



Course Outline

Advanced Financial Accounting

Spring Term 2014

Tue 12.15-14 (Auditorium WWZ)

Wed 10.15-12 (115 Kollegienhaus)

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Ordinarius

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1. Objective

The objective of this course is to enable students to understand and analyse financial statements of single legal entities according to the IFRSs. Students will:

1. Expand their technical proficiency in accounting for physical and financial transactions, and in the preparation of financial statements, thereby developing the conceptual understanding for the scope of the Standards, and the recognition and measurement of assets and liabilities.
2. Learn how to read and analyse financial statements and, ultimately, prepare a financial statement analysis.

The course differs from traditional teaching where issues 1 and 2 are separated. We strongly believe that financial statement analysis is impossible without a sound understanding of the underlying accounting standards. Vice versa, it is also impossible to reasonably disclose information that is relevant to investors without a sound understanding of how to prepare financial statement analysis.

2. Organization

Reading and course language

Basic Reading: A problem with textbooks is that the IFRS are still undergoing a fast development. Thus, textbooks become quickly outdated.

1. Password protected PDF copies of the **original Standards** will be provided as downloads.

The password will be distributed in class. Downloads and password are for personal use only and must not be passed to second persons.

2. The following book provides an introductory overview:

Derry Cotter: Advanced Financial Reporting – A Complete Guide to IFRS, Prentice Hall 2012, ISBN 978 0 273 73235 8. *This book is introductory and does not cover all details of the lecture. However, for each chapter of the lecture it will provide a useful first overview.*

3. The best introduction to financial statement analysis is

Stephen Penman: Financial Statement Analysis and Security Valuation, 5th ed 2013, ISBN 978-007-132640-4. *This book has a primary focus on U.S. GAAP but covers IFRS “between the lines”.*

4. The general course language is English. No German translation will be provided. However, German speaking students may find it helpful to gather an English-German version of the International Financial Reporting Standards.

International Financial Reporting Standards (IFRS) 2012: Deutsch-Englische Textausgabe der von der EU gebilligten Standards. English & German edition of the official standards approved by the EU, Wiley 2012. *Please notice that a thorough command of the English terms will be absolutely necessary in order to both pass the exam and to work in a professional environment in your near future.*

Further Reading: The leading accounting companies edit comments on the IFRSs that are very useful. This reading is optional.

Examination

Two problem sets (PS) will be distributed in class. Students are allowed to solve the PSs in group work. A group may consist of 4 students at most. The solutions will be graded. By the end of the teaching period, there will be an individual examination, consisting of a combination of topics covered in the lecture (knowledge questions) and quizzes & cases (problem-solving abilities). (Single-sided cheat sheet; simple, non-programmable calculators are allowed.)

Grades will be based on the solutions to the PS (1/3) and the final exam (2/3).

Contact

The responsible teaching assistant is

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Tentative schedule:

Date	Topic	Required reading
Feb 18	Chapter 1. Introduction	Slides Ch 1 (pdf) Cotter: pp 7-70
	Purposes of financial statements and the Conceptual Framework	IASB: Framework (pdf) Penman: Ch 1
Feb 19	Chapter 2 Formalities matter	Slides Ch 2 (pdf) IASB: Framework, IAS 1, IAS 7, IAS 8 (pdf) Cotter: pp 71-100 Penman Ch 2
	Clean surplus accounting and the presentation of financial statements	
Feb 25	Chapter 3 Assigning values	Penman Chs 3-5
Feb 26	Firm valuation with DCF and EVA analysis	
Mar 11/12	Carnival break	
Mar 18	Chapter 4 Sorting things out	Slides Ch 4 (pdf) Penman Chs 7-9
	Reformulating financial statements	
Mar 19	Chapter 5 Solid stuff	Slides Ch 5 (pdf) IASB: IAS 16; 40 (pdf) Cotter: pp 126-137; 150-157
	Property, Plants & Equipment and Investment Property	
Mar 25	Chapter 6 Measuring fair	Slides Ch 6 (pdf) IASB: IFRS 13 (pdf)
	Fair value	
Mar 26	Chapter 7 Under water	Slides Ch 7 (pdf) IASB: IAS 36 (pdf) Cotter: pp. 158-169 Penman Ch 4
	Impairment	
Apr 1	Chapter 8 Soft stuff	Slides Ch 8 (pdf) IASB: IAS 38 (pdf); IFRS 3; IFRS 10; IAS 28; Cotter: pp 138-149, 237-312
Apr 2	Intangibles & Goodwill	
Apr 8	Chapter 9 Good news or not?	Slides CH 9 (pdf) IASB: IASs 11, 18 (pdf) Cotter: pp. 116-125, 334-344
Apr 9	Revenue recognition	
Apr 15	Chapter 10 Not ours / Not yours	Slides Ch 10 (pdf) IASB: IAS 17 (pdf) Cotter: pp. 320-333
Apr 16	Lease accounting	
Apr 22	Chapter 11 Letting bad news out	Slides Ch 11 (pdf) IASB: IAS 37 (pdf) Cotter: pp. 225-236
Apr 23	Provisions, contingent liabilities, contingent assets	

Apr 29	Chapter 13 It's all about money	Slides Ch 13 (pdf)
Apr 30	Financial Instruments	IASB: IAS 32 (pdf); IAS 39; IFRS 9
May 6		
May 7	Mock exam	
May 13	Chapter 14 Profitability	Slides Ch 14 (pdf)
	Ratio Analysis and the Du Pont Breakdown	Penman Ch 11
May 14	Chapter 15 Core income	Slides Ch 15 (pdf)
	Analysis of Growth and Sustainable Earning	Penman Ch 12
May 20	Chapter 16 Operations matter	Slides Ch 16
	Evaluation of Price to Book and Price Earnings Ratios	Penman Ch 13
May 21	Chapter 17 Anchoring on financial statements	Slides Ch 17
	Simple Forecasting and Simple Valuation	Penman Chs 14-15
May 27	Chapter 18 Don't trust numbers you didn't make up yourself	Slides Ch 18
	Accounting policies and accounting manipulations	Penman Chs 16-17
May 28	Reserve	