



北京大學  
汇丰商学院

Peking University HSBC Business School

# FIN 560 Financial Accounting Module 2, 2017-2018

## Course Information

---

### **Instructor: Dr. Nan Liu**

Office: PHBS Building, Room 662

Phone: 86-755-2603- 3873

Email: nanliu@phbs.pku.edu.cn

Office Hour: Monday 3:00pm-5:00pm, and Thursday 10:00am-12:00pm, or by appointment.

### **Teaching Assistant: Mohan Song**

Phone: 18310862977

Email: 1601214154@sz.pku.edu.cn

Office hours: Tuesday and Friday 8:30-10:30 am.

### **Classes:**

Lectures: Tuesday & Friday 15:30-17:20

Venue: PHBS Building, Room 225

### **Course Website:**

<http://cms.phbs.pku.edu.cn/claroline/course/index.php?cid=FIN560>

This is PHBS's online learning environment that supports teaching, learning, and collaboration for students and instructors. Specifically, you will find your class syllabus, handouts, and instructor announcements on this website. Be sure to check the System frequently for announcements and any changes to the class schedule. (2017Fall)

## 1. Course Description

### 1.1 Context

Course overview: The purpose of this course is to teach students the skills to apply accounting knowledge to solve real business problems and make solid decisions.

### 1.2 Textbooks and Reading Materials

#### Textbook

*Financial Accounting, Tools for business decision making*, 6<sup>th</sup> edition, Kimmel, Weygandt and Kieso, ISBN: 978-0470534779

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective	1.1. Our students will produce quality business and research-oriented documents.	Yes, with term project.

communicators.	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	No.
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, with team project.
	2.2. Students will be able to apply leadership theories and related skills.	No.
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	No.
	3.2. Our students will practice ethics in the duration of the program.	Yes, in the duration of the program.
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	No.
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, with class exercises and term project.
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Yes, with class exercises and term project.
	5.3. Our students will demonstrate competency in critical thinking.	Yes, with class exercises and term project.

## **2.2 Course specific objectives**

Upon successful completion of financial accounting, students will be able to: translate activities related to essential business processes into accounting information reflected in the accounting information system; prepare financial statements for external users; and comprehend the usefulness of accounting information to stakeholders in making business decisions.

## **2.3 Assessment/Grading Details**

Students are expected to come to class prepared. Your attendance and active participation in this class are essential to your learning. Research shows that attendance is a good predictor of performance. Students that read (and reread) the chapters and review their notes, lecture material, and homework have a much better success rate.

<b>Assessment task</b>	<b>Weighting</b>
Exam 1	100 points
Exam 2	100 points
Exam 3	120 points
Class Participation (@ 5 points each)	80 points
Best 10 of 11 Homework (@7 points each)	70 points
Group Term Project	30 points
Total	500 points

<b>As a percentage of the formally enrolled in class</b>	Final Grade
>=10%	A+
[20%, 10%)	A
[30%, 20%)	A -
[50%, 30%)	B+
[70%, 50%)	B
[90%, 10%)	B-
<b>Based on the points earned</b>	
>380 points	C+
[360, 380)	C
[340, 360)	C-
[320, 340)	D+
[300, 320)	D
<300 points	F

## **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, honors, 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. Topics, Teaching and Assessment Schedule**

### TENTATIVE CLASS SCHEDULE

Week	CLASS DATE	READING ASSIGNMENT	LEARNING OBJECTIVES	HW DUE IN CLASS
1	Nov. 17	Chapter 1 Introduction to Financial Statements	Discuss the concept of accounting, and financial statements, and the importance of ethics in financial reporting. And Explain the concepts of accounting transactions.	
2	Nov. 21	Chapter 3 The Accounting Information System	Define debits and credits and identify the basic steps in the recording process. Prepare a trial balance.	HW 1 E1-9, P1-3A
	Nov. 24	Chapter 4 Accrual Accounting Concepts	Explain the accrual basis of accounting; identify the major types of adjusting entries and prepare adjusting entries; and discuss the process of closing the books	HW 2 E3-10, P3-5B
3	Nov. 28	Chapter 4 continued Chapter 2 A Further look at Financial Statements	Identify the sections of a classified balance sheet. Discuss the building blocks of accounting. Compute Ratios for analysis	HW 3 P4-5A, P4-3B
	Dec. 1	Review for Exam 1	.	HW 4 BE4-14, E2-8
4	<b>Dec. 5</b>	<b>Exam 1</b>	<b>Ch 1-4</b>	
	Dec. 8	Chapter 5 Merchandising operations and the multiple-step income statement	Identify the differences between a service company and a merchandising company. Explain the recording of purchases and sales under a perpetual inventory system.	
5	Dec. 12	Chapter 5 continued  Chapter 6 Recording and analyzing inventory	Understand multiple-step income statement. Determine cost of goods sold under a periodic system. Explain the basis of accounting for inventories and apply the inventory cost flow methods under a periodic inventory system	
	Dec. 15	Chapter 6 continued	Explain the lower-of-cost-or-market basis of accounting for inventories. Describe the LIFO reserve and explain its importance for comparing results of different companies	HW 5 P5-3A, E5-10
6	Dec. 19	Chapter 8 Reporting and analyzing receivables	Explain how accounts receivable are recognized in the accounts. Describe the methods used to account for bad debts. Compute the interest on notes receivable. Describe the entries to record the disposition of notes receivable.	HW 6 P6-6A, P6-9A
	Dec. 22	Chapter 8 Continued Review for exam 2	Describe the principles of sound accounts receivable management.	HW 7 P8-2A, P8-8A
7	<b>Dec. 26</b>	<b>Exam 2</b>	<b>Ch5, 6, 8</b>	
	Dec. 29	Chapter 9 Reporting and analyzing long-lived assets	Describe how the cost principle applies to plant assets. Compute periodic depreciation.	

**TENTATIVE CLASS SCHEDULE**

Week	CLASS DATE	READING ASSIGNMENT	LEARNING OBJECTIVES	HW DUE
8	Jan. 2	Chapter 9 continued  Chapter 10 Reporting and analyzing liabilities	Explain how to account for the disposal of plant assets. Identify the basic issues related to reporting intangible assets.  Explain a current liability and identify the major types of current liabilities	
	Jan. 5	Chapter 10 continued	Describe the accounting for notes payable, bonds and interest expenses. Describe the entries when bonds are redeemed.	HW 8 P9-1A, P9-2A
9	Jan. 9	Chapter 11 Reporting and analyzing stockholder's equity	Record the issuance of common stock. Explain the accounting for the purchase of treasury stock. Prepare the entries for cash dividends and understand the effect of stock dividends and stock splits. Identify the items that affect retained earnings	HW 9 P10-1B, P10-5A
	Jan. 12	Chapter 12 Statement of cash flows	Distinguish among operating, investing, and financing activities. Prepare a statement of cash flows using the indirect method.	HW 10 E11-7, E11-16
<b>10</b>	Jan. 16	Review for exam <b>Group Term project due</b>		HW 11 E12-7, E12-8
	<b>Jan. 19</b>	<b>Final Exam 15: 30-17: 30</b>	<b>Ch 9-12</b>	

Note:

- HWs will be posted under Assignment on CMS.
- HWs are due at the beginning of the class. There are NO MAKE-UP HWS.
- Students who have examination conflicts with the scheduled examination time periods must contact the instructor at least one week before the first exam date. Students who miss an exam due to an emergency situation must contact the instructor as soon as possible. Documentation of the time conflict or emergency situation will be required. Make-up exams will be more difficult than regularly scheduled exams, and may be given only on the presentation by the student of documented, valid, and acceptable excuses.
- The course syllabus, schedule, and assignments provide a general plan for the course; deviations may be necessary.

## Term Project: Annual report for Cookie Chronicle

(Note: This is a continuation of the Cookie Chronicle from Chapters 1 through 12.)

The comparative balance sheet of Cookie & Coffee Creations Inc. at October 31, 2018 for the years 2018 and 2017, the statement of cash flows for the year ended October 31, 2018, and the income statements for the years ended October 31, 2017 and 2018, are presented below.

### COOKIE & COFFEE CREATIONS INC.

#### Balance Sheet

October 31

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 22,324	\$ 5,550
Accounts receivable	3,250	2,710
Inventory	7,897	7,450
Prepaid expenses	5,800	6,050
Equipment	102,000	75,500
Accumulated depreciation	<u>(25,200)</u>	<u>(9,100)</u>
Total assets	<u>\$116,071</u>	<u>\$88,160</u>
 <b><u>Liabilities and Stockholders' Equity</u></b>		
Accounts payable	\$ 1,150	\$ 2,450
Income taxes payable	9,251	7,200
Dividends payable	27,000	27,000
Salaries and wages payable	7,250	1,280
Interest payable	188	0
Note payable—current portion	4,000	0
Note payable—long-term portion	6,000	0
Preferred stock, no par, \$6 cumulative— 3,000 and 2,800 shares issued, respectively	15,000	14,000
Common stock, \$1 par—25,180 shares issued	25,180	25,180
Additional paid in capital—treasury stock	250	250
Retained earnings	<u>20,802</u>	<u>10,800</u>
Total liabilities and stockholders' equity	<u>\$116,071</u>	<u>\$88,160</u>

**COOKIE & COFFEE CREATIONS INC.**

**Statement of Cash Flows**

**for the Year Ended October 31, 2018**

Cash flows from operating activities

Cash receipts from customers .....	\$485,085	
Cash payments		
To suppliers .....	\$224,441	
For operating expenses and salaries .....	189,945	
For interest .....	225	
For income tax .....	<u>7,200</u>	(421,811)
Net cash provided by operating activities.....		63,274

Cash flows from investing activities

Sale of computer equipment .....	\$ 500	
Purchase of kitchen equipment.....	(2,000)	
Purchase of computer equipment.....	(4,000)	
Purchase of furniture and fixtures .....	<u>(13,000)</u>	
Net cash used by investing activities.....		(18,500)

Cash flows from financing activities

Issuance of preferred stock.....	\$ 1,000	
Principal repayment of notes payable .....	(2,000)	
Payment of cash dividends .....	<u>(27,000)</u>	
Net cash used by financing activities .....		<u>(28,000)</u>

Net increase in cash..... 16,774

Cash, November 1..... 5,550

Cash, October 31..... \$ 22,324

Noncash investing and financing activities

Issuance of note payable to purchase kitchen equipment ..... \$ 12,000

# COOKIE & COFFEE CREATIONS INC.

## Income Statement

For the Year Ended October 31

	2018	2017
Sales	\$485,625	\$462,500
Cost of goods sold	<u>222,694</u>	<u>208,125</u>
Gross profit	<u>262,931</u>	<u>254,375</u>
Operating expenses		
Salaries and wages expense	147,979	146,350
Depreciation expense	17,600	9,100
Other operating expenses	48,186	42,925
Total operating expenses	<u>213,765</u>	<u>198,375</u>
Income from operations	<u>49,166</u>	<u>56,000</u>
Other expenses		
Interest expense	413	0
Loss on disposal of plant assets	<u>2,500</u>	<u>0</u>
Total other expenses	<u>2,913</u>	<u>0</u>
Income before income tax	46,253	56,000
Income tax expense	<u>9,251</u>	<u>14,000</u>
Net income	<u>\$ 37,002</u>	<u>\$ 42,000</u>

Additional information: Natalie and Curtis are thinking about borrowing an additional \$20,000 to buy more kitchen equipment. The loan would be repaid over a 4-year period. The terms of the loan provide for equal semi-annual payments of \$2,500 on May 1 and November 1 of each year, plus interest of 5% on the outstanding balance.

### Instructions

Requirements: Prepare the 2018 annual report for Cookie & Coffee Creations Inc., including

1. Corporate Profile and Financial highlights
2. Management's Discussion and Analysis  
Note: Report your analysis about the potential impact of borrowing an additional \$20,000 to buy more kitchen equipment on the financial condition of the company as the last item in Management's Discussion and Analysis.
3. Financial Statements (an income statement and a balance sheet for two years, a statement of cash flows and a retained earnings statement for one year).
4. Notes to the Financial Statements
5. Supplementary Financial Information
  - (a) Prepare a horizontal analysis of the income statement and balance sheet for Cookie & Coffee Creations Inc. using 2017 as a base year.
  - (b) Prepare a vertical analysis of the income statement and balance sheet for Cookie & Coffee Creations Inc. for 2018 and 2017.

Grading:

1. Each group (with a maximum of 6 students) should submit a hard copy by the due date for grading.
2. 5 points based on the formality and language proficiency in writing.
3. 25 points based on the comprehensive analysis of the above items (5 points each).