

Peking University
HSBC Business School
Financial Statement Analysis

SYLLABUS

Instructor Contact Information

Dr. Naqiong Tong, Ph.D., CPA

Class Time: Tuesday and Friday 3:30-5:20

Class Room: 231

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Office Hours: Tuesday and Friday 1:30-3:00

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Course Objectives:

The perspective and main focus of this course are not for the accountants who prepare financial reports, but rather for the users of the information contained in them: mostly investors and the financial analysts who serve them, creditors and, to some extent, management. This course discusses U.S generally accepted accounting principles [GAAP] underlying the financial statements, their implementation in practice and various valuation models used by analysts for firms valuations. Note is also made of the limitations of financial reports, their evolution in response to changing business conditions, current accounting controversies and the constraints that limit the freedom and influence the course of action of rule makers and regulators.

How to Succeed in This Class:

There is a considerable amount of material covered in this course. To do well in this course it is essential that you: (1) attend class regularly, (2) complete assignments, and (3) contribute to team project. To understand accounting theories and applications, it is critical that you struggle with the details of assigned problems. It is essential that you stay current with all readings and assignments.

Course Materials: <http://cms.pkusz.edu.cn>

Financial Reporting, Financial Statement Analysis, and Valuation: A Strategic Perspective, Sixth Edition by Stickney/Brown/Wahlen (SBW) ISBN-10: 0324302959 ISBN-13: 9780324302950

Reading List:

1. The Secret Language of Financial Reports, the Back Stories That Can Enhance Your Investment Decisions, Mark Haskins.
2. Financial Shenanigan, How to Detect Accounting Gimmicks & Fraud in Financial Reports, Second Edition, Howard Schilit, 2000
3. Financial Shenanigan, How to Detect Accounting Gimmicks & Fraud in Financial Reports, third edition, Howard Schilit and Jeremy Perler, 2010

4. The Wall Street MBA Your Personal Crash Course in Corporate Finance, by Reuben Advani
5. Intermediate Accounting, Donald E. Kieso, Jerry J. Weygandt, Terry D. Warfield, 13th Edition
6. Away from Accounting Frauds, How to avoid Fraudulent Financial Reports, Zhaohui Zhen
7. 48 Financial Frauds of Chinese Listing firms, by Zhaohui Zhen

Grades: Grades will be based on the following weights:

Attendance and Participation	5%
Homework and Presentation	10%
Team Project	15%
Exam I	35%
Exam II	35%
Total	100%

Requirement Descriptions and Directions:

1. Attendance and Participation (5%)

Because of the complexity of the material and pace of the class, it is imperative that you attend every class. Laptop and cell phone use are not allowed in the classroom. A name card should be displayed during the class to facilitate the class discussion. If you have to miss a class, please notify me in advance through email, call or your classmates. If a class has to be canceled due to an emergency, I will attempt to notify you by e-mail or phone. If you miss a class it is your responsibility to keep yourself apprised of what occurred during your absence.

2. Homework and Presentation (10%)

The homework assignments will emphasize the comprehension of these principles and concepts, problem solving, and applications to business situations.

3. Team Project (15%)

One class project will be assigned to each team. The purpose of the class project is to provide students real world situations to apply the course concepts in understanding and analyzing financial statement and learn skills related to team work. Each team should be composed of 10 students and the grading of the project is based on both the project and the team work corporations (each individual's participation and performance of the project based on the team chapter). The team should find a team representative, formulate team charter and evaluate member's performance based on his/her contributions.

Project Requirement (due date: July1): Find Pepsi Co's financial statements and footnotes in the financial statements and give detail discussion of the accounting methods used in the firm (focus on the format of the footnotes and information contained in the footnotes.) Each person is responsible for searching relevant information contained in each chapter of the textbook about Pepsi Co's financial reports.

Team Work Requirement: Each team should have a team chapter, which states all the requirements for each member and any potential punishments for absence/missing the deadline/less participation. Each team is recommended to meet every two weeks time and discussion the progress of the project (especially the footnotes discussion).

4. Examinations (35%, 35%)

Two closed-book exams will be tested. Exam 1 covers chapter 1-5. Exam 2 covers Chapters 6-10. The formats of the exams are multiply questions.

Class Schedule and Assignments:

Date	Topic	Assignment
5/8	1. Overview of Financial Reporting, Financial Statement Analysis, and Valuation	
5/12	1. Overview of Financial Reporting, Financial Statement Analysis, and Valuation 2. Asset and Liability Valuation and Income Measurement	1.11
5/15	2. Asset and Liability Valuation and Income Measurement	2.4 2.5 2.6
	3. Income Flows versus Cash Flows: Key Relationships in the Dynamics of a Business	
5/19	3. Income Flows versus Cash Flows: Key Relationships in the Dynamics of a Business	3.6 3.7. 3.8
	4. Profitability Analysis	
5/22	4. Profitability Analysis	4. 6 4.7. 4.8. 4.9 4.14.a.d. 4.15 a
	5. Risk Analysis	
5/26	5. Risk Analysis	5.16
	First exam review	
5/29	Midterm #1 in class –Ch 01-05	
6/2	6. Quality of Accounting Information	6.10 a, b,d, 6.11
	7. Revenue Recognition and Related Expenses	
6/5	7. Revenue Recognition and Related Expenses	7.13 7.14 a,b,c,d 7.15a,b,c,
	8. Liability Recognition and Related Expenses	
6/9	8. Liability Recognition and Related Expenses	8.9 8.13 a,b,c,d
	9. Intercorporate Entities	
6/12	9. Intercorporate Entities 10. Forecasting Financial Statements	9.10 9.14 9.18 9.26 a,b,c,d,e,
6/16	10. Forecasting Financial Statements Second exam review	
6/19	Midterm #2 Chapters 6-9	10.11
6/23	Exam Discussion 10. Forecasting Financial Statements	
6/26	10. Forecasting Financial Statements	
7/1	Group Presentation	
7/4	Group Presentation	