



# PHBS

北京大学汇丰商学院



## MGT 586 Intermediate Accounting 2020-2021

### Course Information

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**Classes:**

Lectures: Tuesdays and Fridays, 10:30-12:20

**Course Website:**

All course materials will be posted on the CMS platform. For a greener campus, hard copy of the course materials will not be distributed in the class.

### 1. Course Description

This course builds on the knowledge students obtained in the introductory financial accounting course. This course provides the students with the breath, depth, and application of the accounting standards and regulations for some important line items in the three financial statements. The course stresses the understanding of IFRS as well as the practical implementation of these principles. Some key differences between IFRS and U.S. GAAP will be highlighted as well. Students need to bear in mind that judgment and discretion are heavily involved in the financial reporting process and are encouraged to critically think about the incentives of those preparing the financial statements. The knowledge and skills students obtain from this course will be essential for pursuing a broad range of professions in accounting and finance.

### Prerequisites: Financial Accounting

**Textbook:**

There is no required textbook for this course since the teaching materials come from multiple sources. Lecture notes and supplementary reading materials will be provided to the students through the Course Management System.

### Reference Books and Reading materials:

Kieso, D.E., Weygandt, J.J., and Warfield, T.D. 2017. Intermediate Accounting: IFRS Edition (3rd edition), John Wiley & Sons.

Peters, S.J., and J. Ciesielski. 2019. Leases: What investors need to know about the new standard. The CFA Institute.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	YES
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	YES
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	YES
	2.2. Students will be able to apply leadership theories and related skills.	YES
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyse business problems and identify the ethical aspects, provide a solution and defend it.	YES
	3.2. Our students will practice ethics in the duration of the program.	YES
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	YES
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	YES
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	YES
	5.3. Our students will demonstrate competency in critical thinking.	YES

### 2.2 Course specific objectives

On completion of this course, students are expected to:

- i) demonstrate understanding of concepts underlying the accounting for major line items in the financial statements.
- ii) analyze accounting problems and apply appropriate accounting procedures for major line items in the financial statements.
- iii) continue their further learning about financial reporting and gradually develop a thinking mind on how to critically interpret accounting information.

### 2.3 Assessment/Grading Details

The assessment is based on class attendance & participation, project presentation, mid-term test, and final exam. The weights of the various components in determining the final grade are:

Class Attendance & Participation	5%
Project Presentation	15%
Mid-term Test	35%

<u>Final Exam</u>	<u>45%</u>
Total	100%

**Class Attendance & Participation (5%):** Class attendance shows students' basic commitment to this course. Students are strongly encouraged to participate in in-class exercises and discussions. Each student will be evaluated on the quality and quantity of his/her participation by the instructor individually.

**Project Presentation (15%):** Each student will be assigned into groups of approximately equal size to work on a project (voluntary formation of the groups is encouraged). See Appendix A for more details and guidelines for the project.

- Each group gives a (*maximum*) 12-minutes presentation;
- All group members are required to participate in the presentation;
- Presentation is evaluated on a group basis by the instructor;
- The rubrics for assessing presentations are provided in Appendix B.
- Each group will also be evaluated for *the question-handling during the Q&A session*.

\*Note: In case that the course is taught online, due to technical challenges, the presentation will be replaced by a written report (still on a group basis).

**Mid-term Test (35%):** The mid-term test is closed-book. More details of the mid-term test, such as the exact date, duration, and format of questions, will be provided by the instructor in due course.

**Final Exam (45%):** The final exam is closed-book. No make-up exam will be given except for medical or other emergency reasons supported by proper documents. The program office will arrange the time and venue for the final exam. More details of the final exam will be provided by the instructor in due course.

## ***2.4 Academic Honesty and Plagiarism***

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honours, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### 3. Teaching Schedule

	Coverage	Assignments
Topic #1	Overview of Financial Statements	YES
Topic #2	Accounting Issues of Property, Plant, & Equipment	YES
Topic #3	Intangible Assets	YES
Topic #4	Non-current Liabilities	YES
Topic #5	Dilutive Securities and Earnings Per Share	YES
Topic #6	Income Taxes	YES
Topic #7	Accounting for Leases	YES
Topic #8	Intercompany Investments	YES
Topic #9	Business Combination	YES

#### **Topic #1: Overview of Financial Statements**

The first week will provide an overview of the three financial statements. Based on what students have learned from introductory financial accounting, this session will further explain what information is contained in each statement, and how the three financial statements are interrelated.

#### **Topic #2: Accounting Issues of PP&E**

The second week will cover major accounting issues related to property plant and equipment (PP&E) in details. Specifically, students will learn what costs can be capitalized on PP&E acquisition including interest capitalization, what depreciation methods are employed in practice, how impairment loss and loss reversal are determined, and the accounting choice between capitalization and expensing in the subsequent periods.

#### **Topic #3: Intangible Assets**

In the third week students will be introduced to the major types of intangible assets, the differential accounting treatments for internally generated intangible assets and externally acquired intangible assets. R&D accounting will be discussed as well from a global perspective.

#### **Topic #4: Non-current Liabilities**

This session will cover the major items of non-current liabilities reported on the balance sheet. Focus will be given to how to apply the effective interest method to different scenarios: bonds issued at par, at premium, or at discount.

#### **Topic #5: Dilutive Securities and Earnings per Share**

Listed firms normally report two EPS numbers, basic EPS and diluted EPS. Dilutive securities refer to those financial instruments, usually stock options, warrants, convertible bonds - which increase

the number of common shares outstanding if exercised; this then reduces, or "dilutes", the basic EPS. Students will study how to calculate basic and diluted EPS in this session.

#### **Topic #6: Income Taxes**

Financial reporting system is different from the tax filing system, since the former is accrual-based, while the latter is modified cash-based. In this week students will study the very basic accounting terms related to income taxes: deferred tax liabilities and deferred tax asset. Students are expected to be able to explain when deferred tax liabilities (assets) originate and reverse.

#### **Topic #7: Accounting for Leases**

The old accounting standard on leases has been criticized since operating leases are off the balance sheet. Recently the lease standard has been revised, and this has a huge impact on the reported assets and liabilities on the balance sheet. This week will cover the new standard on leases, including the lease accounting for both the lessee and the lessor.

#### **Topic #8: Intercorporate Investment**

Investments in this session refer to a firm's purchase of another firm's bonds or common shares. Students will learn how to account for bond investments. A firm may purchase common shares issued by another firm for different purposes, such as for a profit, for influence or even control over the investee. Depending on the different degree of ownership, there are three methods to account for such investment: market value method, equity method, and consolidation. This session will cover the market value method and equity method.

#### **Topic #9: Business Combination**

In the last session, students will study the consolidation of wholly-owned subsidiaries, how to eliminate intra-group transactions, the consolidation of less-than-wholly-owned subsidiaries, and the accounting concepts "goodwill" and "non-controlling interests".

## Appendix A: Group Project

A) ***Inappropriate Interest Capitalization***: Identify a case where a firm inappropriately capitalized interests. In what sense it is inappropriate? What is the impact on the financial statements? Is the trick easy to detect from an auditor/outsider's perspective?

B) ***Transactions without Economic Substance***: Identify a firm that engaged in transactions without economic substance. In what sense it is lack of commercial substance? What is the impact on the financial statements? Any traces to detect such tricks?

C) ***Aggressive R&D Capitalization***: Identify a firm that has aggressively capitalized R&D costs. In what sense it is aggressive? What is the impact on the (current and future) financial statements?

E) ***Substantial Deferred Tax Asset***: Identify the Chinese firm that recognizes the largest amount of deferred tax assets. Explain the main reason behind this. What are the analytical implications for investors?

F) ***Equity Method due to Significant Influence***: Identify a firm that invests less than 20% in another firm but has employed equity method. How is significant influence justified? Any other incentive behind this? What is the impact of employing equity method on the financial statements?

G) ***Consolidation due to Control***: Identify a firm that invests less than 50% in another firm but has employed consolidation. How is control justified? Any other incentive behind this? What is the impact of the consolidation on the financial statements?

D) ***Negative Goodwill***: Identify an acquisition case that results in a large amount of negative goodwill. What is the reason behind the bargain purchase? How does this negative goodwill contribute to the reported earnings? Comment on the current accounting treatment for negative goodwill.

H) ***Large Goodwill***: Identify an acquisition case that results in a large amount of positive goodwill. What is the reason behind the expensive purchase? What happens to the goodwill in the subsequent period?

I) ***Intra-group Transactions***: Identify a case where parent company fails to eliminate intra-group transactions to inflate earnings. Any traces to detect such tricks? What are the tips for investors and analysts?

J) ***Gain from Multi-step Acquisitions***: Identify a case where multi-step acquisition results in a substantial amount of gains for the pre-acquisition investment.

### Guidelines for preparing your presentation:

1. Each group will be randomly assigned to work on **TWO** of the above mini-cases.
2. No case materials will be provided. It is a self-learning process.
3. Provide a brief introduction of the company involved in the case;
4. Explain how the accounting tricks work to improve performance metrics;
5. Feel free to share any other unique facts of the identified cases;
6. Organize your presentation in a story-telling manner;
7. Enrich your presentation using data, graphs, tables, etc.

## Appendix B: Rubrics for Assessing Presentation

Date \_\_\_\_\_ Presenting Group \_\_\_\_\_

Total Presentation Time: \_\_\_\_\_ Minutes

<b>Content</b> <b>(3)</b>	<b>Qualitatively comprehensive:</b> Mastering of knowledge; Evidence provided for arguments; Avoids simplistic description or summary of information; Ideas flow logically; Free of reasoning fallacies; Creates appropriate college level, academic tone.	
	<b>Quantitatively correct:</b> Correctly answer assignment questions; Raise feasible business solutions.	
<b>Delivery</b> <b>(4)</b>	<b>Vocal delivery:</b> <ul style="list-style-type: none"> <li>■ Dynamic and active tone and appropriate pitch?</li> <li>■ Enunciation?</li> <li>■ “I think” vs. “Our analysis shows”?</li> <li>■ Meaningless utterance, e.g., “Uhs”, “you know”?</li> <li>■ Appropriate speed?</li> </ul> <b>Build connections:</b> <ul style="list-style-type: none"> <li>■ Natural gestures?</li> <li>■ Appropriate eye contact?</li> </ul> <b>Appropriate use of visual aids.</b>	
<b>Organization</b> <b>(3)</b>	<b>Structure:</b> Overall organization; Introduction/attention-getter; Central idea; The use of internal summery, forecast, or signpost; Conclusion.	
	<b>Integration:</b> Rigorously organized and logically integrated as a final product of teamwork; No evidence that team members simply put together the different pieces of individual work.	
<b>Handling Questions</b> <b>(5)</b>	Are questions well handled?	

Any other comments:

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