

School of Professional Advancement

Course Outline

Course Title: Financial Accounting Analysis

Course Type: Foundational

Course Description

The aim of this course is to provide participants with an understanding of the basic concepts, principles, procedures and techniques underlying the accounting process and to equip them with the foundation for developing an accounting system in an organization. The course will cover the nature, scope and functions of accounting; basic fundamental concepts and generally accepted accounting principles underlying accounting theory and practices; the accounting cycle with emphasis on the preparation of financial statements including statement of cash flows; accounting for cash, receivables, inventories, fixed assets, current, deferred and contingent liabilities; accounting for service organizations, clubs and societies and introduction to company accounts. The course also focuses on financial analysis (also referred to as financial statement analysis or accounting analysis) to assess the viability, stability and profitability of a business, sub-business or project. The course will also include a practical project on financial statements analysis of a listed company.

Format of the Course:

- Lectures
- Solving practical problems
- Readings will supplement lecture material
- Presentations
- Power point slides
- Discussions
- Study of Annual Reports of Listed Companies

Course Instructional Objectives

In the process of reading, participants will build their concepts about financial position, accounting equation, and how they are affected by simple transactions...the contents and purpose of statement of comprehensive income, statement of retained earnings, statement of financial position and statement of cash flows...ethics and ethical responsibilities of accountants...the qualitative characteristics of accounting information and their interrelationships...management issues related to recognition, valuation, classification, and disclosure of current liabilities...the types of long-term assets and the management issues related to accounting for those...management issues related to long-term debt, share capital, and the quality of a company's earnings...the principal purpose and use of cash flows...the objectives, standards, and sources of information for financial statement analysis...and much more. Also the participants will learn about the easy-to-understand true-life business situations and cases, user-oriented information, end-of-chapter questions and writing assignments, and Internet cases at the end of almost every chapter.

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Course Student Objectives

The overall objective of financial accounting is to generate useful and timely information for decision-making of different users and to control all financial transactions in the organization. At the end of the course, the participants will be able to;

- Apply the fundamental principles of accounting and understand the role accounting plays in the operations of a business
- Use basic business and accounting terminology and techniques to succeed in a business environment
- Identify the users of accounting information and explain the kinds of accounting information for each group
- Prepare a complete set of financial statements comprising statement of comprehensive income, statement of retained earnings, statement of financial position and statement of cash flows along with notes thereon
- Apply ratio analysis and other techniques to analyze, evaluate, and interpret a set of financial statements
- Solve business problems and make business decisions using accounting and non-accounting information

Course Contents: Following is the session-wise breakup of the course:

Session 1: Introduction:

- Course Introduction
- Teaching & Assessment Methodology
- Discussion on Course Outline
- Business Objective
- Types of Business
- Modes of Ownership
- Heads of Accounts

Learning Outcomes

The main learning objective is to provide a basic and conceptual understanding of accounting.

Activities

- Identifying different heads of accounts in a given scenario

Session 2: Financial Accounting

- The Definition of Accounting,
- Accounting Process and its functional objectives
- Accounting as an Information System and Users of Accounting Information
- Code of Professional Conduct
- Basic Accounting Concepts
- Double Entry System and Debit Credit Rules
- Analysis of Business transactions and their classification

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Learning Outcomes

An overview of the accounting process and the understanding of Debit Credit rules will be known by the participants.

Activities

- Recording transactions of a business

Session 3: Practicing Debit Credit Rules and Introduction to Financial Statements:

- Accounting Cycle:
- Analysis and classification of the elements of transactions
- General Journal- Practice on journalizing the transactions
- Analysis and classification of the elements of transactions
- General Ledger-Concept and Preparation
- Trial Balance and its benefits

Learning Outcomes

The main learning objective of the session is to learn different steps in an accounting cycle.

Activities

- Assignment 1

Session 4: Introduction to Financial Statements:

Financial reporting framework in Pakistan

IAS/IFRS

4th and 5th Schedule, Companies Ordinance, 1984.

Statement of Comprehensive Income, Statement of Financial Position

Statement of Cash Flow, Statement of changes in Equity

Notes to the Financial Statements

Learning Outcomes

This session aims to provide the understanding of the accounting cycle by journalizing (recording) the business transactions, classifying (ledgers), and summarizing (Statement of Comprehensive Income, Statement of Financial Position).

Activities

- Quiz 1

Session 5: The Adjusting Entries:

- Concept of Accounting Policies
- Adjusting Entries (Concept and Need)
- Categories of Adjusting Entries
- Accruing Unpaid Expenses
- Accruing Uncollected Revenue

Learning Outcomes

The participants will learn to incorporate the pending transactions in books of account.

Activities

- Quiz 2

Session 6: Categories of Assets, Depreciation, Depletion and Amortization:

- Current Assets
- Fixed Assets
- Depreciation

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- Amortization
- Methods of Depreciation (Straight Line Method, Reducing balance Method)

Learning Outcomes

This sessions aims to deals with the different categories of assets of an entity and the procedures of charging depreciation on fixed assets (matching concept).

Activities

- Assignment 2

Session 7: Financial Assets and Their Valuation:

- Financial Assets – Definition and Valuation
- Cash & Cash equivalents
- Cash management
- Internal control over cash
- Preparing Cash Book

Learning Outcomes

This session is about different types of financial assets possessed by any entity. Cash is one of the most important resources of the organization. This session draws attention to have a strict internal control over cash.

Activities

- Quiz 3

Session 8: Midterm

Session 9: Bank Reconciliation Statement:

- Why do we prepare Bank Reconciliation Statement?
- Identification of discrepancies between cash book and bank statement
- Preparing Bank Reconciliation Statement

Learning Outcomes

This session is about the need, importance and the procedure to prepare bank reconciliation statement.

Activities

- Preparing BRS

Session 10: Short term Investments and Accounts Receivables.

- Types of investment and their valuation
- Accounts Receivables
- Aging of accounts Receivable
- Uncollectible Accounts
- Presentation in Financial Statements

Learning Outcomes

The focus of this session is the short term investments of any entity and to monitor and control the accounts receivables.

Activities

- Quiz 4

Session 11: Owner's Equity:

- Meaning of Share

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- Types of Share Capital
- Authorized Share Capital

Learning Outcomes

This session aims to highlight different types of share capital and their recording in the books.

Activities

- Assignment 3

Session 12: Owner's Equity:

- Issued Capital
- Subscribed Capital
- Paid Up Capital
- Contrasting Common Stock and Preferred Stock

Learning Outcomes

The learning outcome is to familiarize the students with different important terms related to owner's equity and to bring into the light the differences between equity shares and preferred shares.

Activities

- Presentations

Session 13: Liabilities and Interest:

- Differentiating between Current and Long Term Liabilities with interest thereon

Learning Outcomes

In this session, the students will get awareness of current and long term liabilities and the accounting treatments of the same, accordingly.

Activities

- Quiz 5

Session 14: Annual Reports of Listed Companies:

Study of Annual Reports of listed companies

Learning Outcomes

Through this exercise, the students will be familiarized with different financial statements of some real life companies and to get hold on meaningful results.

Activities

- Studying annual report of a listed company and its interpretation

Session 15: Analysis of Financial Statements:

- Develop an Understanding with Stockholder's Report
- Common size balance sheets and income statements
- Fundamentals of using Financial Ratios
- Ratio analysis of firm's Balance Sheet and Income Statement
- Liquidity Ratios
- Activity Ratios
- Debt Ratios
- Profitability Ratios
- Market Ratios

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- A complete Ratio analysis
- Uses and limitations of Ratio Analysis

Learning Outcomes

The analysis of the financial statements is one of the most important functions of accounting. This session deals with the calculation of different financial ratios to facilitate the management and other users of financial statements to take timely and accurate decisions.

Activities:

Sessional assessment (70%) will be shared with the participants.

Recommended Book (s):

Textbook:

Financial Accounting (8th edition) by Libby, Libby and Short

Reference Book:

1. Financial Accounting by Charles T Horengren
2. Fundamentals of Accounting by M Tahir Mahmood

E-Resources:

Relevant web sites will be referred during lecturing.

Assessment Methodology:

Distribution	
Class Participation & Attendance	5%
Quizzes	15%
Mid Term	20%
Assignments	10%
Presentations	10%
Case Studies	10%
Final Exam	30%
Total	100%

Assignments will be either individual (problem exercises) or in groups. It depends upon the quantum of work and application of concepts.

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Calendar of Activities

Session	Topic	Readings	Activities
1	Introduction	Chapter 1	Class activity
2	Financial Accounting	Chapter 2	Class activity
3	Practicing Debit Credit Rules and Introduction to Financial Statements	Chapter 3	Assignment 1
4	Introduction to Financial Statements:	Chapter 5, 7	Quiz 1
5	The Adjusting Entries	Chapter 4	Quiz 2
6	Fixed Assets, Depreciation, Depletion and Amortization:	Chapter 8	Assignment 2
7	Financial Assets and their Valuation	Chapter 6	Quiz 3
8	Midterm		
9	Bank Reconciliation Statement	Handout	Class activity
10	Short term Investments and Accounts Receivables.	Chapter 6	Quiz 4
11	Owner's Equity	Companies Ordinance, 1984	Assignment 3
12	Owner's Equity	Chapter 11	Presentations
13	Liabilities and Interest:	Chapter 9	Quiz 5
14	Annual Reports of Listed Companies	Printed annual report	Class activity
15	Analysis of Financial Statements	Chapter 13	Project