

ACC 512: Financial Reporting and Analysis

Program/Semester: MBA/Second Semester

Course Title: Financial Reporting and Analysis

Course Code: ACC 512

Credit Hours: 3

Lecturer Hour: 45

Course Objectives

The main objective of the course is to provide basic concepts and practice of financial reporting so that students can understand and analyze financial performance. The course intends to discuss the effect on financial statement with alternative methods of revenue recognition, accounting for assets and liabilities, and accounting for shareholders equities in compliance with generally accepted accounting principle (GAAP) and accounting policies. The course also aims to provide foundation for specialization course in accounting and finance.

Course Description

Financial reporting and analysis course includes concepts and scope of accounting applications; managerial needs of accounting information; generally accepted accounting principles (GAAP) and accounting methods, the accounting principles cycle and use of work sheet, preparation of financial statements, accounting for different assets, liabilities and equities; accounting notes and disclosures, and the critical analyses and interpretation of financial statements for business decision making and control.

Learning Outcomes

After successful completion of this course, students will be able to:

- Understand the need and scope of accounting information for financial planning, controlling and decision making.
- Interpret the information contained in financial statements and annual reports.
- Understand the effect of GAAP, accounting policies and methods in financial statements.
- Understand the accounting cycle, journals, ledgers, and the trial balance.
- Prepare financial statements with adjusting entries in compliance with accounting standards.
- Recognize appropriate methods of accounting for assets, liabilities and equities.
- Analyze financial statements from different user's perspectives for business decisions.

Course Contents

In line with the contemporary focus of the course, the following issues or topics have been selected. Each issue or topic will be explored in relation to existing literature, its relevance in Nepalese context, and the likely impact on current financial reporting and practices in Nepal.

Unit 1: Conceptual Foundation

LH 5

Concept of business entities: sole proprietorship, partnership and corporation; meaning of financial accounting; importance, scope, and limitations of financial accounting; accounting concepts and principles; Generally Accepted Accounting Principles (GAAP), Accounting standards: Nepal Accounting Standards (NAS), International Accounting Standards (IAS), Nepal Financial Reporting Standard (NFRS), and International Financial Reporting Standards (IFRS); financial reporting: concept, objectives, types, importance, and elements; ethics in accounting.

Unit 2: Accounting Process and Financial Reporting **LH 12**

Sources of accounting information: concept, types and purpose; accounting cycle: recording of transactions in primary books, general journals, posting to ledger accounts, cash book and preparation of trial balance; preparation of financial statements: income statement, statement of retained earnings, balance sheet, and cash flow statement; preparation of financial statements as per NFRS.

Unit 3: Financial Statement Analysis **LH 8**

Financial statement: concept, objective, importance, and limitations; users and uses of accounting information: internal users and external users; analysing financial statements through ratios: liquidity analysis ratios, profitability analysis ratios, capital structure ratios, activity analysis ratios and coverage ratios; analysis of annual reports: concept, procedure, importance and evaluation.

Unit 4: Accounting for Long-lived Assets **LH 8**

Accounting for investment: short-term investment and long-term investment, meaning of long-lived assets and cost of tangible long-lived assets; depreciation of tangible long-lived assets: straight-line method, diminishing balance method, and depreciation fund method; effect of depreciation on tax, and provisions for depreciation as per Income Tax Act of Nepal.

Unit 5: Accounting for Long Term Liabilities **LH 6**

Long term liabilities: concept, features and types of bonds/debentures; accounting entries for issuance, and retirement of bonds/debenture; balance sheet presentation of bonds/debenture; leases: concept, types of acquisition of capital lease, depreciation of leased asset, amortization of lease obligation and balance sheet presentation of lease obligation.

Unit 6: Accounting for Shareholders' Equity **LH 6**

Concept of equity capital, component of equity: common stock, preferred stock, additional paid-in capital, and retained earnings; accounting record for issue of stock, accounting record for treasury stock, accounting record for cash and stock dividend; stock split: concept and effect of stock split on shareholder's equity; presentation of shareholders' equity in the balance sheet.

Required Textbooks and Materials

Prescribed Text Book:

Porter, G. & Norton, C. L. (2013). *Introduction to Financial Accounting*. Delhi: Cengage Learning India Private Limited.

Suggested References:

Accounting Standards Board (2018). *Nepal Accounting Standards*. Kathmandu: ASB.

Accounting Standards Board (2014). *Nepal Financial Reporting Standard*. Kathmandu: ASB.

Greunung, V., Darrel, S. & Simonet, T. (2011). *International Accounting Standards. A Practical Guide*, USA: World Bank.

Kimmel, P. D. Weygandt, J. J., and Kieso, D. E. (2012). *Financial Accounting*. New Delhi: Wile India Pvt. Ltd.

Narayanaswamy, R. (2011). *Financial Accounting: A Managerial Perspective*. New Delhi: PHI Learning Private Limited.

