



# unit guide

**MAC-M-115**

**Faculty of Business, Computing  
and Information  
Management**

**Semester 1 2006 / 2007**

**become what you want to be**

## Table of Contents

1.	Unit Details .....	3
2.	Short Description .....	3
3.	Aims of the Unit .....	3
4.	Learning Outcomes .....	4
4.1	Knowledge and Understanding.....	4
4.2	Intellectual Skills .....	4
4.3	Practical Skills .....	4
4.4	Transferable Skills .....	4
5.	Assessment of the Unit.....	4
6.	Feedback.....	5
7.	Introduction to Studying the Unit.....	5
7.1	Overview of the Main Content .....	5
7.2	Overview of Types of Classes .....	6
7.3	Importance of Student Self-Managed Learning Time .....	6
7.4	Employability .....	6
8.	The Programme of Teaching, Learning and Assessment.....	7
9.	Learning Resources .....	9
9.1	Core Materials .....	9
9.2	Optional Materials.....	9
	NOTES.....	10

## 1. UNIT DETAILS

<b>Unit Title:</b>	Financial Accounting
<b>Unit Level:</b>	M
<b>Unit Reference Number:</b>	MAC-M-115
<b>Credit Value:</b>	15 CAT POINTS
<b>Student Study Hours:</b>	150
<b>Contact Hours:</b>	60
<b>Private Study Hours:</b>	90
<b>Pre-requisite Learning (If applicable):</b>	Students should have prior knowledge of the principles, role and scope of financial accounting
<b>Co-requisite Units (If applicable):</b>	None
<b>Course(s):</b>	MSc Corporate Governance MSc Finance and Accounting
<b>Year and Semester</b>	2006/2007, Semester 1
<b>Unit Coordinator:</b>	Joe Adomako Dr Jennie Tanner
<b>UC Contact Details (Tel, Email, Room)</b>	Joe Adomako Room L57, Tel: 0207 815 7791 Email: adomakkj@lsbu.ac.uk
<b>Teaching Team &amp; Contact Details (If applicable):</b>	Dr Jennie Tanner Room L393, Tel 0207 815 6987 Email: tannerj@lsbu.ac.uk
<b>Subject Area:</b>	Accounting
<b>Summary of Assessment Method:</b>	One piece of written work

## 2. SHORT DESCRIPTION

The unit is intended to develop a critical appreciation of financial reporting. The perspective adopted will to a large extent be that of the user of accounting information. Students will, however, be exposed to both the conceptual and practical aspects of accounting.

## 3. AIMS OF THE UNIT

This unit aims to develop in students the knowledge and skills necessary for the *critical* appraisal of information contained in companies published reports and accounts, including group reports and accounts.

## 4. LEARNING OUTCOMES

### 4.1 Knowledge and Understanding

On successful completion of this unit students will be able to:

- Understand and evaluate different methods of profit measurement and asset valuation.
- Have familiarity with United Kingdom Generally Accepted Accounting Practice for compiling published accounts, including the regulations of the Companies Acts, the Stock Exchange and Accounting Standards Board.
- Critically assess the content, purpose and use of financial reports.
- Appraise significant and current issues in financial reporting

### 4.2 Intellectual Skills

The unit aims to develop the following key and cognitive skills:

- The understanding and self-confidence necessary to develop original and feasible solutions to business scenarios by thoughtfully bringing together and applying knowledge, concepts and techniques drawn from a variety of relevant disciplines.
- The ability to communicate in a clear and effective manner taking account of the purpose and intended audience.

### 4.3 Practical Skills

- Use of Information Technology
- Enhanced development of the personal skills and attributes expected of a professional person.

### 4.4 Transferable Skills

Use of information technology

The ability to communicate in a clear and effective manner taking account of the purpose and intended audience.

The understanding and self-confidence necessary to develop original and feasible solutions to business scenarios by thoughtfully bringing together and applying knowledge, concepts and techniques drawn from a variety of relevant disciplines.

## 5. ASSESSMENT OF THE UNIT

There will be one coursework assessment of a minimum of 4,500 and a maximum of 5,000 words. Details of the assignment brief and assessment criteria will be provided to students separately from this unit guide.

Students should refer to the University's "Student Handbook 2006/2007", particularly the section on "Academic misconduct", including Collusion and Plagiarism.

## 6. FEEDBACK

Feedback will normally be given to students 15 working days after the submission of an assignment.

## 7. INTRODUCTION TO STUDYING THE UNIT

### 7.1 Overview of the Main Content

#### **The Principles of Financial Accounting**

Accounting Standards Board's Statement of Principles - objective of financial statements, qualitative characteristics of financial information, the elements of financial statements, recognition and measurement in financial statements, presentation of financial information and the reporting entity.

#### **The Development of United Kingdom Generally Accepted Accounting Principles ("UK GAAP")**

Including the regulations of the Companies Acts, the Stock Exchange and Accounting Standards Board.

#### **Financial reports**

The content, purpose and use of the primary financial statements

#### **Determination of the income**

Including reporting financial performance and income recognition and earnings management.

#### **Interpretation of financial reports**

In relation to the financial position, performance and financial adaptability of companies and groups of companies

#### **Company assets**

Acquisition, management and control of company assets and facilities

#### **Reorganisation, reconstruction and capital reduction**

## 7.2 Overview of Types of Classes

This Unit will be taught principally through the use of lectures, seminars and directed personal studies. Each lecture will focus on core issues pertaining to the topic under consideration and will normally be supported by a printed handout. Students will be encouraged to read widely from sources including textbooks, the financial press, relevant internet sites and the CD-ROM facilities in the Learning Resource Centre.

In addition use will be made of computer assisted learning packages such as EQL's Interactive Accounting Tutor with particular regard to background studies.

Guest speakers from the Accountancy Profession may be invited to give presentations in order to place a practical emphasis on theoretical knowledge.

Seminars have an important role in the learning process including:

- A forum for raising issues that students consider require further discussion or reflection.
- Developing skills and personal attributes expected of a person regarded as a competent professional including working in co-operation with others and developing presentational skills.
- An opportunity to apply theory and relevant practical experience to business scenarios
- Providing students with an opportunity to discuss issues of importance with their peers and to study at a pace appropriate to their individual needs
- Enabling students and their tutor(s) to review progress and discuss any further follow-up action.

From time to time students may come across issues requiring further discussion. Seminars can provide a forum for this. In addition appointments can be made, as necessary, to meet with the tutor either individually or on a tutorial basis.

## 7.3 Importance of Student Self-Managed Learning Time

Students are advised that preparatory reading for the lecture will assist them to place the subject matter in context. A detailed study of the prescribed reading prior to the related seminar will enable students to derive the greatest benefit from the seminar and to identify matters on which they want to raise questions. Students should have also undertaken the necessary preparation of class

## 7.4 Employability

On completion of this unit, students will be able to deal with unstructured problems and work cooperatively with people from different backgrounds .

## 8. THE PROGRAMME OF TEACHING, LEARNING AND ASSESSMENT

### **Session 1 : The Institutional Setting for Financial Reporting**

On completion of this session, you should be able to:

- (a) Identify the main users of accounting information and discuss their information needs
- (b) Assess the arguments for and against regulation of financial reporting
- (c) Understand the role and composition of the Financial Reporting Council, Accounting Standards Board, Financial Reporting Review Panel and the Urgent Issues Task Force

Readings:

1. Pendlebury, M & Groves, R (2004) : “ Company Accounts: Analysis, Interpretation and Understanding”, Thomson Learning, Chapter 1
2. Bartlett, S & Chandler, R (1997) : “ The corporate Report and the private shareholder: Lee and Tweedie twenty years on”, *British Accounting Review*, vol 29, 245-261.
3. Bromwich, M (2000) : “Angels and Trolls: The ASB’s Statement of Principles for Financial Reporting, *British Accounting Review*
4. Baxter, W T (1981) “ Accounting Standards: Boon or Curse?, Accounting and Business Research, Winter, pp3-10

### **Sessions 2 & 3 : Corporate Financial Reports**

On completion of this session, you should be able to:

- (a) Identify the primary financial statements prepared by U.K firms
- (b) Explain the contents of the primary financial statements
- (c) Explain how assets and liabilities are measured, classified and disclosed in the financial statements of a firm

Reading:

Pendlebury, M & Groves, R (2004) : “ Company Accounts: Analysis, Interpretation and Understanding”, Thomson Learning, Chapters 2,3,4, 5 & 6

### **Session 4: Determination of Accounting Earnings**

On completion of this session, you should be able to:

- (a) Explain the criteria for the recognition of income
- (b) Discuss some of the earnings management techniques used by firms

Readings

1. Green Peter (1999) : “ The impact of quality of earnings on the valuation relevance of cash flow disclosures, *British Accounting Review*, vol 31, 387-413
2. Peasnell KV, Pope PF & Young S (2000): “Accrual management to meet earnings targets: UK Evidence Pre and Post Cadbury”, *British Acctg Review*, vol 32, 415-45

## **Sessions 5 ,6 &7 Financial Statements Analysis**

On completion of this session, you should be able to:

- (a) Assess the quality of financial statements prepared by firms
- (b) Assess the profitability, liquidity and solvency of a firm
- (c) Appreciate the main pitfalls of financial analysis
- (d) Analyse cash flow statements prepared in accordance with FRS1
- (e) Evaluate the financial adaptability of a firm using the cash flow statement

Reading

Pendlebury, M & Groves, R (2004) : “ Company Accounts: Analysis, Interpretation and Understanding”, Thomson Learning, Chapters 3, 4 9,10,11,12,13 & 14

## **Sessions 8 & 9: Financial Reporting standards**

On completion of these sessions, you should be able to:

- (a) Discuss and assess the requirements of the following financial reporting standards:  
IAS32 (FRS 25), IAS39 (FRS 26), IFRS 2 (FRS 20), IAS 21 (FRS 23), SSAP 21 (IAS 17), and FRS 17

Reading

**Lecture notes**

## **Session 10 & 11 : Capital reduction, reorganisation and reconstruction**

On completion of this session, you will be able to :

- (a) Compute the distributable profits of limited companies
- (b) Discuss capital reduction and reconstruction schemes

**Reading: Lecture notes**

## **Session 12: Company assets**

On completion of this session, you will be able to discuss:

- (a) The procedures and principles associated with the acquisition of assets
- (b) Discuss the management of company assets and facilities
- (c) Discuss the security and application of systems in business organisations

Reading: Lecture notes

## **Session 13 Revision**

## 9. LEARNING RESOURCES

### 9.1 Core Materials

PENDLEBURY, Maurice and GROVES, (2004) Roger "Company Accounts: Analysis, Interpretation and Understanding" Sixth Edition (Thomson Learning

HOLMES, G. & SUGDEN, A. & GEE ,P (2005): Interpreting Company Reports and Accounts, Ninth Edition ,Financial Times Prentice Hall

OREGAN, Philip (2006) "Financial Information Analysis, Wiley

FINANCIAL TIMES

### 9.2 Optional Materials

SCHILIT HOWARD , Financial Shenanigans, 2nd Edition, McGraw-Hill, 2002

### 9.3 Electronic Databases

<http://www.lisa.sbu.ac.uk/>

***FAME: Financial Analysis Made Easy***

**Perfect Analysis**

**WEB SITES:**

<http://www.icaew.co.uk/library.htm>

<http://www.accountingweb.co.uk/>

The everyday resource for accountants on the internet: news, links, databases, discussion, directory, company information zone, software, suppliers, press zone, library, events, jobs, search.

<http://www.asb.org.uk/>

**Accounting Standards Board site**

<http://www.researchindex.co.uk>

**Research index**

Research Index on the Internet, (hard copy held in Perry Library). It indexes news and comments on industries and companies world-wide, as reported in the UK national press and main business journal.

<http://www.datagold.com>

**Datagold**

UK business search engine giving company information, including UK marketing and export directories.

<http://www.carol.co.uk>

**Company Annual Reports on Line**

Free access to over 400 UK and European Company annual reports, with A-Z index by company name or industry, plus recent journal articles and product news of interest to investors.

<http://www.companynews.co.uk/>

**UK company News**

UK company reports by sector, giving very basic financial records with links to full financial details, plus information on company products and services via links to their Websites.

<http://www.ukindustry.co.uk/>

**UK Industry Web Pages**

Links to a company and export directory, with the most useful section being the links to other sites. An attempt to 'make available all relevant information for UK industry.... in one place'.

**NOTES**