

Accounting & Financial Management

MNGT 4620

(Core)

Professor Ken Trotman

Session 1, 2007

Class Dates: 3-6, 8-11 Feb 2007
Examination: 14 March 2007
Payment Due: 5 January 2007

Course aims / objectives:

The aim of this course is to show how the effective use of financial information can improve organisational decision making. We therefore examine the design and operation of accounting systems. Users of accounting information are typically classified as either external users (eg, investors) or internal users (eg, managers). Different users have different interests and different decisions to make. Accordingly, their supporting accounting systems also differ. This course deals with the needs of these two main user groups.

The course develops:

- analytic skills associated with the interpretation of accounting reports;
- evaluation and judgmental skills associated with the use of accounting information in decision making; and
- technical and computational skills associated with the production of accounting information.

Assessment:

Class participation: 10%
Major assignment: 30%
Examination: 60%

Course details / modules:

The following outline is a guide to the modules and readings that will be covered during this course. Additional readings and exercises may be distributed during class time.

Module 1: Nature and Objectives of External Financial Reporting

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 1
- Nature of accounting
- Principal Financial Statements
- The objective of financial reporting
- The regulatory environment
- Development of accounting principles and standards

Module 2: The Basic Financial Statements

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 2
- **Cases:** Kershaw; Sounds of Silence Part 1; LRM Ltd
- The accounting equation
- Assets: nature and recognition
- Liabilities: nature and recognition
- Shareholders equity
- Determination of profit
- Difference between profit and cash
- Relationship between the major financial statements
- The Annual report: a more detailed analysis
- Transaction analysis

Module 3: The Accounting Cycle

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 3
- **Cases:** Sounds of Silence Part 2; Roche Limited
- What are accounting transactions
- Journal entries
- Posting to the general ledger
- Trial balance
- Financial statements

Module 4: Revenue and Expense Recognition in Accrual Accounting

- **Readings/references:** Trotman and Gibbins Chapter 5 of Third Edition (Sections 5.1 to 5.9)
- **Cases:** ABC Limited; Waterways Authority of NSW; Willowood
- Conceptual foundation of accrual accounting
- Accrual accounting adjustments
- Accounting for inventory
- Depreciation
- Contra accounts
- Accounts receivable

Module 5: Cash Flow Statement

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 4
- **Cases:** AAA Ltd; One.Tel Limited
- Structure and purpose of the Cash Flow Statement
- Understanding cash flow from operations
- Cash flow statement procedures
- Liquidity and solvency issues

Module 6: Financial Statement Analysis

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 5
- **Cases:** Food & Household Ltd; Alpha Technology
- Purpose and framework for financial analysis
- Ratio analysis
- Risk analysis
- Common size financial statements
- Effective cash management

Module 7: Cost Volume-Profit Analysis

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 7
- **Cases:** T Shirt; PW Corporation; Stonedone Corporation
- Introduction to management accounting
- Cost behaviour
- Cost volume-profit analysis

Module 8: Product and Service Costing

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 8
- **Cases:** Kadok; Purefoods Products; Tappa & Co; Travelsmart Ltd
- Use of product and service costs
- Cost types: product versus period
- Types of costing systems
- Job Costing
- Plant wide v. department overhead costs
- Activity based costing
- Segment profitability analysis

Module 9: Budgeting

- **Readings/references:** AGSM: Accounting and Financial Management, Unit 9 and Unit 10
- **Cases:** The Brewing Company; Brisbane Electrical Components
- Purpose of budgeting
- Profit planning
- Master budget
- Cash budgets and liquidity planning
- Flexible budgeting
- Performance reports

Course materials and text/s:

AGSM Accounting and Financial Management Course Materials, Units 1 to 10

Additional reference:

Ken Trotman and Michael Gibbins, *Financial Accounting: An Integrated Approach*, 3rd Edition 2005, Thomson Learning.

Instructor details:

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