PMB560A Financial Accounting

KAIST College of business
Summer 2014

Professor Ingoo Han (S306, phone: 3613, 010-5255-3786)
TA :

Class Hour: 7:00-10:00 pm Tu & Th
Office Hour: You are always welcome to visit, e-mail, and phone professor and TA.

1. Course Objective and Outline

This course is one of core courses for MBA students. This course introduces the basic concepts and principles of financial accounting and enables students to utilize accounting information for decision making from the perspective of users while other accounting courses deal with technical aspects of accounting process from the perspective of accountants. This course focuses on financial accounting while broad accounting issues in managerial accounting, auditing and taxes will be also covered. The main topics covered in this course are as follows.

1) Basic concepts and theoretical framework of financial accounting
2) Accounting process
3) Principles of financial statements
4) Financial statement analysis and valuation
5) Managerial decision making based on accounting information
6) Sarbanes-Oxley Act and Accounting Reform
7) IFRS(International Financial Reporting Standards)

2. Preparation of Classes and Assignments

Students are required to read assigned chapters and should be ready for the discussion of assignments. Students are also to turn in the assigned homework by the

due date which is usually the first class of next week unless specified otherwise. Students may be asked to present the assigned problems or cases in the class. Assignments are not graded by the correctness of answers but checked for the quality and completeness.

3. Textbook and Reading Materials

1) Textbook: Stickney, Weil, Schipper & Francis, Financial Accounting, 13E., South-Western, 2010
2) Supplementary: 이효익, 최관, 백원선, IFRS회계원리, 신영사, 2014
3) Economic newspapers and journals
4) Selected Papers (to be announced)

4. Useful Web Sites

http://www.kasb.or.kr (한국회계연구원)

http://www.kicpa.or.kr (한국공인회계사회)

http://www.kse.or.kr (증권거래소)

http://dart.fss.or.kr (금융감독원)

http://accounting.rutgers.edu/raw/fasb/ (미국 FASB)

http://www.sec.gov/cgi-bin/srch-edgar (미국 SEC archives)

http://www.iasb.org/ (국제회계표준기구)

5. Group Project

A group of four students will perform a case study with a focus on financial analysis. Students select a target from the listed companies in Korea and other countries. The issues to be covered by the case study are, not limited to, as the followings:

1) Outline of the target company
2) Industry analysis
3) Financial statement analysis
4) Valuation

5) Strategic implications for management and investors

You are encouraged to visit the target company and/or meet with the staffs and/or analysts of the target company.

The report should use quotations and references for information and knowledge sources like academic research. When the final term project is turned in, the activity log summarizing the group's activity toward the project should be accompanied. The activity log should describe the role of each member, meetings, data collection, interviews, analysis, writing, etc. so that the professor can understand how each member of group has contributed to the project and how the project has proceeded. Every member of the group should present the project or assignment in turn.

<Schedule>

- 6/12 Formation of Group
- 6/17 Turn in the Proposal of Term Project
- 7/1 Present and turn in the project

6. Evaluation

- Mid-term exam 20%
- Final exam 20%
- Group Project 30%
- Assignments 20%
- Class participation 10%

7. Course Schedule

6/10(Tu)-1 Market for Lemon and Principle of Accounting Ch. 1

Discussion :

1. Earnings shock는 주가에 어떤 영향을 미치는가? Earnings surprise는?
2. 일반적으로 회계정보의 공시는 주가에 어떤 영향을 미치는가?
3. 2013년 노벨경제학상은 Marker Efficiency의 개념을 만든 Fama교수와 Irrational Exuberance, Animal Spirit을 저술한 Shiller교수가 공동 수상하였다. 시장은 효율적이라는 Fama교수와 인간은 비합리적이며 시장에 bubble이 존재하며 비효율적이라고 주장하는 Shiller교수 중 누구의 의견에 동의하는가?

4분기 어닝쇼크에 코스피 출렁, 2014/1/25 매일경제
http://epaper.mk.co.kr/Viewer.aspx?exec=viewsearch&GCC=AB00699&CNo=157815347

6/10(Tu) Business Activities and Financial Reporting Ch. 1

Assignment 1 : Describe your own Career Map. Prepare your career path in thirty, twenty, ten, and five years. Think about your future in a reverse way. Upload the file to the course forum so that we may share the vision of each student.

6/12(Th)-1 Accounting Process Ch. 2

Formation of Group

Discussion : Why did Enron, a giant company in the USA, commit accounting fraud? Why did Arthur Andersen, one of then-Big 5 accounting firms, bypass the accounting fraud of Enrone as auditor? What were the consequences?

6/12(Th)-2 Financial Statement Preparation Ch. 2

Assignment 2 : Problem 2.4 for Self-Study (p. 58), Solutions (pp. 79~81)

6/17(Tu)-1 Balance Sheet Ch. 3

Turn in the Proposal of Group Project

6/17(Tu)-2 Analysis of Balance Sheet Ch. 3

Group Assignment 1:

1) Prepare the Common-Size Balance Sheet of the target company for the recent two years. Discuss the changes in financial status for two years.
2) Choose one company comparable with your target company. Compare the target company with the comparable one on the compositions of assets and financing for the most recent year.
3) Calculate the PBR(Price-Book Ratio) of the target company. Is it higher or lower than the Korean average(roughly 1)? Discuss why?

6/19(Th)-1 Income Statements Ch. 4

6/19(Th)-2 Analysis of Incomes Statements Ch. 4

Group Assignment 2:

1) Prepare the Common-Size Income Statements of the target company for the recent two years. Discuss the changes in financial performance for two years.
2) Choose one company comparable with your target company. Compare the target company with the comparable one on the performance for the most recent year.
3) Calculate the PER(Price-Earnings Ratio) of the target company. Is it higher or lower than the Korean average(roughly 10)? Discuss why?

6/24(Tu)-1 Statement of Cash Flows Ch. 5

6/24(Tu)-2 Analysis of Statement of Cash Flows Ch. 5

Assignment 3 : Problem 5-5 (p. 213), Solutions (pp. 220-221)

Group Assignment 3:

Interpret the pattern of Cash Flows from Operating, Investing and Financing activities of the target company by considering the stage, growth rate, market trend, etc.

6/26(Tu)-1 Financial Statement Analysis Ch. 6

For the Group Project:

1) Analyze the profitability and risk of the target company by using financial ratios.
2) Disaggregate the ROCE into three components of profit margin, turnover and leverage and interpret them.
3) Project the EPS and BPS of the target company for 2013 and value the target company by using earnings and book multiples.

6/26(Tu)-2 Financial Ratio and Valuation Ch. 6

7/1(Tu)-1 Presentation of Term Project (1)

7/1(Tu)-2 Presentation of Term Project (2)

7/3(Th) Mid-term Exam

7/8(Tu)-1 Revenue Recognition Ch. 7

Group Assignment 4 : Critique on Analyst Reports

7/8(Tu)-2 Receivables Ch. 7

Assignment 4 : Problem 7-1 (p. 315), Solutions (pp. 342-343)
Problem 7-5 (p. 340), Solutions (p. 347)

7/10(Th)-1 Working Capital Ch. 8

Discussion:

1) SK에너지 등 정유회사는 재고자산평가에서 2010년도 까지 어떠한 평가방법을 사용해 왔는가? Why?
2) 2011년부터 IFRS를 적용하기 시작했는데 정유회사의 손익계산서 및 대차대조표에 미치는 영향을 분석하라. 세금, 주가에 미치는 영향은?

7/10(Th)-2 Analysis of Working Capital Ch 8

Assignment 5 : Problem 8-1 (p. 374), Solutions (p. 396)
Problem 8-4 (p. 388), Solutions (pp. 397-398)

7/15(Tu)-1 Long-Lived Tangibles Assets Ch. 9

7/15(Tu)-2 Intangible Assets Ch. 9

Assignment 6 : Problem 9-3 (p. 432), Solutions (p. 449)
Problem 9-5 (pp. 439-440), Solutions (p. 449)

7/17(Th)-1 Notes and Bonds Ch. 10

7/17(Th)-2 Leases Ch. 10

Assignment 7 : Problem 10-1 (p. 467), Solutions (p. 493)
Problem 10-4 (p. 489-490), Solutions (p. 496)

7/22(Tu)-1 Off-Balance-Sheet Financing Ch. 11

7/22(Tu)-2 Income Taxes Ch. 11

Assignment 8 : Problem 11-1 (p. 522), Solutions (p. 346)
Problem 11-3 (p. 541), Solutions (p. 547)

Group Assignment 5 : Problem 11-37 (p. 562)

7/24(Th)-1 Marketable Securities Ch 12

7/24(Th)-2 Derivatives Ch. 12

Assignment 9 : Problem 12-2 (p. 576), Solutions (pp. 599-601)
Problem 12-3 (p. 595), Solutions (pp. 602-603)

7/29(Tu)-1 Investment in Common Stock Ch. 13

Assignment 10 : Problem 13-1 (p. 623), Solutions (pp. 639)
Problem 13-3 (pp. 632-634), Solutions (pp. 642)

7/29(Tu)-2 Shareholders' Equity Ch. 14

Assignment 11 : Problem 14-1 (p. 672), Solutions (pp. 698-699)
Problem 14-3 (p. 681), Solutions (pp. 700-701)

7/31 Final Exam