

Universitat Pompeu Fabra

GRAU EN ADMINISTRACIÓ I DIRECCIÓ D'EMPRESES

GRAU EN ECONOMIA, GRAU EN CIÈNCIES EMPRESARIALS

GRAU EN INTERNATIONAL BUSINESS ECONOMICS

Introduction to Financial Accounting

Course 2011 – 2012

Course Outline

Barcelona, April 2012

Course Objective

In this course I aim to provide a good foundation in financial accounting that enables you to understand the basic concepts underlying financial statements. After passing this course you should be able to apply the concepts to new and different situations and to participate in current discussion on financial statements in the media.

Presentation

The studies of Economics and Business Administration have as a general goal to form persons capable of developing diverse tasks related with the management of the company, private or public. This training has to allow the future graduates to assume posts of responsibility in different areas of the company like accounting and financial, commercial administration, of organization and human resources.

It is for this motive that the Studies of Economics and Business Administration in the UPF, besides a basic technical preparation in formative and instrumental subjects, it is also oriented towards the acquisition of very necessary general competencies in the professional exercise such as oral and written communication, team-work, or the consideration for the quality of the work and the attainment of milestones.

Introduction to Financial Accounting is a main subject that is taught in the first term of the second course. This subject is an introduction to the professional itinerary for an accounting and financial specialization.

The configuration of the subject proposes the understanding of the basic accounting concepts for being able to understand and assimilate the process of elaboration of the accounting financial statements elaborated as a result of the activity of an organization.

This system of information is applicable to different types of organizations. The central axis of the subject is the understanding and the elaboration of an accounting cycle countable, that is worked from the book-keeping of basic transactions of the company and with the final elaboration of a balance sheet and of a profit and loss account corresponding to the entrepreneurial activity in a given period of time.

The knowledge and the correct application of accounting regulations and valuation criteria complete the necessary requirements to achieve some knowledge and some basic capacities for the professional development future of the student and for the follow-up of the studies and especially with the ones related with the itinerary of accounting and finance.

The attainment of these skills is considered through a process of educational innovation, in process of experimentation specifically for this subject, centered on the necessary process to learn skills required to apply this learning in practice; focused from a model of education directed at the development of capacities, besides the acquisition of knowledge.

This is an opportunity to be initiated into the process of change that university education progressively experiences.

Competencies

Next, we introduce the list of competencies that the student should achieve in this subject. At the end of the term, the student should be able to:

General competencies

Instrumental:

Capacity to transform economic information in accounting information.

Skill in the understanding and in the registry of accounting information.

Basic general knowledge of accounting concepts, accounting legislation and valuation criteria.

Understanding of the meaning of "accounting result": profit and losses, changes in the composition of assets.

Interpersonal:

Work in group in the resolution and presentation of exercises and proposed cases.

Learning through the errors of others.

Systematic:

Application of theoretical knowledge to accounting practice.

Understanding and analysis of a firm's operation transforming it into accounting information.

Elaboration and presentation of clear and structured accounting information: registry, balance sheet and profit and loss account.

Specific competencies

Axis 1. Understand and internalize the concepts and the basis of Accounting.

Identify the definition of Accounting, its objectives, users and qualitative requirements.

Differentiate accounting facts:

Identify and differentiate an accounting fact from an economic fact.

Distinguish types of accounting facts.

Contrast between balance sheet data and results data.

Axis 2. Skill to register accounting facts and prepare accounting statements.

Identify the accounting books.

Skill to register accounting facts: entering transactions in the accounting books.

Capacity to understand and produce an accounting cycle.

Elaborate the different steps of an accounting cycle.

Produce the accounting statements: the Balance Sheet and the Profit and Loss Account.
Understand the meaning of accounting result: benefits and losses.
Changes in the composition of assets at the beginning and the end of the accounting cycle.

Grading

Accounting is a "hands-on" subject and practice is ESSENTIAL for your success.

The evaluation of the attainment of the whole of the skills will be carried out in progressive way through the participation in the activities that will be developed during the course. The final qualification of the subject will be the result of the evaluation of the following sections:

Continuing evaluation: (40% of the final note)

- Hand in of cases to be worked during the seminars 5 %
- One 80-minute test (in practice session of week 7) 35%

Final Evaluation: (60% of the final note)

- The final exam is a **compulsory** activity, which is carried out within the exams period. The exam has a maximum duration of 4 hours. In this part it is necessary to obtain a 5 (out of 10) in order to pass the subject.

All tests are compulsory. If you miss one test without proper justification you will lose the corresponding points. Justified absence (e.g. illness) increases the weight of the final exam on your course grade.

September Evaluation

- The Evaluation in September will be the same that during the course: Continuing Evaluation (40%) and Final September Evaluation (60%).

Weekly organization

WEEK	Plenary Session	Plenary Session	Seminar ¹
1	Accounting and Information Systems	The Balance Sheet	
2	The Balance Sheet	Accounting Methods	
3	Accounting Methods	The Recording Process: Journals, Ledgers, Accounts	
4	Inventories	Inventories	Cases resolution
5	The Accounting Cycle - An Introduction	The Accounting Cycle - An Introduction	Cases resolution
6	The Periodic Income: Revenues and Expenses	The Periodic Income: Revenues and Expenses	Cases resolution
7	The Periodic Income: Revenues and Expenses	Accounting of Basic Transactions	Exam
8	Accounting of Basic Transactions	Accounting of Basic Transactions	Cases resolution
9	The Accounting Cycle In Detail	The Accounting Cycle In Detail	Cases resolution
10	The Accounting Cycle In Detail	The Accounting Cycle In Detail	Cases resolution

¹ There will be 6 seminar sessions during the term. The exact weeks will be determined by the lecturer.

You will be assigned randomly to a seminar at the beginning of the course. **You are expected to attend the seminar hour assigned. No changes are allowed.**

Main Textbook

HORNGREN, SUNDEM, ELLIOTT referred to as HORNGREN ET AL:

Introduction to Financial Accounting, Prentice Hall.

The chapters refer to the 4th edition that is available in the library. But you can use a more recent edition if you want.

OR

HARRISON AND HORNGREN

Financial Accounting, 5th edition, Prentice Hall, 2004

Textbooks in Spanish

SERRA SALVADOR; GINER INCHAUSTI; VILAR SANCHIS referred to as SERRA SALVADOR ET AL:

Sistemas de Información Contable (Una Introducción a la Contabilidad),

València: Tirant lo Blanch, 1996, 2a edició.

SOLDEVILA, P.; OLIVERAS, E.:BAGUR, LL.

Manual de contabilidad, 2^a edición revisada

Barcelona: Gestión 2010.

URÍAS VALIENTE:

Introducción a la Contabilidad. Teoría y Supuestos,

Madrid: Pirámide, 1997.

Textbooks in Catalan

ROSANS I MARTI, J.M.:

Informació comptable per la presa de decisions empresarials: una introducció a la Comptabilitat,

Barcelona: Ariel, 1992.

Financial Accounting Glossary

You can find a glossary of the accounting terms used in class (in English, Spanish and Catalan) under the following web address: <http://www.accid.org/asp/glossari/>.

Course Syllabus

Accounting and Information Systems

The Nature of Accounting and the Importance of Information. The Role and Objectives of Accounting. Major Users of Accounting Information. Accounting Systems. Requirements towards Accounting Information.

HORNGREN ET AL: Chapter 1.

SERRA SALVADOR ET AL: Chapter 1, p. 20 – 38 URIAS VALIENTE: Chapter 1, p. 21 - 32

The Balance Sheet

The Financial Position/Condition of A Company. The Three Major Elements of A Balance Sheet: The Owners' Equity: Types of Ownership, Assets and Liabilities. The Balance Sheet Equation.

HORNGREN ET AL: Chapter 1.

SERRA SALVADOR ET AL: Chapter 2, p. 40 – 66 URIAS VALIENTE: Chapter 2, p. 35 - 52

Accounting Methods

Presentation of the Financial Position at a Moment in Time. Investment and Financing. Business activities: economic and accounting transactions. Double-Entry Recording Framework. Types of accounting entries – Classical Theory versus Modern Theory. Recording of transactions. How rich is the company at a certain moment? Changes in the owners' equity. Income. The Income Statement. Link Balance Sheet to Income Statement.

HORNGREN ET AL: Chapter 1 and 2.

SERRA SALVADOR ET AL: Chapter 3, p. 70 – 96 URIAS VALIENTE: Chapter 2, p. 35 - 52

The Recording Process: Journals, Ledgers, Accounts

The Account as an Accounting Instrument. Chart of Accounts. Journals and Ledgers. Double-Entry System.

HORNGREN ET AL: Chapter 3.

SERRA SALVADOR ET AL: Chapter 4, p. 100 – 123 URIAS VALIENTE: Chapter 3, p. 57 - 92

Inventories

Types of Inventories. Permanent and Periodic Inventory Systems. Recording Entries of Purchases and Sales with Permanent and Periodic Inventory Systems. General Comparison of Both Systems.

HORNGREN ET AL: Chapter 7.

SERRA SALVADOR ET AL: Chapter 5 and 6, p. 126 – 206 URÍAS VALIENTE: Chapter 6, p. 195 - 253

The Accounting Cycle - An Introduction

Total Income and Periodic Income. The Accounting Cycle - An Introduction. Valuation of Assets and Liabilities. Basic Accounting Principles.

HORNGREN ET AL: Chapter 5.

SERRA SALVADOR ET AL: Chapter 7, p. 208 – 250 URÍAS VALIENTE: Chapter 4, p. 101 - 133

The Periodic Income: Revenues and Expenses

Revenues: Examples and Classes. Expenses: Examples and Classes. The Accrual Basis of Accounting. The Periodic Income – Its Calculation and Recording. Amortization/Depreciation of Assets.

HORNGREN ET AL: Chapter 2, 4 and 8.

SERRA SALVADOR ET AL: Chapter 8 and 10, p. 254 – 286, p. 320 – 347

URÍAS VALIENTE: Chapter 5 and 7, p. 143 – 185, p. 265 – 310

Accounting of Basic Transactions

Accounts receivable. Noncurrent Assets. Financial Liabilities and Financial Investments.

HORNGREN ET AL: Chapter 6, 8 and 9.

SERRA SALVADOR ET AL: Chapter 9, 10 and 11, p. 290 – 378

URÍAS VALIENTE: Chapter 7, p. 265 – 310

The Accounting Cycle In Detail

Steps in the Accounting Cycle. Opening the Accounts. Entries to the Accounts. Closing the Accounts. Determination of the Periodic Income. The Income Statement – Forms of Presentation: The T-Account Form and the Multi-step Report Form.

HORNGREN ET AL: Chapter 5.

SERRA SALVADOR ET AL: Chapter 7, p. 208 – 250

Legal Aspects of Accounting

Legal Regulation of Accounting in Spain. Formal Accounting Principles and Concepts. The Spanish General Accounting Plan: Concept, Objective, Characteristics.

SERRA SALVADOR ET AL: Chapter 12, p. 380 – 393

URÍAS VALIENTE: Chapter 8, p. 323 – 354

Methodology

This subject has 6 UPF credits that correspond, approximately, to a total of 100 hours of student dedication, in order to achieve the set of general and specific competencies listed above.

The distribution of the 100 hours would be as follows:

○ Assistance to 20 plenary sessions (1,5 hours/session)	30 hours
○ Assistance to 6 Seminars (1,5 hours/seminar)	9 hours
○ Weekly personal studying time (4 hours, 10 weeks)	40 hours
○ Final exam	4 hours
○ Preparation tests/final exams	18 hours
Total student's time	101 hours

The subject is structured in 3-types of sessions:

- Plenary sessions
- Weekly seminars in reduced groups

- Group and individual tuition

Next, the different types of sessions are detailed:

- **Plenary sessions**

The whole group participates in the plenary sessions.

The session will start with a brief summary of the former session and the introduction of new contents. The contents are accompanied with slides that the student can download from Campus Global. During the session some explanatory exercises will be solved.

- **Weekly seminars in reduced groups.**

These are practical sessions. During these sessions the students will present the proposed exercises to the rest of the group.

The whole-group will be divided in 3 seminar groups randomly (seminar groups available in Campus Global).

All students must be prepared to explain and expose the proposed solutions, present doubts and arguments for the proposed solution.

The exercises proposed are of medium difficulty. The student should be able to solve them with:

- assistance to the plenary sessions,
- the slides and
- recommended bibliography.

- **Group and individual tuition**

Also, doubts can be solved individually or in group during the lecturer's office hours.

In summary, the subject will combine theoretical and practical sessions, using as a basic documentation:

Summary slides of the contents treated in the plenary sessions.

Book of exercises which include:

Cases to work during the sessions of seminar

Cases that the student may need as a reinforcement.

Book of theory with the basic contents of the plenary session and the most relevant aspects from the bibliography.

Recommended bibliography for each of the subjects.