

30005 – FINANCIAL ACCOUNTING

Accounting Department

Credit Points: 11 CFU

Course Director: Prof. Gianluca Lombardi Stocchetti

Class Number	Course Director	Instructors	Class Day and Timetable	Room
18	Gianluca Lombardi Stocchetti	Jonghwan Kim Daniele Marcello Ferrario	Monday 10:30 ~ 12:00 Wednesday 16:15 ~ 17:45 Thursday 10:30 ~ 12:00 Friday 14:30 ~ 16:00 * See the class schedule	N24

The class timetable listed above may change.

Students are required to check any eventual change on Bocconi website: <http://www.unibocconi.it> (*Quick reference for* > *Current Students* > *Timetables, Calendars and Rooms* > *ClassTimetable*).

COURSE DESCRIPTION

Accounting is the language of business, an important means of communication among various business parties. Among others, financial accounting speaks mainly to external information users, such as investors and financial analysts, who make decisions for many different purposes using the accounting information revealed in financial statements. This course is designed to provide students with a basic understanding of key accounting concepts and principles with which financial statements are prepared. This course covers most of important accounting topics including:

- general accounting: the double-entry accounting system;
- financial accounting transactions and preparation of financial statements (income statement, balance sheet, statement of stockholders' equity, and cash flow statements);
- basic analysis of financial statements; and
- consolidation of financial statements.

The course corresponds to 11 CFU, i.e. to a total workload of 275 hours, and will have 100 academic hours lectures.

LEARNING OBJECTIVES

The aim of this course is to let students achieve knowledge and skills in respect of financial statements, presenting the composition, classification and analysis methods of the individual and consolidated financial statements.

It is the purpose of the course to let the students have from the start a clear picture of the overall general accounting processes from which the individual and consolidated financial statements arise. From the beginning, students – after having been introduced to the double entry and accrual accounting systems basics – should be able to understand and replicate an elementary individual financial statement.

The course will develop students' skills in understanding the accounting methodology, with reference to the processes of data classification, gathering and recording. Secondly, participants are expected to learn how to correctly evaluate principal financial statement items, according to law and to accounting principles. Students will also learn how to draw up yearly reports, classify them according to the accounting schemes, and identify the principal fiscal interferences within a financial statement.

Analyzing and interpreting periodic reports in order to determine the company's performance is another important objective of the course, together with achieving knowledge of the principal adjustments which are necessary to the drawing-up of consolidated financial statements, in order to be able to read it properly.

On the completion of this course, students should be able to:

1. understand the basic accounting concepts and measurements that underlie financial statements;
2. apply the double entry system to report accounting transactions as prescribed by general accounting rules (mainly by U.S. GAAP);
3. analyze the accounting information presented in financial statements and apply effective analytic skills and tools to make business decisions or solve problems; and
4. apply knowledge of business combinations to prepare consolidated financial statements.

COURSE MATERIAL

- **Attending and non attending students**

The course material is exclusively represented by:

1. Financial Accounting, International Edition, Libby, Libby, Short. McGraw-Hill, 2013 (8th edition).
2. Consolidation: Preparing and understanding consolidated financial statements under IFRS Preface. C. Gallimberti, A. Marra., A. Prencipe, McGraHill Education, 2013.

The course materials (e.g., hands outs and teaching notes) are regularly downloadable from the course website through <https://elearning.unibocconi.it>. Teachers will make the materials available throughout the course.

To access the e-learning material, the following steps are required:

- 1) Website: www.unibocconi.it;
- 2) Click Quick Links and select e-learning in Bocconi;
- 3) Insert personal User and Password;
- 4) Select your course

In addition to these “shared” materials, Class 18 students may be provided with lecture slides. They will be downloadable at a designated location (e.g., a shared Dropbox folder).

PREREQUISITES

- None

STUDENTS' RESPONSIBILITIES

a) In-class activities

Rules of the course:

- students' punctuality is required;
- students have no right to disturb other colleague students' learning;
- students are required to bring own (printed or electronic) copies of lecture slides to class; and
- the course is lecture-oriented but the in-class communication between students and the instructor is still a crucial part of efficient learning experience.

b) Extra-class activities

Extra-class activities include:

- (strongly recommended) individual preparation of the course material which includes notes, cases and exercises available on the course website;
- teaching assistance office hours; all details will be available on the e-learning platform.

c) Students belonging to previous academic years

Students belonging to previous academic years who still have to take the exam must study the *current* academic year program. Thus, they have to ask the Secretary's Office of the Department (all details are specified at the end of this document) to get the access to the current course site in order to update and integrate their own materials.

Students who still have to take the exam are mandatory assigned to one of the following classes, accordingly to their surname initial letter in order to record their attendance and to classify them for the exam:

- Letter A-L, class 11,
- Letter M-Z, class 12.

NB – IT IS STRICTLY FORBIDDEN TO ALL STUDENTS (BOTH CURRENT AND PREVIOUS YEARS ONES) TO ATTEND THE COURSE IN A CLASS WHICH IS DIFFERENT FROM THE ONE THEY HAVE BEEN ASSIGNED TO.

GRADING METHOD

All students are exclusively graded on a written exam, according to the two different options presented below.

• **Attending and non attending students**

FIRST OPTION
Equally weighted <i>two partial</i> written exams

The two partial written exams guarantee to split the exam in two parts (the first partial exam is referred to course contents until session X included, while the second written partial exam is referred to sessions from X+1 to Y).

To have access to the second partial written exam, students have to achieve at least 18/30 in the first partial written exam. On the contrary, those who do not get the minimum grade in the first partial exam have to take the general exam, whose characteristics are explained below.

Students who pass the first partial exam (18/30 or more) can decide not to take the second partial exam, forcing themselves to sit for the general written exam. Therefore:

- if a student passes the first partial exam, but does not take the second partial exam, the first exam is automatically cancelled and its grade is not taken into any consideration to determine the grade of the general written exam which will be taken by the student later;
- if a student passes the first partial exam, chooses to take the second partial one, but does not pass it (because the grade is lower than 18/30), he/she must take the general exam described in the next paragraph;
- if a student withdraws from any exam, this exam is considered as not taken at all.

For those students who get grades equal or higher than 18/30 in both partial exams, the final grade is the rounded average of the two partial written exams grades. In this case, the exam cannot be taken a second time. Office hours specifically dedicated to view the exams corrections will be promptly communicated.

Or:

SECOND OPTION
One final written exam

These tests are referred to the whole course program. If a student withdraws from the exam, the exam is considered as not taken at all. In case of passing the exam (grade equal or higher than 18/30) the written exam cannot be taken a second time. Office hours specifically dedicated to view the exams corrections will be promptly communicated.

AND:

QUIZZES
15 quizzes, each of which consists of two short questions

Attending students can earn, at maximum, extra three (3) points with successful in-class quizzes. Quizzes will not be announced in advance. They will consist of two basic and short questions, regarding the topics learned in the last (a few) session(s) and/or will be learned in the respective session, so that they can be done in, at most, five minutes during a class. The grades are [0.3: both correct, 0.2: one, 0.1: both wrong, but your attendance counts!] Students will be given 15 quizzes out of which only the best 10 results will be counted. The points earned with quizzes will be added to the final grade. Note: the points earned with quizzes are valid only for the current semester.

Registration for both partial and written exams is compulsory in order to take the exam.

- To achieve 30 cum laude, students have to total at least 31 points. Roundings are calculated with regard to the final grade and not with reference to each single partial exam.
- A final grade equal or higher than 18/30 is automatically registered.

TEACHERS' OFFICE HOURS

Office hours are available on Bocconi website:

(Quick reference for > Current Students > Timetables, Calendars and Rooms > Faculty Office Hours)

Office hours may change: please check the website.

HONOR CODE

Università Bocconi conceives of education as an ongoing process that stretches across a person's entire professional life. The University hopes that the entire Bocconi community will respect the values of fairness and correctness associated with it, values which inspire and guide the conduct of all members as they pursue common objectives and a shared mission. The Università Bocconi Honor code is published at <http://www.unibocconi.eu/honorcode>. We encourage all students to read it.

ACCOMMODATIONS FOR STUDENTS WITH SPECIAL NEEDS

Università Bocconi enables students to follow their course of study and to test their learning through examination arrangements that take under consideration the different kinds of disability. Services for students with special needs are available at www.unibocconi.it (**Home > Services > ISU Bocconi > Other Services > Services for Students with Special Needs**). Please feel free to contact the instructors to receive assistance.

OTHER USEFUL INFORMATION

Professor Jonghwan Kim (responsible for Class 18)

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Professor Daniele Marcello Ferrario

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Teaching Assistant: T.B.A.

Office: Via Roentgen 1 – V floor – Room

Secretary's Office of the Accounting Department: Mrs. Ivana Tagliabue

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COURSE CONTENTS AND SCHEDULE

Dates, timetable and Teachers are indicated, with reference to each specific class, on the website
<http://www.unibocconi.it>

(Quick reference for > Current Students > Timetables, Calendars and Rooms > Class Timetable).

Session*	Day	Time	Prof.**	Lecture Content	Material	Exercises
1	9/8/2014	10.30 - 12.00	JK	Course presentation and details on its contents and objectives. The F/S and Business decision: the information conveyed in each of four the basic financial statement and the role of GAAP in determining such information.	Hands-out Chapter 1	M1-1; M1-2; M1-3; E1-3; E1-4; E1-5; E1-7; E1-11; P1-1
Financial Statements						
2	9/10/2014	14.30 - 16.00	JK	Investing and Financial Decision and the Basic Balance Sheet: accounting entries and description of the main items on a classified Balance Sheet.	Hands-out Chapter 2	M2-2; M2-4; M2-9; E2-1; E2-6; E2-8; E2-13; E2-14; P2-5
3	9/11/2014	10.30 - 12.00	JK	Investing and Financial Decision and the Basic Balance Sheet: accounting entries and description of the main items on a classified Balance Sheet.	Hands-out Chapter 2	See above
4	9/12/2014	16.15 - 17.45	JK	Investing and Financial Decision and the Basic Balance Sheet: accounting entries and description of the main items on a classified Balance Sheet. Exercises.	Hands-out Chapter 2	See above

Format Syllabi

5	9/15/2014	10.30 - 12.00	JK	Operating decision and the Income Statement: accounting entries and description of the main items on a classified Income Statement. The accrual accounting concept.	Hands-out Chapter 3	M3-6; M3-7; M3-11; E3-1; E3-5; E3-7; E3-13; E3-17; P3-6
6	9/17/2014	14.30 - 16.00	JK	Operating decision and the Income Statement: accounting entries and description of the main items on a classified Income Statement. The accrual accounting concept.. Exercises.	Hands-out Chapter 3	See above
7	9/18/2014	10.30 - 12.00	JK	Adjustments, financial statements and the quality of earnings	Hands-out Chapter 4	M4-8; M4-9; M4-12; E4-4; E4-6; E4-8; E4-9; E4-15; E4-18; P4-8
8	9/19/2014	16.15 - 17.45	JK	Adjustments, financial statements and the quality of earnings. Exercises.	Hands-out Chapter 4	See above
9	9/22/2014	10.30 - 12.00	JK	Review Session		
Reporting and Valuation						
10	9/24/2014	14.30 - 16.00	JK	Reporting and interpreting sales revenue, receivables and cash: accounting for revenues and discounts; VAT; Accounting for receivables and estimating bad debts; cash reconciliations.	Hands-out Chapter 6	M6-4; M6-5; M6-8; E6-2; E6-5; E6-15; E6-16; E6-24; P6-6;-P6-7
11	9/25/2014	10.30 - 12.00	JK	Reporting and interpreting sales revenue, receivables and cash: accounting for revenues and discounts; VAT; Accounting for receivables and estimating bad debts; cash reconciliations.	Hands-out Chapter 6	See above
12	9/26/2014	16.15 - 17.45	JK	Reporting and interpreting sales revenue, receivables and cash: accounting for revenues and discounts; VAT; Accounting for receivables and estimating bad debts; cash reconciliations. Exercises.	Hands-out Chapter 6	See above

Format Syllabi

13	9/29/2014	10.30 - 12.00	JK	Accounting for inventory and COGS.	Hands-out Chapter 7	M7-2; M7-6; M7-7; E7-1; E7-7; E7-13; E7- 20; E7-21; E7-22; P7-6; P7-10
14	10/1/2014	14.30 - 16.00	JK	Reporting and interpreting cost of goods sold and inventory: inventory costing methods and effects on F/S; valuation at lower of cost or market.	Hands-out Chapter 7	See above
15	10/2/2014	10.30 - 12.00	JK	Reporting and interpreting cost of goods sold and inventory: inventory costing methods and effects on F/S; valuation at lower of cost or market. Exercises.	Hands-out Chapter 7	See above
16	10/3/2014	16.15 - 17.45	JK	Review Session		
17	10/6/2014	10.30 - 12.00	JK	Reporting and interpreting Property, Plant and Equipment; Natural Resources; Intangible: depreciation and impairment concepts.	Hands-out Chapter 8	M8-4; M8-8; M8-10; E8-3; E8-6; E8-8; E8- 16; E8-17; P8-5; P8-10
18	10/8/2014	14.30 - 16.00	JK	Reporting and interpreting Property, Plant and Equipment; Natural Resources; Intangible: depreciation and impairment concepts.. Exercises.	Hands-out Chapter 8	See above
19	10/9/2014	10.30 - 12.00	JK	Reporting and interpreting Property, Plant and Equipment; Natural Resources; Intangible: depreciation and impairment concepts.. Exercises.	Hands-out Chapter 8	See above
20	10/10/2014	16.15 - 17.45	JK	Reporting and Interpreting Liabilities: definition and classification of liabilities.	Hands-out Chapter 9	M9-3; M9-7 M9-10; E9-9; E9-11; E9-16; E9-23; E9-24; P9-11; P9-14

Format Syllabi

21	10/13/2014	10.30 - 12.00	JK	Reporting and interpreting Liabilities: accounting for liabilities and contingent liabilities. Exercises.	Hands-out Chapter 9	See above
22	10/15/2014	14.30 - 16.00	JK	Review Session		
23	10/16/2014	10.30 - 12.00	JK	Reporting and Interpreting Bonds: Par/Discount/Premium issuance; bonds amortization.	Hands-out Chapter 10	M10-6; M10-9; M10-12; E10-4; E10-5; E10-8; E10-13; E10-20; P10-5; P10-12
24*	10/17/2014	16.15 - 17.45	JK	Reporting and Interpreting Bonds: Par/Discount/Premium issuance; bonds amortization.	Hands-out Chapter 10	See above
25*	10/18/2014	TBA	JK	Review Session		
26	10/29/2014	10.30 - 12.00	DF	Reporting and Interpreting Owners' Equity: common and preferred stock transactions; accounting for dividends and stock splits.	Hands-out Chapter 11	M11-1; M11-2; M11-10; E11-1; E11-7; E11-18; E11-24; P11-1; P11-13
27	10/30/2014	16.15 - 17.45	DF	Ch 11 - Reporting and Interpreting Owners' Equity: common and preferred stock transactions; accounting for dividends and stock splits.	Hands-out Chapter 11	M11-1; M11-2; M11-10; E11-1; E11-7; E11-18; E11-24; P11-1
28	10/31/2014	10.30 - 12.00	DF	Ch 12 - Reporting and Interpreting investment in other corporations: types of investments;	Hands-out Chapter 12	M12-2; M12-10; M12-11; E12-3; E12-6; E12-7; E12-9; E12-10; P12-5; P12-8
29	11/3/2014	14.30 - 12.00	DF	Ch 12 - Reporting and Interpreting investment in other corporations: types of investments;	Hands-out Chapter 12	
30*	11/4/2014	TBA	DF	Review Session		
Statement of Cash Flows						
31	11/5/2014	10.30 - 12.00	DF	Statement of cash flows: direct and indirect methods;	Hands-out Chapter 13	M13-1; M13-3; M13-4; E13-3; E13-6; E13-15;

Format Syllabi

						E13-16; E13-21; P13-2; P13-3
32	11/6/2014	16.15 - 17.45	DF	Statement of cash flows: direct and indirect methods;	Hands-out Chapter 13	See above
33	11/7/2014	10.30 - 12.00	DF	Statement of cash flows: direct and indirect methods;	Hands-out Chapter 13	
34	11/10/2014	14.30 - 16.00	DF	Review Session		
Drawing-up and reading of consolidated financial statements						
35	11/12/2014	10.30 - 12.00	JK	Business Combinations and Consolidated accounts		Teaching Notes
36	11/13/2014	16.15 - 17.45	JK	Business Combinations and Consolidated accounts		Teaching Notes
37	11/14/2014	10.30 - 12.00	JK	Business Combinations and Consolidated accounts		Teaching Notes
38	11/17/2014	14.30 - 16.00	JK	Business Combinations and Consolidated accounts		Teaching Notes
39	11/19/2014	10.30 - 12.00	JK	Business Combinations and Consolidated accounts		Teaching Notes
40	11/20/2014	16.15 - 17.45	JK	Business Combinations and Consolidated accounts		Teaching Notes
41	11/21/2014	10.30 - 12.00	JK	Business Combinations and Consolidated accounts		Teaching Notes
Financial Statement Analysis						
42	11/24/2014	14.30 - 16.00	DF	Analyzing Financial Statements: F/S reclassification and analysis; ratio analysis and market tests.	Hands-out and Chapter 14	M14-3; M14-9; M14-10; E14-7; E14-9; E14-10; E14-11; E14-15; P14-1; P14-4; P14-10
43	11/26/2014	10.30 - 12.00	DF	Analyzing Financial Statements: F/S reclassification and analysis; ratio analysis and market tests.	Hands-out and Chapter 14	See above

Format Syllabi

44	11/27/2014	16.15 - 17.45	DF	Analyzing Financial Statements: F/S reclassification and analysis; ratio analysis and market tests.. Exercises.	Hands-out and Chapter 14	See above
45	11/28/2014	10.30 - 12.00	DF	Analyzing Financial Statements: F/S reclassification and analysis; ratio analysis and market tests. Exercises.	Hands-out and Chapter 14	See above
46	12/1/2014	14.30 - 16.00	DF	Case Study 1:		
47	12/3/2014	10.30 - 12.00	DF	Case Study 2:		
48	12/4/2014	16.15 - 17.45	DF	Case Study 3:		
49	12/5/2014	10.30 - 12.00	DF	Financial performance comparison in a given industry		Teaching Notes
50*	12/6/2014	TBA	DF	General review and exercises.		

* The current schedule for Sessions 24, 25, 30, and 50—not presented at the Unibocconi website—is tentative and subject to change.

** JK = Professor Jonghwan Kim, DF = Professor Daniele Ferrario