

Financial Reporting

Lecturer: Maria Kravtsova

Prerequisites: The course requires the knowledge of basics of accounting and microeconomics.

Abstract

The course is elective for Accounting and Finance specialization and designed to introduce a number of theoretical approaches to financial accounting and develop background for preparing financial statements of the company under alternative accounting conventions (mainly under International Financial Reporting Standards (IFRSs)). The course describes a number of regulatory issues relating to financial accounting and explores the detailed issues and problems of financial reporting. It provides basic skills in recording and interpretation of financial data and covers basic techniques of financial analysis. This is a two-semester course designed to prepare students for UoL examination.

Learning Objectives and Outcomes

The course is focused on developing skills in preparing and analyzing companies' Individual and consolidated financials. By the end of the second module students are expected to understand the role of financial reporting, main approaches to preparing financial statements and to be able to calculate the main items of statement of financial position, income statement and statement of comprehensive income. By the end of the course students are expected to prepare statement of cash flows, consolidated statements and interpret financials.

The student should be able to apply professional knowledge and skills acquired while studying the course in practical areas, including academic research, work in financial institutions, industry, state governance.

Methods of Instruction

The course is studied by means of the following methods:

- lectures
- classes with practical trainings
- additional consultations
- written home assignments
- self-study.

Grading System and Knowledge Assessment

Continuous assessment includes: written home assignments, participation in classwork by solving exercises and case presentations. Interim assessment is based on autumn mid-term test and winter term exam in UoL format. Final exam is set in UoL format exam in March/April (spring term exam).

The first half-year grade is based on the following weights:

- 12% – for written home assignments;

- 12% – for class participation;
- 26% – for the autumn MOCK exam;
- 50% – for the winter internal exam.

The final grade is based on the spring internal exam (50%) and the remaining 50% is given for performance evaluation during the course including:

- 40% – for the first half-year grade;
- 5% – for home assignments in the second half-year;
- 5% – for class participation in the second half-year.

Sample materials for knowledge assessment are available in ICEF Information system at <https://icef-info.hse.ru>.

Special Equipment and Software Support

Laptop, projector, Internet connection
MS Word, MS Excel

Required reading

Alexander, D., A. Britton and A. Jorissen International Financial Reporting and Analysis Sixth edition, 2015 (IFRA)

Optional reading

Collins, B. and J. McKeith Financial Accounting and Reporting. (London: McGrawHill, 2010)

Nobes, C. The Penguin Dictionary of Accounting. (London: Penguin Books Ltd, 2006)

Glautier, M.W.E. and D. Morris Accounting Theory and Practice. (Harlow: Financial Times Prentice Hall, 2011)

Lewis, R. and D. Pendrill Advanced Financial Accounting. (Harlow: Financial Times Prentice Hall, 2004)

Course Plan

1. Introduction to the course. Rationale for financial reporting and its regulation. Financial accounting theory. Financial accounting and its role. Financial accounting regulation. Accounting standards. Descriptions of accounting and its regulation. UK accounting regulation and the influence of international accounting standards. Institutional setting for accounting regulation: the UK. Statutory regulation: IASs/IFRSs gained force of law. Mandatory regulation: standard-setting and the case of the UK.

2. Conceptual framework. Definition of a conceptual framework. Rationale for a conceptual framework. Advantages claimed for a conceptual framework. The US, IASC and UK initiatives compared. Objectives of financial reporting. Qualitative characteristics of accounting information. Elements of financial statements. Presentation of financial information. Review of the conceptual framework.

3. Preparation of financial statements. Main forms of statements in financials. Statement of financial position. Income statement. Statement of other comprehensive income. Statement of changes in equity. Cash flow statement. Correlation between the main forms.

4. Ethics for accountants. Personal ethics. Professional ethics. Corporate social responsibility.
5. Fair value and other accounting systems of price adjustments. Accounting for changing prices/values. Fair value concept. IFRS 13. Measurement process. Disclosure. Characteristics of HCA. Advantages and disadvantages of HCA. Alternatives to HCA. Introducing CPP accounting. General and specific changes in price. Profit recognition and capital maintenance. Assessing CPP accounting. Converting from HCA to CPP: a step-by-step guide. Worked example and explanation of CPP. Advantages and disadvantages of CPP. Introduction to current value accounting (CVA). Replacement cost accounting (RCA). Advantages and disadvantages of replacement cost. Net realisable value (NRV). Present value (PV). Deprival value (DV). Advantages and disadvantages of deprival value. Holding gains and current operating profit. Capital maintenance concepts. Current value accounting using replacement cost. Worked example and explanation of CVA. Combined CPP/CVA system.
6. Accounting for tangible non-current assets. Tangible non-current assets (owned). Measurement of tangible non-current assets. Borrowing costs. Measurement after recognition: revaluation. Depreciation. Investment property. Reclassifications. Change of intention regarding use of non-current asset. Tangible non-current assets (not owned): leases. IAS 17. Classification of lease. Accounting by lessees. Accounting by lessors. Sale and leaseback transactions.
7. Accounting for intangible assets. Goodwill: history of accounting approaches. Intangible assets (other than goodwill). Impairment: IAS 36. Research and development. International differences.
8. Accounting for inventories and construction contracts. Components of inventory. Implications of inventory for the accounts. Inventory valuation: definitions. Implications of fair value accounting. Construction contracts. Profit recognition methods.
9. Accounting for financial instruments. IAS 39. Definition of financial instrument. Recognition and derecognition of financial instruments. Categories of financial assets and liabilities. Measurement of financial instruments. Moving to IFRS 9.
10. Accounting for equity and liabilities. Share capital and reserves. Ordinary shares. Preference shares. Accounting issues: equity or liability? Off-balance sheet financing.
11. Accounting for employee benefits. Short-term employee benefits. Post-employment benefits. Defined contribution plans. Defined benefit plans: recognition and measurement.
12. Accounting for provisions, contingent assets, contingent liabilities. Events after reporting period. IAS 37. Recognition of a provision. Disclosure of contingent assets and contingent liabilities. IAS 10. Events after reporting period: adjusting and non-adjusting.
13. Consolidated accounts. Business combinations. Key principles and rationales. Requirement for consolidated accounts. Different models of group accounting. Different types of relationships within a group. Concept of influence and control. Accounting for subsidiaries.
14. Consolidated accounts. After date of acquisition. Post-acquisition profit. Intergroup transactions. Dividend elimination. Unrealised profit. Non-controlling interest. Goodwill impairment. Consolidated statement of total comprehensive income. Consolidated statement of changes in equity. Consolidated cash flow statement.
15. Consolidated accounts. Associates and joint arrangements. IAS28. Significant influence concept. "Upstream" and "downstream" transactions. IFRS11. Joint ventures. Joint operations.
16. Accounting for foreign currencies Foreign currency conversion: business transactions. Foreign currency translation: business transactions. Exchange rates that should be used to record foreign

currency translations. Accounting for the closing rate method and the temporal method. Consolidation of foreign subsidiaries.

17. Accounting for taxation An introduction to corporation tax systems. UK: corporation tax. Deferred taxation: taxable profit versus accounting profit. Approaches to the accounting treatment of deferred tax. Value-added tax (VAT).

18. Analysis and interpretation of financial reports Introduction to the interpretation of financial statements. Ratio analysis – introduction. Trend analysis. Earnings per share. IAS33.