



Course Handout Part II

Date: 28-7-2017

In addition to part -I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

Course No. : ECON F212/FIN F212
Course Title : FUNDAMENTALS OF FINANCE & ACCOUNTING
Instructor-in-charge : Krishna M
Instructor : Rajan Pandey

1. Course description:

Introduction, standards and basic rules of accounting, Double-entry accounting system, recoding transactions, preparing trial balance, dealing with incomplete transactions, preparing the balance sheet, types of ownership, credibility and role of auditing, measuring income, adjustments to the accounts, preparing the statement of cash flows, recording sales revenue, reporting inventories and cost of goods sold, recoding capital assets, liabilities and interest, stockholders' equity and valuation of financial assets.

2. Scope and Objective:

This course is an introduction to the reporting system used by businesses to convey financial information to users external to the enterprise and the basics of financial markets and financial management. There are two parts of the course. In the first part of the course, primary emphasis will be on understanding the financial reports that are the end products of the accounting system- what information they provide about business enterprise and its financial performance. The accounting principles, conventions and concepts underlying financial reporting will be examined with the objective of developing ability to interpret and analyze financial statements. The second part provides a very brief overview of the financial markets, securities and fundamentals of valuation.

3. Text Books:

TB1: Horngren, Sundem, Elliott and Philbrick, "Introduction to Financial Accounting", Pearson Education India Ltd., 9th edition, 2008.

4. Ref. Books:

- R1: Libby, Robert., Libby, Short, "Financial Accounting", Tata McGraw-Hill., 6th edition, 2011
R2: R Narayanaswamy, Financial Accounting: A managerial perspectives, 6th edition, PHI 2017
R3: Gitman, "Principles of Managerial Finance," Pearson Education, 10th ed, 2004





5. Course Plan :

Module No.	Lecture/tutorial session	References	Learning objectives
1. Basics of financial Accounting	L1.1 Introduction, significance of financial accounting, scope and prospects, evaluation scheme of the course	Class Notes	Understanding the relevance of accounting in business transactions and its recording process
	L1.2 Understanding business, Why we invest, financial statement users, analyzing financial statements, double-entry accounting system, debits and credits, Accounting rules and procedures	Class Notes; Ch. 1,R1	
	L1.3 Assumptions in financial reporting, GAAP, Indian accounting system, IFRS, Ind AS, and Indian GAAP, Accounting methods, types of accounts, analyzing transactions, accounting process	Class Notes; Ch. 1,R1	
	T1.1 <i>CASE STUDY</i> : The fall of a wall street darling	Class notes	
2: Accounting : The Language of Business and recording transactions	L2.1 Accounting system: traditional versus modern, Analyzing and journalizing transactions, posting transactions to ledger, accounting rules	Ch.3, TB1	Identifying the steps involved in the recording of business transactions and preparation of trail balance
	L2.2: Preparing the trail balance, effects of errors; accounting system, Some basic accounting concepts	Ch.3,TB1 & class notes	
	L2.3: Revenue and expense transactions, depreciation, and prepaid transactions,	Ch.3, TB1; Ch. 1R2	
	L2.4: accumulated depreciation, adjusted vs unadjusted trail balance	Ch.3, TB1	
	L2.5: Financial statements from trial balance	Ch.3, TB1	
	L2.6: Closing the accounts, capital vs revenue, types of errors, ethics	Ch.3, TB1	
	T2.1 <i>CASE STUDY</i> and Critical thinking problems		
3: Measuring Income to Assess Performance	L3.1: Basics of income measurement, operating cycle, concepts related to income, recognition of revenue, the income statement	Ch.2, TB1	Preparing and analyzing the income statement
	L3.2: Understanding income statement, cash dividends and retained earnings	Ch.2, TB1	
	L3.3: Four popular financial ratios with real-world cases.	Ch.2, TB1	
	T3.1 Critical thinking problems and real-world cases	Class notes	
4. Adjustments to the	L4.1 Adjustments to the accounts. four types of adjustments	Ch.4, TB1	Understand different types of
	L4.2: four types of adjustments (cont), classified	Ch.4, TB1	





accounts and Financial Statements	balance sheet		accounting adjustments
	L4.3 Income statement and profitability evaluation ratios	Ch.4, TB1	
	T4.1 Critical thinking problems using financial statements	Ch.4, TB1	
5. Statement of cash flows	L5.1 Overview the cash flow statement, preparing the cash flow statement, types of cash flow activities, inflows and outflows of cash flows	Ch.5, TB1	Preparation of cash flow statements using direct and indirect methods and its importance
	L5.2 Cash flow statement and balance sheet, examples of cash flow statements		
	L5.3 Methods of preparing cash flow statements, accounting rules, the importance of cash flow statements	Ch.5, TB1	
	T5.1 Critical thinking problems and real-world cases		
6: Accounting for Sales	L6.1: recognition of sales revenue, measuring sales revenue, cash sales and account receivables	Ch.6, TB1	Recording the sales using contra account and internal controls
	L6.2: Measuring of uncollectible accounts Assessing the level of account receivable, Internal control	Ch.6, TB1	
	T6.1 Critical thinking problems and real world cases		
7: Inventories and Cost of Goods Sold	L7.1: Profit and cost of goods sold, types of inventory systems, cost of merchandise acquired, Inventory valuation methods	Ch.7, TB1	Estimating the cost of goods sold and inventory valuation
	L7.2: Inventory valuation methods: LIFO and FIFO, effects of inventory errors, importance of gross profits, internal control of inventories	Ch.7, TB1	
	T7.1 Critical thinking problems		
8. Long-lived Assets and Depreciation	L8.1: Overview of long-lived assets, expenditure versus expenses, acquisition of tangible assets, depreciation of building and equipment	Ch.8, TB1	Estimating and accounting tangible and intangible assets
	L8.2: Changes in estimated useful life, contrasting income tax and shareholding reporting	Ch.8, TB1	
	L8.3 Methods of depreciation, Depreciation and cash flow, gains and losses on sales of tangible assets, impairment, goodwill	Ch.8, TB1	
	T8.1 Critical thinking problems		
9. Liabilities and Interest	L9.1 Accounting for current liabilities, other liabilities, long-term liabilities	Ch.9, TB1	Understand the recording of current and non-current liabilities
	L9.2 Bond accounting, accounting for lease, other long-term liabilities	Ch.9, TB1	
	L9.3 Debt ratios and interest covering ratios, pensions and deferred taxes	Ch.9, TB1	





	T9.1 Critical thinking problems		
10 Stockholder's Equity	L10.1 Types of share capital, cash dividend, preferred stock	Ch.10, TB1	Understanding types of shares and how to account owners' capital
	L10.2 additional stock issuance, stock splits and stock dividends, repurchase of stocks	Ch.10, TB1	
	L10.3 Other issuance of common stocks, retained earnings restricts, other components of stock holders' equity	Ch.10, TB1	
11: Financial Statement Analysis	L11.1 Sources of information about companies Auditor's report, objectives of financial statement analysis, evaluating trends	Ch.12, TB1	Evaluate the performance and financial position of financial statements and performance of companies
	L11.2 Financial ratios, operating performance and financial decisions, real world cases	Ch.12, TB1	
	L11.3 Prominence of earning per share, Disclosure of nonrecurring items, international issues, valuation issues, relating cash flow and net income	Ch.12, TB1	
	T11.1 Critical thinking problems	Class Notes	
II	FINANCE		
12. The Nature of Financial System	L12.1 Functions of financial systems, financial concepts, financial markets and institutions the role of financial institutions financial crisis of 2007-09	Class Notes	Understand the operation of the financial markets and institutions
13 Introduction to Financial Assets and Securities Analysis	L13.1 Types of financial assets, assets pricing models	Class Notes	
	L13.2 Common stock, debt etc Dual-class shares and private benefits Ownership of corporation Different forms of debts	Class Notes	
14 Valuation of Financial Assets	L14.1 Calculating present values, valuing bonds, Bond prices and interest rates, the term structure of interest rates, real and nominal rate of return, corporate bonds and risk of default.	Class Notes	Understand how bonds and shares are valued and strategies when companies make a substantial investment decision
	L14.2 Valuing of common stocks Valuation by comparables, the determinants of stock prices, estimating the cost of equity capital, stock price and earnings per share	Class Notes	
	L14.2 net present value and other investment criteria NPV and three points to remember, pay back and internal rate of return, selecting capital investments when resources are limited.	Class Notes	





6. Evaluation Scheme:

Component	Duration	Weightage (marks)	Date & Time	Remarks
Mid-Semester	90 Min.	30% (90)		Closed Book
Compre- Exam	3 hrs.	40% (120)		Partly open
Tutorial tests	40 Min.	30% (90)		Tutorial hour

7. Learning outcome

Students who complete this course would be able to

- 1) Understand the various accounting methods for recording the business transactions.
- 2) Evaluate various financial concepts and preparation of financial statements-balance sheet, income statement, and cash flow statement.
- 3) Identify the financial position and performance of the companies.
- 4) Make better economic decisions while undertaking investments in financial assets.

Note:

Closed Book Test: No reference material of any kind will be permitted inside the exam hall.

Open Book Exam: Only prescribed reference materials and hand-written lecture notes are allowed inside the exam hall. The use of calculators are permitted in all exams, including tutorial tests. Exchange of any materials are not allowed inside the examination hall.

Make-up policy

The application for make-up of mid-sem and comprehensive exam will not be entertained without specifying any genuine reasons. Application must be submitted to instructor-in-charge of the course along with documents supporting the reason for seeking make-up before conducting the respective regular exams.

Chamber Consultation Hour: 6165H Tuesday, Department of Economics and Finance, from 3:30PM to 4:30 PM; E-mail: krishna@pilani.bits-pilani.ac.in

Notices: Notices concerning the course will be displayed on the Economics and Finance Group Notice Board only.

**Instructor in-charge
Dr. Krishna M**

