specific time. No late submission will be accepted.

## Attendance

Attendance requirements are governed by the “Academic Regulations Governing Bachelor’s Degree Programmes of Macao Polytechnic Institute”. Students who have less than the required attendance for the enrolled module are not eligible to attend the final or re-sit examinations and will be given an “F” as their final grade.

## Assessment

This learning module is graded on a 100 point scale, with 100 being the highest possible score and 50 being the passing score.

Evaluation for this course will be divided into the following components:

CILO	Description	Percentage	Assessment Types
CILOs 1-5	Participation as responses to Q&As	5%	Formative assessment
CILOs 1-5	Assignments	20%	Formative assessment
CILOs 1-4	Mid-term Test	25%	Summative assessment
CILOs 1-5	Final Examination	50%	Summative assessment
	<b>Total Percentage:</b>	<u>100.0%</u>	

## **Plagiarism Policy**

It is student's responsibility to ensure that his/her assignment has been checked by Turnitin software, and the similarity score given by Turnitin software cannot be higher than 30%. However, a special case can be determined by the instructor.

## **Teaching Material(s)**

### **Textbook(s)**

Charles H. Gibson. (2013). Financial Reporting and Analysis, 13th edition, South-Western Cengage Learning.

## **Reference**

### **Reference book(s)**

1. Thomas R. Robinson, Elaine Henry, Wendy L. Pirie, Michael A. Broihahn, Anthony T. Cope, 2015, *Financial Statement Analysis*, 3<sup>rd</sup> edition, Wiley.
2. Martin Fridson and Fernando Alvarez, 2011, *Financial Statement Analysis*, 4<sup>th</sup> edition, Wiley.