

Capital University of Economics and Business

Overseas Chinese College

Course Syllabus

<u>Course Title:</u>	Financial Reporting & Analysis II
<u>Course Code:</u>	CFA201
<u>Semester:</u>	2021 Fall (September 2, 2021 – January 16, 2022)
<u>Course type:</u>	Professional Course (Elective)
<u>Course Credit:</u>	3
<u>Course Hours:</u>	3
<u>Prerequisites:</u>	CFA103
<u>Instructor:</u>	Professor Yuanyuan Lyu
	E-mail: lvyuanyuan@cueb.edu.cn
	Office Hours: Mon. 15:30-17:30; Tue. 13:30-15:30; Fri. 10:00-12:00
	Learning Center: Thu. 15:30-17:30; 18:00-20:00
	Office Number: C203
	Telephone: 83951085

<u>Class:</u>	Grade/Section	Time	Location
	Y01	Tue. 10:10-12:00; Thu. 11:10-12:00	A201

Textbook

Schweser Notes for the CFA Exam – Financial Reporting and Analysis, Level 1 Book 3, 2021

Reference Book

Financial Reporting and Analysis, CFA Program Curriculum, Level 1 Volume 3, 2020, ISBN 978-1-946442-78-9.

Course Description

The students will be able to demonstrate a thorough knowledge of financial reporting procedures and the standards that govern financial reporting disclosure. Emphasis is on basic financial statements and how alternative accounting methods affect those statements and the analysis of them. Then the students should demonstrate the ability to analyze a company's reported results with its economic reality, normalize differences in accounting treatment to make valid cross company comparisons, identify quality issues that may exist in reported financial statements, and discern evidence of financial statement manipulation by management. The whole subject will be broken into two sections, and this is the second one.

Learning Objectives

After learning this course, the students will be able to:

Knowledge:

- Describe inventories, long-lived assets, income taxes, and non-current liabilities in detail, explain their effect on financial statements and reported measures of profitability, liquidity, and solvency;
- Explain chosen accounting treatment, corresponding effect on reported performance, and the potential for financial statement manipulation;
- Describe the financial reporting quality differences that may exist between companies and the means for

identifying them.

Capability:

- Evaluate a company's past financial performance and explain how a company's strategy is reflected in past financial performance;
- Forecast a company's future net income and cash flow;
- Describe the role of financial statement analysis in assessing the credit quality of a potential debt investment and screening for potential equity investments.

Mindset:

- Distinguish ethical from unethical behavior in personal and professional contexts;
- Resolve ethical dilemmas using an ethical framework;
- Apply critical thinking in the process of decision making.

Website Source

1. <https://www.cfainstitute.org>
2. <https://www.sec.gov>

Teaching Methods

This course contains lectures, class discussions, homework, quizzes, presentation and exams. Textbook content will be introduced first. Then real case and practice questions will be delivered to students as a way to test their understanding of the knowledge. This will require individual or group assignment in or after class.

Grade Criterion

Component	Weight	Description
Final Exam	20%	A cumulative final examination will be given based on all of the contents of the class. The exam paper may be composed of multiple-choice questions, short answer questions, essay questions. Students should rely primarily on homework assignments to give them a sense of what they may see for material on exams.
Mid-Term Test	20%	A cumulative midterm test will be given based on all of the contents that have been taught in class. The exam paper may be composed of multiple-choice questions, short answer questions, essay questions.
Homework	15%	Assignments will be collected at the clearly stated date. Late assignments will not be accepted. The graded assignments will be kept by the tutor for reference and won't be returned to students.
Quizzes	15%	There will be at least 2 quizzes during the semester. Quizzes may or may not be announced in advance. It may also be used as a way to check the attendance. Quizzes will test your knowledge of both concepts and the application of those concepts.
Presentation	10%	The students will be divided into several groups to prepare a presentation. Each student is required to be involved in the presentation. The topics can be selected from the textbook or lectures. Each group need to finish a PPT related to the topic which is given and hand in the related resources to the teacher before the presentation.
Participation	10%	Individuals will be asked to participate individually in a question. The performances should be counted in their participation.
Attendance	10%	Refer to attendance policy listed below
Total	100%	

Detailed Grade Computation

	Before midterm	After midterm
Attendance	5%	5%
Participation	5%	5%
Homework	5%	10%
Quizzes	5%	10%
Presentation		10%
Midterm test	20%	
Final exam		20%
Total	40%	60%

Grading Policy

A+ 97-100	A 93-96	A- 90-92	B+ 87-89	B 83-86	B- 80-82
C+ 75-79	C 70-74	C- 67-69	D+ 63-66	D 62-60	F 0-59

Exam Schedule

Midterm Test:

Final Exam:

Assessment of Student Performance

☞ Self-Study and Reading ability Practice

Instructor will give out the chapters or the reference books to read and use class hours to have discussion; students should be able to show a proactive attitude and ability for self-study and reading. Knowledge and oral English will be elements of homework or presentation score.

☞ Homework

Students should finish their homework by themselves. Copying from others will be treated as cheating and the homework scores will be lowered. Students should hand in all assignments on time. Late assignments will be accepted at the discretion of the instructor (i.e., when the student was ill or had an excused absence). Late assignments without reasonable proof will be refused and the score will be zero.

☞ Attendance

Because the course covers a great deal of material, attending every class session is very important for performing well.

- Being late for 15 minutes or more is considered an absence.
- Five hours or above of unexcused absences will result in the lower level of the final grade by one grade band (e.g. from C- to D+). Any excused absence must be discussed directly with the teacher.
- Absence which is more than 1/3 of the total teaching hours will cause an F (a failing grade) directly. However, students are still welcome to continue attending classes.
- An incomplete grade (I) will be considered in case of medical or family emergencies.

☞ Participation

- Students should participate in classes actively. Half of participation grade is determined by their presentation in class. They are encouraged to ask questions relevant to the subject and express their own opinions. Every

student should respect the ideas, opinions, and questions of their classmates.

- Students should also use office hours to ask questions or talk with the instructor for good communication and effective learning.
- Frequent visiting the instructor and chatting in English during office hours is highly recommended.
- Any misbehavior and non-class related activities in class will result in the lower level of the participation grade, including ringing cell phones.
- All above behaviors will be solely evaluated by the instructor for scoring.

☞ Textbook

Students must bring the textbook to class.

Teacher's Office Hour

- ♦ The instructor's office hour is shown in the front of the office door.
- ♦ Students are suggested to use the instructor's office hour and learning center to ask questions or talk with the instructor once at least per week for good communication and effective learning, which is recorded in the students' participation.
- ♦ The time can be scheduled by instructors or students, or both.

Cheating and Plagiarism

Cheating is not tolerated. Any student caught cheating on a quiz; test or exam will be given a mark of zero (0) for the particular work. At the beginning of the semester the definition of plagiarism will be carefully explained, when any thoughts or writings of another person are used, they must be clearly identified (usually one uses quotation marks) and the source notes. **If any student is caught cheating on any homework assignment, the highest score the student can earn in that course is a "C".**

Topical Course Outline

Week	Date	Topics	Homework
1	1	<ul style="list-style-type: none"> ● Inventories <ul style="list-style-type: none"> • costs included in inventories and costs recognised as expenses in the period in which they are incurred; • different inventory valuation methods (cost formulas); • cost of sales, gross profit, and ending inventory using different inventory valuation methods and using perpetual and periodic inventory systems; 	
	2	<ul style="list-style-type: none"> ● Inventories <ul style="list-style-type: none"> • how inflation and deflation of inventory costs affect the financial statements and ratios of companies that use different inventory valuation methods; • LIFO reserve and LIFO liquidation and their effects on financial statements and ratios; • convert a company's reported financial statements from LIFO to FIFO for purposes of comparison; 	
2	1	<ul style="list-style-type: none"> ● Inventories 	

		<ul style="list-style-type: none"> • the measurement of inventory at the lower of cost and net realisable value; • implications of valuing inventory at net realisable value for financial statements and ratios; • the financial statement presentation of and disclosures relating to inventories; 	
	2	<ul style="list-style-type: none"> ● Inventories • explain issues that analysts should consider when examining a company's inventory disclosures and other sources of information; • calculate and compare ratios of companies, including companies that use different inventory methods; • analyze and compare the financial statements of companies, including companies that use different inventory methods 	
3	1	<ul style="list-style-type: none"> ● Long-Lived Assets • distinguish between costs that are capitalised and costs that are expensed in the period in which they are incurred; • compare the financial reporting of the following types of intangible assets: purchased, internally developed, acquired in a business combination; • explain and evaluate how capitalising versus expensing costs in the period in which they are incurred affects financial statements and ratios; • describe the different depreciation methods for property, plant, and equipment and calculate depreciation expense 	
	2	<ul style="list-style-type: none"> ● Long-Lived Assets • describe how the choice of depreciation method and assumptions concerning useful life and residual value affect depreciation expense, financial statements, and ratios; • describe the different amortisation methods for intangible assets with finite lives and calculate amortisation expense; • describe how the choice of amortisation method and assumptions concerning useful life and residual value affect amortization expense, financial statements, and ratios; • describe the revaluation model 	
4	1	<ul style="list-style-type: none"> ● Long-Lived Assets • explain the impairment of property, plant, and equipment and intangible assets; • explain the derecognition of property, plant, and equipment and intangible assets; • explain and evaluate how impairment, revaluation, and derecognition of property, plant, and equipment and intangible assets affect financial 	

		<p>statements and ratios;</p> <ul style="list-style-type: none"> describe the financial statement presentation of and disclosures relating to property, plant, and equipment and intangible assets 	
	2	<ul style="list-style-type: none"> Long-Lived Assets <ul style="list-style-type: none"> analyze and interpret financial statement disclosures regarding property, plant, and equipment and intangible assets; compare the financial reporting of investment property with that of property, plant, and equipment; explain and evaluate how leasing rather than purchasing assets affects financial statements and ratios; explain and evaluate how finance leases and operating leases affect financial statements and ratios from the perspective of both the lessor and the lessee 	
5	1	— (National Day Holiday)	
	2	— (National Day Holiday)	
6	1	<ul style="list-style-type: none"> Review and recap in Chinese 	
	2	<ul style="list-style-type: none"> Quiz 1 	
7	1	<ul style="list-style-type: none"> Income taxes <ul style="list-style-type: none"> describe the differences between accounting profit and taxable income and define key terms, including deferred tax assets, deferred tax liabilities, valuation allowance, taxes payable, and income tax expense; explain how deferred tax liabilities and assets are created and the factors that determine how a company's deferred tax liabilities and assets should be treated for the purposes of financial analysis; calculate the tax base of a company's assets and liabilities 	
	2	<ul style="list-style-type: none"> Income taxes <ul style="list-style-type: none"> calculate income tax expense, income taxes payable, deferred tax assets, and deferred tax liabilities, and calculate and interpret the adjustment to the financial statements related to a change in the income tax rate; evaluate the effect of tax rate changes on a company's financial statements and ratios 	
8	1	<ul style="list-style-type: none"> Income taxes <ul style="list-style-type: none"> distinguish between temporary and permanent differences in pre-tax accounting income and taxable income; describe the valuation allowance for deferred tax assets—when it is required and what effect it has on financial statements; explain recognition and measurement of current and deferred tax items 	

	2	<ul style="list-style-type: none"> ● Income taxes <ul style="list-style-type: none"> • analyze disclosures relating to deferred tax items and the effective tax rate reconciliation and explain how information included in these disclosures affects a company's financial statements and financial ratios; • identify the key provisions of and differences between income tax accounting under International Financial Reporting Standards (IFRS) and US generally accepted accounting principles (GAAP) 	
9	1	<ul style="list-style-type: none"> ● Mid-term test 	
	2	<ul style="list-style-type: none"> ● Non-current (long lived) liabilities <ul style="list-style-type: none"> • determine the initial recognition, initial measurement and subsequent measurement of bonds; • describe the effective interest method and calculate interest expense, amortisation of bond discounts/premiums, and interest payments; • explain the derecognition of debt 	
10	1	<ul style="list-style-type: none"> ● Non-current (long lived) liabilities <ul style="list-style-type: none"> • describe the role of debt covenants in protecting creditors; • describe the financial statement presentation of and disclosures relating to debt; • explain motivations for leasing assets instead of purchasing them; 	
	2	<ul style="list-style-type: none"> ● Non-current (long lived) liabilities <ul style="list-style-type: none"> • distinguish between a finance lease and an operating lease from the perspectives of the lessor and the lessee; • determine the initial recognition, initial measurement, and subsequent measurement of finance leases; • compare the disclosures relating to finance and operating leases 	
11	1	<ul style="list-style-type: none"> ● Non-current (long lived) liabilities <ul style="list-style-type: none"> • compare the presentation and disclosure of defined contribution and defined benefit pension plans; • calculate and interpret leverage and coverage ratios 	
	2	<ul style="list-style-type: none"> ● Review and recap in Chinese 	
12	1	<ul style="list-style-type: none"> ● Quiz 2 	
	2	<ul style="list-style-type: none"> ● Financial reporting quality <ul style="list-style-type: none"> • distinguish between financial reporting quality and quality of reported results (including quality of earnings, cash flow, and balance sheet items); • describe a spectrum for assessing financial reporting quality; 	

		<ul style="list-style-type: none"> distinguish between conservative and aggressive accounting 	
13	1	<ul style="list-style-type: none"> Financial reporting quality <ul style="list-style-type: none"> describe motivations that might cause management to issue financial reports that are not high quality; describe conditions that are conducive to issuing low-quality, or even fraudulent, financial reports 	
	2	<ul style="list-style-type: none"> Financial reporting quality <ul style="list-style-type: none"> describe mechanisms that discipline financial reporting quality and the potential limitations of those mechanisms; describe presentation choices, including non-GAAP measures, that could be used to influence an analyst's opinion 	
14	1	<ul style="list-style-type: none"> Financial reporting quality <ul style="list-style-type: none"> describe accounting methods (choices and estimates) that could be used to manage earnings, cash flow, and balance sheet items; describe accounting warning signs and methods for detecting manipulation of information in financial reports 	
	2	<ul style="list-style-type: none"> Financial Statement Analysis: Applications <ul style="list-style-type: none"> evaluate a company's past financial performance and explain how a company's strategy is reflected in past financial performance; forecast a company's future net income and cash flow 	
15	1	<ul style="list-style-type: none"> Financial Statement Analysis: Applications <ul style="list-style-type: none"> describe the role of financial statement analysis in assessing the credit quality of a potential debt investment; describe the use of financial statement analysis in screening for potential equity investments 	
	2	<ul style="list-style-type: none"> Financial Statement Analysis: Applications <ul style="list-style-type: none"> explain appropriate analyst adjustments to a company's financial statements to facilitate comparison with another company 	
16	1	<ul style="list-style-type: none"> Review and recap in Chinese 	
	2	<ul style="list-style-type: none"> Quiz 3 	
17	1	<ul style="list-style-type: none"> Presentation 	
	2	<ul style="list-style-type: none"> Presentation 	

Note: Over the course of the semester, every attempt will be made to follow the daily schedule listed in the syllabus. However, depending on overall class progress, the syllabus may be adjusted. Any departures from the syllabus will be announced in class.

Important Dates

Fall Semester, 2021	September 2, 2021— January 16, 2022
Sep.5	Registration (Sophomores, Juniors and Seniors)
Sep.6	Classes Begin (Sophomores, Juniors and Seniors)
Sep.10	Last Day to Drop or Add a Course (Sophomores, Juniors and Seniors)
Sep.18	Registration (Freshmen)
Sep.20-24	Entrance Education (Freshmen)
Sep.21	Mid-Autumn Festival
Sep.27	Classes Begin (Freshmen)
Oct.1	National Day
Nov.1-5	Midterm Test (tentative)
Jan.1, 2022	New Year's Day
Jan.1-4	Revision (Sophomores, Juniors and Seniors)
Jan.5-14	Final Exam Period (Sophomores, Juniors and Seniors)
Jan.10-14	Final Exam Period (Freshmen)
Jan.17	Winter Vacation Begins

Note: This syllabus is tentative and may be changed or modified throughout the semester. All students will be notified and a new syllabus will be given.

Instructor: _____

Department Head: _____

