



ACCT201 Corporate Reporting & Financial Analysis

Course Outline 2012/2013 Term 1

A. Instructor and Contact Information

WANG Jiwei, PhD, Associate Professor of Accounting (Practice)

Room 5025 (Level 5)
School of Accountancy
Singapore Management University
Singapore 178900

Tel: (65) 6828-0616
Fax: (65) 6828-0600
Email: jwwang@smu.edu.sg

Consultation times: By appointment, or drop by

Teaching Assistants: Kelvin LOW Wei Hong [kelvin.low.2009@economics.smu.edu.sg] and TAN Jing Ming [jm.tan.2010@economics.smu.edu.sg]

Section	Time	Tutor	Consultation Hours	Consultation Venue
G1 (SOA1.1)	Thu 08:30-11:45	Jing Ming/Kelvin	TBA	SOA #5043/5044
G7 (SOA1.1)	Tue 12:00-15:15	Jing Ming/Kelvin	TBA	SOA #5043/5044
G9 (SOA1.1)	Thu 12:00-15:15	Jing Ming/Kelvin	TBA	SOA #5043/5044

B. Course Prerequisites: Financial Accounting (ACCT101 or 103 or 111)

Students are required to have completed *Financial Accounting* (ACCT101/103/111). This course assumes that students are already familiar with basic financial accounting concepts such as accrual accounting and the construct of key financial statements such as the statement of financial positions, statement of comprehensive income and statement of cash flows.

It is also recommended that students have taken FNCE101 *Finance*. This course assumes knowledge of basic finance concepts such as time value of money, basic equity valuation model such as discounted dividend model and free cash flow model, cost of capital (including both the equity and debt capital) and other basic finance terminology.

C. Course Description

In this course we take the viewpoint of an analyst, investor or manager interested in corporate reporting and financial analysis. The course emphasizes financial analysis which is a primary and influential exercise when valuing an enterprise or a security. The course also introduces corporate reporting at what is traditionally an intermediate financial accounting level and valuation models based on accounting earnings. It does not emphasize other non-earnings valuation models such as the discounted dividend model or discounted cash flow model. We assume students have an introductory knowledge of these valuation models (see Course Prerequisites).

We will focus on understanding and interpreting financial statement disclosures based on Singapore FRS (Financial Reporting Standards). Since Singapore FRS are closely related to international and U.S. standards we will explore non-Singapore examples, where appropriate. Substantial portions of this course are directly beneficial to students interested in the Chartered Financial Analyst® (CFA®) designation.

NOTE: This course is for non-accounting majors. If you are keen on pursuing double degree in Accountancy, you shall take ACCT222 which is for accounting majors.

D. Course Objectives and Skill Developments

Students are expected to demonstrate the following technical competencies upon successful completion of this course:

- **Understand** corporate reporting issues at an intermediate level.
- **Analyze** a company from the perspective of an equity analyst interpreting the financial statements.
- **Interpret** accounting numbers correctly from the financial statements, notes to the accounts and other disclosures, of the financial position and performance of a company.
- **Perform** pro-forma adjustments to reported financial statements by taking into account exceptional items, off-balance sheet financing, capitalized interest, etc.
- **Account** for revenue recognition of construction contracts, inter-corporate investments (including consolidation of subsidiaries, equity method for associates and fair value options), earnings per share computation, business segments, leases, intangible assets, impairment, etc.
- **Develop** an ability to independently learn, unlearn and re-learn relevant updates on accounting standards, corporate regulations and other financial reporting and disclosure requirements.

However, learning outcomes should be beyond just technical accounting competencies. In particular, this course seeks to develop your versatility, individual competencies and awareness of ethics and responsibilities through the various class and assessment activities:

- **Technical skills:** Corporate disclosure requirements, accounting for business combinations, revenue recognition issues, earnings and cash flow measures, financial statement analysis, equity valuation, intangible assets and impairment, and events after the balance sheet date.
- **Analytical skills:** The accounting topics will be discussed from the perspective of analysts interpreting the financial statements. These skills will be developed via problems and a team analysis project as well as classroom examples based on real world situations. Analytical skills will be developed through various problem solving, case discussions and analysis. The course will provide the tools for students to use and analyse accounting data and financial reports to make informed decisions.
- **Communication skills:** Students will be assessed on class participation. Students will also be required to actively participate in the class discussions and through written report and discussion of the company analysis project. The written report and presentation will be assessed based on clarity of communication appropriate for a business context.
- **Team work:** A team project analyzing an actual company's financial statements will help build team process skills. Team projects, discussions and presentations will be important elements of the course. All students will be required to work in teams. They are expected to work as partners and share the work load.
- **Active learning:** Students (working in teams) will be required to write an analysis of an actual company and present the analysis to the class. Students are also expected to prepare for each week's class; this means reading the required material in advance and coming to class prepared to answer questions and participate in class discussions. Students will be expected to venture beyond prescribed readings and text. The group project will allow students to take an active role in understanding how corporate reporting serves the information needs of users.
- **Professional ethics:** Ethical concepts and constructs are integrated throughout the course primarily via real world examples pertaining to the classroom topics.

E. Textbook and Other Resources

Main Text:

Revsine, Collins, Johnson and Mittelstaedt, *Financial Reporting and Analysis* – 5th Edition 2012 (McGraw-Hill/Irwin). Available at university bookshop.

Other Required Readings:

- Singapore Companies Act (Chapter 50), Part VI, sections 199-209A, incorporating all amendments to-date – downloadable from <http://statutes.agc.gov.sg>.
- Singapore Financial Reporting Standards (FRS), issued by the Accounting Standards Council (ASC) – downloadable from <http://www.asc.gov.sg>.
- SGX Listing Manual (by the Singapore Exchange) – downloadable from <http://www.sgx.com>.

NOTE: Singapore laws as well as SMU policies prohibit unauthorized reproduction of textbooks and other copyrighted materials. As aspiring business and community leaders, students are expected to make the ethical and legitimate choice and acquire only authorized copies of all published materials.

F. Assessment

To pass the course, a student is required to obtain a **TOTAL** mark of 50% or better. The assessment components are listed below: Progress Assessments (10%), Class Participation and Activities (15%), Group Analysts' Report (25%) and Final Examination (50%).

1. Progress Assessments (10%)

There will be one mid-term paper during the term. The midterm will be conducted in-class in Week 7 (i.e., the week before the recess break).

2. Class Participation and Activities (15%)

Class learning activities are designed to give you opportunities to participate in and contribute to your own learning and that of the entire class. This is typically done through class participation, project presentation, homework assignment, and may include other assigned work, tasks, or questions (e.g. pre-class preparations and post-class reviews) during the term that will help you prepare for the class and review course materials in a timely manner.

3. Group Analysts' Report (25%)

Form a group of four to five members and analyse a listed company. The group project aims to provide students with an understanding of corporate reporting practices and analysis of financial statements. Students should be able to critically analyze and evaluate various aspects of the financial statements, with emphasis on (but not limited to) the topics discussed in the course. More details on the project will be disclosed during the term.

4. Final Examination (50%)

Further information will be provided as the term progresses. The final examination is a closed-book, of three (3) hours duration and covers the entire course.

Important Notice on Date and Time of Final Exam

At SMU, the dates and times of all final exams are announced well in advance of each term's course bidding. Students should note the official date and time of the final exam for this course as published by the Office of Registrar. Requests by students to take the ACCT201 final exam on other than the officially scheduled date and time will not be approved except under extremely extenuating circumstances entirely beyond the student's control. Students who believe they may be unable to take the final exam on the scheduled date and time should not enroll for this course this term.

G. Academic Integrity

All acts of academic dishonesty (including, but not limited to, plagiarism, cheating, fabrication, facilitation of acts of academic dishonesty by others, unauthorized possession of exam questions, or tampering with the academic work of other students) are serious offences. All work (whether oral or written) submitted for purposes of assessment must be the student's own work. Penalties for violation of the policy range from zero marks for the component assessment to expulsion, depending on the nature of the offense. When in doubt, students should consult the instructors of the course. Details on the *SMU Code of Academic Integrity* may be accessed at <http://www.smuscd.org/resources.html>.

H. Lesson Plan

Class Session: 3 hours per session

The course will be conducted in class sessions that will last for 3 hours each with a short break in between. You are expected to come to these sessions prepared and be ready to respond to questions as required. This means doing the required readings and/or homework for each session.

PROPOSED COURSE OUTLINE (May be revised based upon timing)

Week	Topic	Reading material
1	Course Logistics 1. The Financial Reporting Environment in Singapore <ul style="list-style-type: none">• Economics of Financial Reporting.• Financial Reporting Environment in Singapore.• Singapore Disclosure Requirements and Accounting Standards. Self Review of Basic Concepts of Financial Statements Revsine <i>et al.</i> Chapters 2, 4, & 17	Revsine Ch 1 & 7 FRS/Preface FRS/Framework FRS 1 & 34 Companies Act (s199-209A) Accounting Standards Act 2007 SGX Listing Manual (Ch 7 Rules 703-711, Ch 12 & Appendix 7.1 & 7.2)
2	1. The Financial Reporting Environment in Singapore (continued) <ul style="list-style-type: none">• Quarterly Financial Reporting.• Singapore Exchange Corporate Disclosure Policy. 2. Determination of Accounting Income <ul style="list-style-type: none">• Permanent, Transitory, and Value Irrelevant Components of Accounting Income.• Determination of Net Income.• Non-Current Assets Held for Sale and Discontinued Operations.• Changes in Accounting Policies and Accounting Estimate.• Correction of Accounting Errors.• Segment Reporting.	Revsine Ch 2 & 3 FRS 1 & 8 FRS 105 FRS 14 & 108 SGX Listing Manual – Appendix 7.2 para 1(a)
3 & 4	3. Financial Analysis and Equity Valuation <ul style="list-style-type: none">• Overview of Financial Statement Analysis• Accounting Analysis• Introduction to Credit Risk Analysis• Key Financial Ratios• Bankruptcy Prediction• Performance Forecasting• Basic Equity Valuation Models• Residual Income Model• Relative Valuation Models	Revsine Ch 5 & 6

5 & 6	4. Analyzing Investing Activities - Intercorporate Investments <ul style="list-style-type: none"> • Introduction to Intercorporate Equity Investments. • Analysis of Minority Passive Investments. • Analysis of Investments in Associated Companies. • Analysis of Investments in Subsidiaries. 	Revsine Ch 16 FRS 103 & 31 FRS 27 & 28
7	Mid-term Exam (in-class, closed-book) 4. Analyzing Investing Activities - Intercorporate Investments <ul style="list-style-type: none"> • Analysis of Investments in Joint Ventures. • Analysis of Foreign Currency Transactions and Foreign Operations. 	Revsine Ch 16 FRS 103 & 31 FRS 27 & 28
<i>Recession Week, No Class</i>		
9	5. Analyzing Investing Activities – Other Operating Assets <ul style="list-style-type: none"> • Capitalization of Borrowing Costs. • Intangible Assets. • Impairment of Assets. • Impairment of Goodwill. • Investment Property. 	Revsine Ch 10 & 16 FRS 23, 38, 36, & 40
10	6. Analyzing Financing Activities <ul style="list-style-type: none"> • Overview of Liabilities. • Leases (lessee’s perspective). • Operating Leases as Off-Balance-Sheet Financing. • Off-Balance Sheet Debt: Asset Securitization and Special Purpose Entities. • Provisions, Contingent Liabilities, and Contingent Assets. • Events after the Balance Sheet Date. 	Revsine Ch 8 & 12 FRS 10, 17, & 37
11	7. Analyzing Operating Activities <ul style="list-style-type: none"> • Revenue Recognition. • Construction Contracts. • Earnings Management. • Earnings per Share. 	Revsine Ch 3 & 7 FRS 11, 18, 24, 33
12	GROUP PROJECT PRESENTATIONS.	
13	GROUP PROJECT PRESENTATIONS (cont’d).	
14	No class Self-review of the course and preparation for the final exam	
Final Exam <i>Full details to be announced in class</i>		