

Subject Code	AF5141
Subject Title	Corporate Financial Accounting
Credit Value	3
Level	5
Normal Duration	1-semester
Pre-requisite / Co-requisite/ Exclusion	None
Role and Purposes	This subject aims to introduce to the students the role of financial reporting in the field of corporate governance. It contributes to the achievement of the MCG Programme Outcomes by enabling students to identify business ethics issues in financial reporting (Outcome 1), explain the relationship between agency theory and accounting concepts in respect of the role of corporate accounting in corporate governance, develop a critical accounting insight through effectively interpret new developments in financial reporting and apply the knowledge of current reporting issues in the working environment (Outcome 4). It will enable students to critically evaluate financial statements of listed companies (Outcome 4).
Subject Learning Outcomes	On successfully completing of this subject, the students will be able to: <ul style="list-style-type: none"> (a) effectively interpret the latest development in financial reporting regulation and the role of corporate accounting in corporate governance and to link this role with agency theory and accounting concepts; (b) explain the significance of business ethics pertaining to financial reporting issues; (c) apply the accounting concepts and financial reporting practices of Hong Kong companies with particular emphasis on listed companies; and (d) critically evaluate financial statements of listed companies in the context of earnings management and earnings quality using both traditional and contemporary approaches.
Subject Synopsis/ Indicative Syllabus	<p>Role of Financial Reporting and Institutional Framework</p> <p>Issues in financial reporting. Agency theory (information asymmetry: moral hazard and adverse selection) and the role of financial accounting. General purpose financial reporting framework. Stakeholders demanding financial statement information. Regulatory forces affecting the supply of financial information in Hong Kong and PRC. An appreciation of current accounting issues and controversies including the latest Exposure Drafts. A comparative study of the HKFRS / HKAS with IFRS / IAS and China</p>

	<p>Accounting Standards.</p> <p>Financial Statement Numbers and Alternative Accounting Methods Economic factors and ethical considerations affecting choice of alternative accounting methods. Ethical dilemmas and tradeoff between reliability and relevance. Accounting method diversity, uniformity and interfirm comparisons. Empirical evidence of systematic difference in accounting choice.</p> <p>Advanced Topics in Corporate Accounting Financial statement information and corporate restructuring - consolidation, acquisition, mergers and divestiture. Accounting issues related to foreign currency translation. Highlights the differences in disclosure requirements of Hong Kong and PRC companies.</p> <p>Financial Statements Analysis Basic techniques of financial analysis: ratio analysis, common-size analysis, cash flow analysis. International comparison of financial ratios. Cross-sectional and time series techniques. Correlations and co-movements between financial statement numbers.</p> <p>Earnings Management and The Related Ethical Issues Patterns of earnings management and the ethical considerations: income smoothing and big bath; instrument of earnings management. Loss avoidance. Cookies jar reserves. Forecasting financial statements and meeting analysts' expectation.</p> <p>Use of Accounting Information for Investment Decisions Information content of accounting reports. Association between security returns and accounting numbers. Equity valuation model and financial statements information. Use of price-to-earnings ratios and the price-to-book ratios for investment decisions.</p> <p>Earnings Quality Different definitions and measures of earnings quality.</p>
<p>Teaching/Learning Methodology</p>	<p>Lectures and seminars are integrated so as to encourage students' participation in class discussion. Lectures cover the fundamental principles and concepts of the subject syllabus. Seminars are for problem solving, case presentation and discussion. Questions and short assignments are provided so as to provide timely feedback on the progress of each student. Students are expected to play an active role in seminars and are required to discuss ethical and corporate governance issues in financial reporting. Patterns of earnings management will be identified and the related ethical issues will be considered from different perspectives. The role of corporate administrators, accountants, auditors, directors and other stakeholders in controlling and detecting fraudulence and abuse of judgment will be</p>

	discussed. Students are expected to apply their knowledge to the discussion of the current financial reporting issues faced by a corporate administrator in their working environment. Guided readings are provided to stimulate students' interest and attention.					
Assessment Methods in Alignment with Subject Learning Outcomes	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)			
			a	b	c	d
	Participation	5%	√	√	√	√
	Individual Assignment 1	20%	√		√	
	Individual Assignment 2	25%	√	√		
	Final Examination	50%	√	√	√	√
	Total	100%				
	<p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p>Participation – Participation in class by asking and answering questions.</p> <p>Individual Assignment 1 – An integrated problem on consolidation and latest development in accounting regulation to test students' knowledge of and ability to apply the accounting principles to real life situations.</p> <p>Individual Assignment 2 – An essay requiring students to reflect upon issues associated with agency issues, business ethics and corporate governance.</p> <p>Final Examination – A three-hour closed book comprehensive examination with five questions covering all the intended learning outcomes.</p> <p>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturer.</p>					
Student Study Effort Required	Class contact:					
	<ul style="list-style-type: none"> ▪ 13 weeks of 3 hours seminar each 				39 Hrs.	
	Other student study effort:					
	<ul style="list-style-type: none"> ▪ Students are expected to spend around 6 hours per week to revise and practice the accounting principles covered in class 				78 Hrs.	
	Total student study effort				117 Hrs.	

**Reading List and
References**

Elliott, B. and J. Elliott, *Financial Accounting and Reporting*, latest edition, FT Prentice Hall.

Higson, Andrew, *Corporate Financial Reporting*, latest edition, SAGE Publications Limited.

Tsui, Christina, Lynne Chow, D.W. Taylor and Sarala Panchapakesan, *Advanced Financial Accounting in Hong Kong*, latest edition, Longman.

Revsine, Lawrence, Daniel W. Collins and W. Bruce Johnson, *Financial Reporting & Analysis*, latest edition, Prentice Hall.

Taylor, Stephen and Norma Hall, *Hong Kong GAAP: A Practical Guide to Generally Accepted Accounting Practice*, latest edition, Sweet & Maxwell Asia.

Beaver, William H., *Financial Reporting: an Accounting Revolution*, latest edition, Prentice Hall.

Hong Kong Institute of Certified Public Accountants, *Hong Kong Financial Reporting Standards*.