EMB562 Financial Accounting

KAIST College of business
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TA : 황선영 (S307, phone: 3685, 010-2819-1360)
Class Hour: 9:00-12:00 Sat
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 EMBA 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) 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:Weil, Schipper & Francis, Financial Accounting, 14th Edition, South-Western Cengage Learning, 2014
2) Supplementary: 이효익, 최관, 백원선, IFRS회계원리, 신영사, 2017
3) Economic newspapers and journals

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 statement 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 group assignment in turn.

<Schedule>

- 2/3 Formation of Group
- 4/7 Present and turn in the project

6. Evaluation

- Mid-term exam 25%
- Final exam 25%
- Group Project 30%
- Assignments 10%
- Class participation 10%

7. Course Schedule

2/3 (Sat) Market for Lemon & Overview Ch. 1

Formation of Group

Discussion:

1. 회계정보는 가치평가에 유용한가?
2. 회계정보의 공시는 주가에 어떤 영향을 미치는가? Good News vs. Bad News
3. Earnings shock의 의미는? Earnings surprise는? 주가에 대한 영향은 신속한가?
4. 2013년 노벨경제학상은 Market Efficiency의 개념을 만든 Fama교수와 Irrational Exuberance, Animal Spirit을 저술한 Shiller교수가 공동 수상하였다. 시장은 효율적이라는 Fama교수와 인간은 비합리적이며 시장에 bubble이 존재하며 비효율적일 수도 있다고 주장하는 Shiller교수 중 누구의 의견에 동의하는가?

Assignment 1: 현재 또는 과거의 소속회사에서 경험했던, 당면한 또는 앞으로 고려해야 할 회계이슈를 제시하고 1~2개의 질문 및 답(없어도 됨)을 포함해서 1페이지 이내로 간단히 설명하라.

2/10 (Sat) Accounting Process and Financial Statement Preparation Ch. 2, Ch 3

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 Enron as auditor? What were the consequences to Enron and Arthur Andersen?

Exercise 1: Solve Problem 2.4 (p. 56~57), Solutions (pp. 60~62)

Exercise 2: Solve Problem 3.2 (p. 82~83), Solutions (pp. 89~90)

2/17 (Sat) 추석

2/24 (Sat) Balance Sheet Ch. 4

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?

3/3 (Sat) Income Statements Ch. 5

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?

3/10 (Sat) Statement of Cash Flows Ch. 6

Group Assignment 3:

1) Interpret the Cash Flows from Operating, Investing and Financing activities of the target company for the recent two years.
2) Choose one company comparable with your target company. Compare the target company with the comparable one on the pattern of cash flows for the most recent year.

3/17 (Sat) Financial Statement Analysis Ch. 7

Group Assignment 4 (Due: 4/7)

1) Analyze the profitability and risk of the target company by using financial ratios.
2) Disaggregate the ROE into three components of profit margin, turnover and leverage

and interpret them.

3) Estimate the EPS of the target company for 2018 and value the target company by using earnings multiples. Recommend Buy or Sell.

3/24 (Sat) Mid-term Exam and Prepare for Term Project

3/31 (Sat) Valuation

4/7 (Sat) Presentation of Term Project

Discussion on Analyst Reports

1. 애널리스트의 전망 및 추천의견은 긍정적인가, 중립적인가, 보수적인가?
2. 목표주가와 실제주가간의 관계는 어떠한가?
3. 목표주가를 하향조정하면서도 계속 매수추천하는 것은 타당한가?
4. 애널리스트의 매수/매도 추천의견은 투자의사결정에 유용한가?

4/14 (Sat) Revenue Recognition and Receivables Ch. 8

Discussion

1. 2013년 GS건설이 1분기 실적을 발표하면서 어닝쇼크를 기록한 이유는?
2. 대우조선이 2014년까지 4천억대의 흑자를 보고하다가 2015년 5조대 적자에 이어 2013, 2014 재무제표의 수정을 하게 된 이유는? 2013년 GS건설의 사례와 어떻게 유사하고 어떻게 다른가?
3. 대우조선의 경영진 및 감사를 맡았던 안진회계법인의 책임은?

매일경제 2013/4/12 GS 건설 5 천억 영업손실에 건설주 급락
http://news.mk.co.kr/newsRead.php?year=2013&no=279234

한국경제 2016년 3월 24일 대우조선, 손실 2조 축소 딜로이트의 실토 파문
http://www.hankyung.com/news/app/newsview.php?aid=2016032320571&intype=1

Group Assignment 5:
Review the notes related to Revenue, Receivables, Allowance for Uncollectables, Bad Debt Expenses, etc.

1) What accounting policies and issues does the target company have regarding revenue recognition, receivables and related accounts?

2) Analyze the relationship among revenues, receivables, allowance for uncollectables, and bad debt expenses for the recent two years.
3) Choose one company comparable with your target company. Compare the target company with the comparable one on the related accounting policies and issues for the most recent year.

4/21 (Sat) Working Capital Ch. 9

Discussion:

1) SK에너지, GS칼텍스 등 정유회사는 재고자산평가에서 2010년도 까지 어떠한 평가방법을 사용해 왔는가? Why?
2) 2011년부터 IFRS를 적용하기 시작했는데 유가 상승기에 재고자산 평가방법의 변경이 정유회사의 손익계산서 및 대차대조표에 미치는 영향은? 세금, 주가에 미치는 영향은?

Group Assignment 6:

Review the notes related to Working Capital.

1) What accounting policies and issues does the target company have regarding working capital?
2) Choose one company comparable with your target company. Compare the target company with the comparable one on the related accounting policies and issues for the most recent year.

4/28 (Sat) Long-Lived Tangibles and Intangible Assets Ch. 10

Group Assignment 7:

Review the notes related to Long-Lived Tangible & Intangible Assets.

1) What accounting policies and issues does the target company have regarding tangible and intangible assets? You may explain depreciation/amortization, asset impairment issues, expensing vs. capitalization issues, etc.
2) Choose one company comparable with your target company. Compare the target company with the comparable one on the related accounting policies and issues for the most recent year.

5/5 (Sat) Break

5/12 (Sat)-1	Marketable Securities	Ch. 13
5/12 (Sat)-2	Investments in Common Stock	Ch. 14
5/19 (Sat)	Final Exam and Wrap Up	