FUNDAMENTALS OF ACCOUNTING

BACHELOR IN MANAGEMENT INFORMATION SYSTEMS

Professor: PAOLO GIANCANE
E-mail: pgiancane@faculty.ie.edu

Academic year: 17-18
Degree course: FIRST
Semester: 1º
Category: BASIC
Number of credits: 6.0
Language: English

PREREQUISITES

SUBJECT DESCRIPTION

This course centers around a preliminary analysis of relevant financial accounting principles and, as a result, of financial statements and how this practice helps determine how a business will afford to achieve its strategic objectives. A good understanding of accounting principles and cost accounting analysis lead executives to more accurate decisions related to planning. Cost accounting provides key data to managers for planning and controlling, as well as costing products, services, and customers. Control for management purposes includes processes and systems set in place by managers to make sure that implementation of the company’s strategy is achieved.

Following sound accounting principles and the related planning is critical to the success of any organization. It provides the manager and his plan with rigor, by confirming that the objectives set are achievable from an accounting point of view. It also helps the manager set operating and financial targets for the organization, and reward members of his team for meeting objectives within the plan set.

Financial and cost accounting, as well as key management control concepts, will be presented within an excel modelling environment. Financial modeling is the task of building an abstract representation of a decision-making situation.

OBJECTIVES AND SKILLS

The objective of this course is to provide a solid grounding in the principles and practice of accounting as well as the fundamentals on how to understand and monitor the accounting side of a business. Students will become familiar with status-of-the-art principles which will help them analyze business operations and check the feasibility of alternative strategic decisions. They will learn how managers assess the financial health of the company and develop general planning.

Key learning objectives focus on the following topics:
1. main financial accounting principles;
2. interrelations among income statement, balance sheet, and cash flow statement;
3. build-up of a 5-year financial plan;
4. cost analysis: direct versus indirect, fixed versus variable;
5. cost accounting as a tool for managers make decisions that achieve the aims of an organization; and
6. flexible budgets and transfer pricing.

In addition, at the end of this course students will be equipped with technical knowledge to build models in excel through different steps:

1. basic functions (i.e. format, formulas), charts, and tables in excel;
2. model cash flow projections and financial statements, creating alternative scenarios and linking scenarios into business plans;
3. use tables, databases, and logical functions for statistical analysis for financial and commercial purposes.

**METHODOLOGY**

This 30-session-course (including the final exam) will be held over a 4-month-period, from September 2017 through December 2017. It consists of a combination of theoretical teachings and practical exercises, as well as a mid-term examination to assess the students' progress with the material.

Because of the technical nature of most of the material, it is important to keep up by working the support material and the exercises provided.

The material is intended to be presented at a common sense level, combining detailed analysis with illustrations and discussions and numerous exercises giving students a right blend of top-of-the-art theory and accounting practice.

<table>
<thead>
<tr>
<th>Teaching methodology</th>
<th>Weighting</th>
<th>Estimated time a student should dedicate to prepare for and participate in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lectures</td>
<td>40.0 %</td>
<td>60 hours</td>
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<tr>
<td>Discussions</td>
<td>10.0 %</td>
<td>15 hours</td>
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<tr>
<td>Exercises</td>
<td>33.34 %</td>
<td>50 hours</td>
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<tr>
<td>Group work</td>
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</tr>
<tr>
<td>Other individual studying</td>
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<td>0 hours</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0 %</td>
<td>150 hours</td>
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</table>
PROGRAM

SESSION 1
Financial Statements: Balance Sheet
Financial Modelling Applications

SESSION 2
Financial Statements: Income Statement
Financial Modelling Applications

SESSION 3
Cash Flow Statement and Analysis of Sources and Uses of Funds
Financial Modelling Applications

SESSION 4
Analysis of the Financial Health of the Enterprise
Financial Modelling Applications
B.C.: Libby, Libby & Short: chapter 1

SESSION 5
Ratio Analysis
- Solvency ratios
- Liquidity ratios
- Efficiency ratios
- Profitability ratios
Financial Modelling Applications

SESSION 6
§ Key Performance Indicators (KPIs)
§ The Dupont Methodology
§ Financial Modelling Applications
B.C.: Libby, Libby & Short: chapters 2&3

SESSION 7
Tangible Assets and Depreciation Concepts

SESSION 8
Long-Term Projects
SESSION 9
Reporting of Non-Ordinary Revenues
P.C.: Revenue Recognition (101017-PDF-ENG)

SESSION 10
INTRODUCTION TO COST ACCOUNTING AND BASIC COST TERMS
The Accountant’s Role in the Organization
An Introduction to Cost Terms and Purposes
B.C.: Chapters 1, 2, 4: Horngren

SESSION 11
Activity-Based-Costing (ABC)
B.C.: Chapters 1, 2, 4: Horngren

SESSION 12
Inventory Costing: Variable vs. Super-Variable vs. Absorption
B.C.: Chapters 1, 2, 4: Horngren

SESSION 13
MASTER BUDGET & RESPONSIBILITY ACCOUNTING
Budgets & the Budgeting Cycle
Advantages of Budgets
B.C.: Chapter 6: Horngren

SESSION 14
Steps in Developing an Operating Budget (Part 1/3)
Financial Modelling Applications
B.C.: Chapter 6: Horngren

SESSION 15
Steps in Developing an Operating Budget (Part 2/3)
Financial Modelling Applications
B.C.: Chapter 6: Horngren

SESSION 16
Steps in Developing an Operating Budget (Part 3/3)
Financial Modelling Applications
B.C.: Chapter 6: Horngren

SESSION 17
SESSION 18
Building a 5-year Business Plan
Financial Modelling Applications

SESSION 19
Building a 5-year Business Plan
Financial Modelling Applications

SESSION 20
Building a 5-year Business Plan
Financial Modelling Applications
*T.N.: Readings: Professor’s notes*

SESSION 21
Sensitivity and Scenario Analysis
Financial Modelling Applications
*T.N.: Readings: Professor’s notes*

SESSION 22
Sensitivity and Scenario Analysis
Financial Modelling Applications

SESSION 23
Sensitivity and Scenario Analysis
Financial Modelling Applications

SESSION 24
Transfer Pricing Methods (Part 1/2)
*B.C.: Chapter 22: Horngren*

SESSION 25
Transfer Pricing Methods (Part 2/2)
*T.N.: Chapter 22: Horngren*

SESSION 26
FLEXIBLE BUDGETING & STANDARD COSTING
Static Budgets & Flexible Budgets
Flexible-Budget Variances and Sales-Volume Variances
SESSION 27
Price Variances and Efficiency Variances for Direct Cost Inputs

SESSION 28
FLEXIBLE BUDGETING & STANDARD COSTING
P.C.: Waltham Motors Division (184169-PDF-ENG)

SESSION 29
P.C.: Waltham Motors Division (184169-PDF-ENG)

SESSION 30
§ Final Exam
Students are strongly advised to check the blackboard and campus online regularly.
BIBLIOGRAPHY

Buy your books here

IE Library Permalink: https://ie.on.worldcat.org/courseReserves/course/id/11876725

1. Title: Financial Accounting
   Author: Libby, Libby & Short
   ISBN: 978-0-07-131394-0

2. Title: Cost Accounting: A Managerial Emphasis
   Author: Horngren, C.T., Foster, G. and Datar, S.
   Publisher / Edition / Year: Prentice Hall / 13th / 2009

EVALUATION CRITERIA

Session participation
Attendance and punctuality are mandatory. Students are expected to come prepared and participate actively and voluntarily during lectures.

Three main criteria will be used in reaching judgment about your class participation:

Depth and Quality of Contribution: The most important dimension of participation concerns what it is that you are saying. A high quality comment reveals depth of insight, rigorous use of case evidence, consistency of argument, and realism.

Moving Your Peers’ Understanding Forward: Great ideas can be lost through poor presentation. A high quality presentation of ideas must consider the relevance and timing of comments, and the flow and content of the ensuing class discussion. It demands comments that are concise and clear, and that are conveyed with a spirit of involvement in the discussion at hand.

Frequency: Frequency refers to the attainment of a threshold quantity of contributions that is sufficient for making a reliable assessment of comment quality. The logic is simple: if contributions are too few, one cannot reliably assess the quality of your remarks. However, once threshold quantity has been achieved, simply increasing the number of times you talk does not automatically improve your evaluation. Beyond the threshold, it is the quality of your comments that must improve. In particular, one must be especially careful that in claiming more than a fair share of “airtime”, quality is not sacrificed for quantity. Finally, your attempts at participation should not be such that the instructor has to “go looking for you”. You should be attempting to get into the debate on a regular basis.

Mid-term examination
Because of the technical nature of most of the material, it is important to keep up by working the textbooks and the case studies provided during the course. The mid-term – individual - examination, around session 16/17, will cover the material presented during the first part of the course up to the mid-term exam. The use of notes or textbooks or laptops is NOT allowed during the preparation of this assignment.

Final exam
Closed-book, closed-note, NO laptop, individual written examination. A calculator, but not access to internet, is allowed.

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<thead>
<tr>
<th>Criteria</th>
<th>Percentage</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Class Participation</td>
<td>30 %</td>
<td></td>
</tr>
<tr>
<td>Intermediate Tests</td>
<td>30 %</td>
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PROFESSOR BIO

Professor: **PAOLO GIANCANE**  
E-mail: pgiancane@faculty.ie.edu

Paolo Giancane has been the Deputy General Manager of UniCredit’s corporate finance team in Beijing and Hong Kong from the establishment of the practice in 2005 through 2009. During this period he participated in several equity financings on behalf of Chinese clients. He also advised European clients in prospective investments in China and divestitures of European assets to Chinese buyers. In the last 2 years, Mr. Giancane has continued to advise Chinese private equity funds and European strategic investors in cross-border investments for a Beijing/Hong Kong-based merchant bank.

He has lived and worked in China since 2005, principally in Beijing and Hong Kong, where he developed strong relationships with local businessmen, government officials, intellectuals and foreign multinationals’ China operations. Such experience has helped Paolo navigate the intricacies of Chinese culture and business environment and design the most appropriate route to achieve an investment goal in Mainland China.

Prior to joining UniCredit in 2002, Paolo Giancane worked at Lehman Brothers in Milan, London and New York in the corporate finance and leveraged finance groups. He was exposed to M&A, equity and debt transactions in Continental Europe, United States and emerging markets.

Mr. Giancane holds a BA Degree from Bocconi University in Milan and a MSc in Finance from London Business School. He attended executive management programs at Imperial College in London and the Spanish Institute of Energy in Madrid. He has also spoken at various conferences organized by the UniCredit Group in the field of mergers & acquisitions to and from China and given interviews to Chinese economic magazines and news channels (CCTV Chinese National Television Channel) on financial and economic topics. Paolo Giancane holds the CFA designation.

CONTACT DETAILS; OFFICE HOURS

Office hours: One hour before the designated classes in Room (tbd).  
Contact details: pgiancane@faculty.ie.edu. For any urgent matters please contact with the professor at: +34 685 986566.

OTHER INFORMATION

CODE OF CONDUCT IN CLASS

1. **Be on time:** Students arriving more than 5 minutes late will be marked as “Absent”. Only students that notify in advance in writing that they will be late for a specific session may be granted an exception (at the discretion of the professor).

2. **If applicable, bring your name card and strictly follow the seating chart.** It helps faculty members and fellow students learn your names.

3. **Do not leave the room during the lecture:** Students are not allowed to leave the room during lectures. If a student leaves the room during lectures, he/she will not be allowed to re-enter and, therefore, will be marked as “Absent”.

Only students that notify that they have a special reason to leave the session early will be granted an exception (at the discretion of the professor).
4. **Do not engage in side conversation.** As a sign of respect toward the person presenting the lecture (the teacher as well as fellow students), side conversations are not allowed. If you have a question, raise your hand and ask it. If you do not want to ask it during the lecture, feel free to approach your teacher after class.

If a student is disrupting the flow of the lecture, he/she will be asked to leave the classroom and, consequently, will be marked as “Absent”.

5. **Use your laptop for course-related purposes only.** The use of laptops during lectures must be authorized by the professor. The use of Social Media or accessing any type of content not related to the lecture is penalized. The student will be asked to leave the room and, consequently, will be marked as “Absent”.

6. **No cellular phones:** IE University implements a “Phone-free Classroom” policy and, therefore, the use of phones, tablets, etc. is forbidden inside the classroom. Failing to abide by this rule entails expulsion from the room and will be counted as one absence.

7. **Escalation policy: 1/3/5.** Items 4, 5, and 6 above entail expulsion from the classroom and the consequent marking of the student as “Absent.” IE University implements an “escalation policy”: The first time a student is asked to leave the room for disciplinary reasons (as per items 4, 5, and 6 above), the student will incur one absence, the second time it will count as three absences, and from the third time onward, any expulsion from the classroom due to disciplinary issues will entail 5 absences.