



## Sofaer Global MBA

### 1238.2321.01 - Financial Accounting

Prerequisites: None

Modules 1 & 2 – 2020/21

#### Course Section Details

Days	Hours	Classroom
Mondays	9:00 – 11:45	Recanati 254

Professor: Dr. Shai Levi, [shailevi@tau.ac.i](mailto:shailevi@tau.ac.i), Tel: 03-6405893  
Office hours: Thursday, 11:30am, Recanati 309

#### Tutorial

Days	Hours	Classroom
Mondays	12:15-13:30	Recanati 254

Teaching Assistant: Muhammad Zidani, [Mhammadzidani@gmail.com](mailto:Mhammadzidani@gmail.com).  
Office hours: Monday, 13:30, room 254.

#### Course Units

Course Units: 2

2 course units equal 8 ECTS (European Credit Transfer and Accumulation System)  
By making higher education comparable across Europe, ECTS makes teaching and learning in higher education more transparent and facilitates the recognition of all studies.

## Course Description

This course will provide you with frameworks and practical tools for reading financial statements and assessing the business standing of firms. At the end of the course, you will be able to critically review the information in financial disclosures, and use this information to gauge firms' performance. In class, we will discuss reporting and analysis concepts, and apply them in case studies and on market data.

## Course Objectives

Upon successful completion of the course, participants will be able to:

- Interpret and apply the rules and conventions underlying the preparation of major accounting reports.
- Evaluate, analyze and interpret relevant accounting information.
- Use information in financial disclosures to gauge firms' performance.
- Analyze financial and managerial decision-making, and the accounting information that supports these decisions.
- Understand the environment in which financial reports are prepared, and the incentives of managers that may affect the information reported by companies.

## Assessment and Grade Distribution

Percentage	Assignment	Date	Group Size/Comments
10%	Class participation	Throughout the semester	Individual
10%	Problem sets	Throughout the semester	Groups of 3 students
15%	Final project	February 3, 2021	Groups of 3 students
65%	Final exam	TBA	Individual

\*According to University regulations, a student must be present in every lesson (Article 5).

\* The lecturer reserves the right to have a student removed from a course if the student is absent from a class with mandatory participation or did not actively participate in class. (The student will remain financially responsible for the course irrespective of his/her removal from the course)

## Course Assignments

Class participation grade is based on your attendance and active participation in class discussions, and will determine 10% of the course grade.

Ten problem sets will be assigned in the tutorial sessions throughout the semester, and students will work in groups of three to solve and hand in at least seven of the ten problem sets. The grades on problem sets will determine 10% of the course grade.

The final project will require groups of three students to hand in a written report on the financial reports of a public firm. Using the tools and methodologies we will introduce in class, you will analyze the profitability, reporting quality of, and business standing of the firm. Details of the project are at the end of the syllabus. The project grade will be 15% of the course grade.

The final exam will determine 65% of the final grade.

Should a student become unable to complete an assignment or course requirement, s/he must notify the TA of the course in advance via email

## Grading Policy

As of the 2008/9 academic year the Faculty has implemented a grading policy for all graduate level courses. This policy applies to all graduate courses in the Faculty, and will be reflected in the final course grade. Accordingly, the final average of the class for this course (which is a core course) will fall between 78-82%. Additional information regarding this policy can be found on the Faculty website.

## Evaluation of the Course by Student

Following completion of the course, students will participate in a teaching survey in order to evaluate the instructor and the course for the benefit of the students and the university.

## Course Website

Course materials, slides, and messages will be posted on the course website in moodle.tau.ac.il.

## Required Reading

The textbook we will use is Financial Accounting for MBAs, 7th edition, by Easton, Wild, Halsey, and McAnally. Additional readings will be posted on the course site.

## Course Outline

The readings are from the textbook, Financial Accounting for MBAs, 7<sup>th</sup> edition, by Easton, Wild, Halsey, and McAnally. It is worthwhile to read the relevant chapters (modules) before coming to class and to use them as reference when reviewing class notes or doing the assignments. We may slightly deviate from the schedule below; I will keep you updated as the course progresses.

Class	Dates	Topics	Textbook readings
1.	Oct 19	Introduction to financial statements	Modules 1 & 2
2.	Oct 26	Analysis of profitability	Module 4
3.	Nov 2	Construction of financial statements	Module 3
4.	Nov 9	Accruals versus cash flows	Module 3
5.	Nov 16	Revenue recognition	Module 5
6.	Nov 23	Revenue models (Guest lecture of professor Leslie Broudo- Mitts)	
7.	Nov 30	Current assets	Modules 5 & 6
8.	Dec 14	Long-term assets	Module 6
9.	Dec 28	Cash flow statement	Module 11
10.	Jan 4	Debt and liabilities and credit analysis	Module 7
11.	Jan 18	Off-balance sheet liabilities	Module 10
12.	Jan 25	Owner financing Intercorporate investments	Module 8 Module 9
13.	Feb 2	Forecasting financial statements Equity valuation	Module 12 Module 13

## Business Ethics Topics

Business ethics is emphasized and integrated in the content of the core courses, and is central in financial accounting. We will discuss the ethical issues managers face in several reporting settings as revenue recognition, cost and allowance reporting, accruals determination, and earnings management to meet reporting targets.

## Final Project

This group assignment requires you to analyze the financial reports of a company. This assignment will be performed in study groups of four students. Using the tools and methodologies we will introduce in class, you will analyze the profitability, reporting quality of, and business standing of the firm. The project grade will be 15% of the course grade.

Choosing a company: Each group should choose a publicly traded company for analysis. It can be any firm you like. You can search public traded companies, for example, on [finance.yahoo.com](http://finance.yahoo.com), as we will do in class. You need to clear your firm choice with me.

Analysis: Your analysis should follow these steps:

- Analysis of profitability: Calculate the firm's ROE and ROA, and express them as a function of asset turnover, profit margin, and leverage, as we did in class, to analyze the company's strategy and business standing. In your analysis, (briefly) describe the company's industry and specific lines of business, and compare its profitability, turnover, margins, and leverage to those of competitors.
- Quality of reporting: Compare cash flows to earnings (accruals), analyze the statement of cash flows, separate out one-time items, and in general assess the quality of earnings. Are there any warning signs of poor earnings quality? Based on this analysis and on your analysis of the firm's business standing (analysis of profitability above), do you expect future earnings to trend up or down?
- Capital structure: What is the leverage (debt-to-equity) of the firm? What is the bankruptcy risk (credit rating) of the firm according to Altman's z-score? What are the free cash flows of the firm? Can the firm meet its debt payments?

Due Date: The project is due on February 3, 2021. Each group will send its write up to [shailevi@tau.ac.il](mailto:shailevi@tau.ac.il)

Detailed description of the project requirements will be provided on the course website.