

Subject Code	AF5115
Subject Title	Accounting for Business Analysis
Credit Value	3
Level	5
Normal Duration	One Semester
Pre-requisite / Co-requisite/ Exclusion	None
Role and Purposes	<p>This subject aims to outline and explain the accounting concepts, techniques and current regulatory and governance environment that are pertaining to the preparation, presentation, analysis, understanding, and evaluation of financial reports.</p> <p>It contributes to the achievement of MoF Programme Outcomes by enabling students <u>to understand and apply accounting knowledge and framework to the analysis of investment, and corporate reporting and finance issues</u> (Outcome 1), and <u>to formulate financial strategies and envision their outcomes</u> (Outcome 3).</p> <p>It contributes to the achievement of MScBM Programme Outcomes by enabling students <u>to apply conceptual frameworks to the resolution of business issues, including those concerning the scope and direction of the organization</u> (Outcome 1), and <u>to present reasoned arguments effectively, both verbally and in writing</u> (Outcome 2).</p>
Subject Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> Understand and apply the accounting concepts and techniques, and evaluate their impact on financial statement figures and presentation; Analyze and evaluate financial statements and financial performance with various tools such as ratio analysis, trend analysis, and common-size financial statements; Assess the accounting policies and governance structure adopted by companies as well as the reporting regulations, such as HKFRS and IFRS, and their impact on the quality of earnings; and Evaluate the impact of financial analysis on capital markets, and business and financial strategy development, investment and business combination activities.
Subject Synopsis/ Indicative Syllabus	<p>Overview of Financial Statements</p> <p>The basic accounting techniques and framework; Accounting concepts; Types of financial statements and their purposes; Relationship between financial statements and investment decisions; Role of ratio analysis; Process and limitations of ratio analysis.</p> <p>Balance Sheet and Its Analysis</p> <p>Classification of assets and liabilities; Depreciation methods; inventory valuation; Treatment of intangible assets and contingent liabilities; Provisions; accruals and prepayments; Leases and off-balance-sheet debt; Asset valuation and mark-to-market valuation; Pensions and other retirement</p>

	<p>benefits; Share equity and reserves; liquidity; Leverage; Asset management; Common-size balance sheet.</p> <p>Profit and Loss Statement and Its Analysis Revenue recognition; Cost of goods sold; Gross and net profit; Recurrent and non-recurrent items; deferred charges; Extra-ordinary items; Common-size profit and loss statement; profitability ratios; Operating ratios; coverage ratios; Earnings per share.</p> <p>Statement of Cash Flows and Its Analysis Purpose and format of statement of cash flows; Importance and measurement of cash flows; Cash flow from operating, investing, and financing activities; Free cash flow; Limitations of cash flow reporting; cash flow ratios.</p> <p>Accounting Issues and Audit Report Accounting standards and financial statement reporting: non-recurring items, valuation of tangible and intangible assets, segment reporting; Equity method of accounting; Earnings management in financial tsunami; Quality of earnings; Significance and Implications of auditors' opinion for financial reporting.</p> <p>Financial Reporting and Analysis for Investments & Business Combinations Financial reporting and analysis for marketable securities; Bankruptcy prediction; Related party transactions; Financial reporting and analysis for business acquisitions; Other information disclosed in annual reports.</p>																																																						
<p>Teaching/Learning Methodology</p>	<p>This subject comprises of class-contact lectures and workshops. Workshops will be conducted in the form of group discussion, seminar and case study. Students are expected to apply their knowledge to the discussion of the current accounting, business and finance issues faced by an executive of a firm in Hong Kong. It is the basic philosophy of learning in this subject that at least 2 hours of outside preparation are usually required to read the assigned textbook chapter(s) and reading materials, and to prepare solutions to exercises and problems as well as presentations, as a prerequisite for a meaningful 1-hour classroom lecture/seminar.</p>																																																						
<p>Assessment Methods in Alignment with Intended Learning Outcomes</p>	<table border="1" data-bbox="443 1361 1469 1973"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>1. Class participation</td> <td>10%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>2. Individual assignment</td> <td>20%</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. Group project and presentation</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>4. Final Examination</td> <td>50%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>100 %</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d			1. Class participation	10%	✓	✓	✓	✓			2. Individual assignment	20%	✓	✓					3. Group project and presentation	20%	✓	✓	✓	✓			4. Final Examination	50%	✓	✓	✓	✓			Total	100 %						
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	<p>Class participation – Students have to read assigned reading materials and complete exercises in order to participate actively in class discussion, which would assess their understanding of the key accounting concepts and techniques, and their applications, analysis and evaluation in financial reporting.</p> <p>Individual assignment – Each student is required to apply the accounting knowledge and techniques to analyze and evaluate the financial position of a company based on its financial statements. The objectives are to test students’ understanding and application of relevant concepts and techniques in accounting and financial analysis to a practical situation.</p> <p>Group project and presentation – Students are required to select a target company for detailed analysis, evaluate its financial performance, and assess its reporting and earnings quality. Students would apply the accounting knowledge and techniques to analyze and evaluate the impact of the macro-economic, business environment, industry, and company operation information on the financial and other qualitative performance indicators.</p> <p>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</p>	
Student Study Effort Expected	Class contact:	
	<ul style="list-style-type: none"> ▪ Lectures / Seminars 	39 Hrs.
	Other student study effort:	
	<ul style="list-style-type: none"> ▪ Reading materials/textbook, preparing for class discussion, and assignments. 	78 Hrs.
	Total student study effort	117 Hrs.
Reading List and References	<p>Textbook:</p> <p>Gibson, C., <i>Financial Reporting and Analysis</i>, 13th Edition, South-Western, 2013.</p> <p>Kieso, D., Weygandt, J., and Warfield, T. <i>Intermediate Accounting</i> (Ch01 to Ch05), 15th Edition, Wiley</p> <p>References:</p> <p>Penman, S.H., <i>Financial Statement Analysis and Security Valuation</i>, 5th Edition, McGraw-Hill Education, 2013.</p> <p>Penman, S.H., <i>Accounting for Value</i>, Columbia University Press, 2011.</p> <p>Indicative Journal Reading:</p> <p>Campbell, John Y., Jens Hilscher, and Jan Szilagyi, 2008, In search of distress risk, <i>The Journal of Finance</i> 63, 2899-2939.</p> <p>Dechow, Patricia, Weili Ge, and Catherine Schrand, 2010, Understanding earnings quality: A review of the proxies, their determinants and their consequences, <i>Journal of Accounting and Economics</i> 50, 344-401.</p> <p>Fang, J. and Wei. S., <i>Accounting-based valuation and predictability of market returns: a re-examination</i>, 2016. Hong Kong Polytechnic University Working Paper.</p>	

Lee, Charles M. C., 2014, Value investing: Bridging theory and practice, *China Accounting and Finance Review* 16, 10-38.

Penman, Stephen H., 1998, A Synthesis of Equity Valuation Techniques and the Terminal Value Calculation for the Dividend Discount Model, *Review of Accounting Studies* 2, 303-323.