

<b>Subject Code</b>	<b>AF5902</b>
<b>Subject Title</b>	<b>Financial Reporting Environment</b>
<b>Credit Value</b>	3
<b>Level</b>	5
<b>Normal Duration</b>	One Semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	Pre-requisite: Accounting for Corporations (AF5111)
<b>Role and Purposes</b>	<p>This subject aims to provide students with an understanding of the key issues in financial reporting environment. It contributes to the achievement of PgDPA / MPA Programme Outcomes by enabling students to <u>critically evaluate the role of the regulatory framework of financial reporting and the effectiveness of the general law, statutory provisions and regulations in protecting the interests of the users of corporate financial statements in Hong Kong and the PRC (Programme Outcome 3), apply the accounting concepts, financial reporting practices and legal concepts of Hong Kong companies, explain the role of financial reporting in corporate governance, and contrast the differences in the regulatory forces affecting financial reporting and legal practices of PRC and Hong Kong companies (Programme Outcome 1) and be sensitive to business ethics pertaining to financial reporting issues (Programme Outcome 3).</u></p>
<b>Subject Learning Outcomes</b>	<p>Upon completion of the subject, students will be able to:</p> <ul style="list-style-type: none"> <li>(a) <u>explain the role of financial reporting in corporate governance;</u></li> <li>(b) <u>apply the accounting concepts and financial reporting practices of Hong Kong companies with particular emphasis on leases, liabilities and consolidated cash flow statement;</u></li> <li>(c) <u>be sensitive to business ethics pertaining to financial reporting issues;</u></li> <li>(d) <u>critically evaluate financial statements of companies in the context of earnings management and earnings quality;</u></li> <li>(e) <u>contrast the differences in the regulatory forces affecting financial reporting practices of PRC and Hong Kong companies; and</u></li> <li>(f) <u>critically evaluate the effectiveness of the general law, statutory provisions and regulations in protecting the interest of the investing public, members and creditors of a company, and to appreciate the various compliance requirements and their application to current issues.</u></li> </ul>

**Subject Synopsis/  
Indicative Syllabus**

**Role of Financial Reporting and Institutional Framework**

General purpose financial reporting framework. Regulatory forces affecting the supply of financial information in Hong Kong and PRC. Financial reporting framework for SMEs and private entities.

**Advanced Topics in Corporate Accounting**

Provisions, contingent assets and liabilities. Income taxes. Leases. Lessee and lessor accounting, preparation of consolidated cash flow statement.

**Financial Statements Analysis**

Basic techniques of financial analysis: ratio analysis including earnings per share, common-size analysis, cash flow analysis. International comparison of financial ratios. Cross-sectional and time series techniques.

**Earnings Quality and Social Responsibility**

Patterns of earnings management and the ethical considerations. Definitions and measures of earnings quality. Social responsibility and sustainability reporting.

**Formation of a Company**

**Duties of Officers of the Companies**

Appointment and removal of directors and company secretary; powers and duties of directors and company secretary.

**Company Control and Procedures**

Types of company's meetings and their significance; the role and function of auditors and inspectors; the protection of minority members.

**Share and Loan Capital**

Types of share capital and methods of raising and re-organising share capital. Share registration practice and transfer and transmission procedures. Types of debentures. Registration of charges, maintaining and inspection of register of charges.

**Regulatory Framework for Listed Companies**

Supervisory bodies and regulations for listed companies in Hong Kong. Takeovers and Mergers. Codes on Takeovers and Mergers.

**Auditors**

The role and function of auditors. Auditors' appointment, termination and vacation of office.

**Dissolution of Companies**

Appointment of liquidators and their powers and duties. Procedures and practice in respect of dissolution of companies.

<b>Teaching/Learning Methodology</b>	<p>Lectures and seminars are integrated to encourage students' participation in class discussion. Lectures cover the fundamental principles and concepts of the subject syllabus. Seminars are for problem solving, case study and discussion. Quizzes and short assignments are provided so as to provide timely feedback on the progress of each student. Patterns of earnings management will be identified and the related ethical issues will be considered from different perspectives. The role of accountants, auditors, directors and other stakeholders in controlling and detecting fraudulence and abuse of judgment will be discussed. Students are expected to apply their knowledge to the discussion of the current financial reporting issues faced by professional accountants in their working environment. Guided readings are provided to stimulate students' interest and attention.</p>																																																																					
<b>Assessment Methods in Alignment with Intended Learning Outcomes</b>	<table border="1" data-bbox="527 772 1453 1516"> <thead> <tr> <th data-bbox="527 772 820 976" rowspan="2">Specific assessment methods/tasks</th> <th data-bbox="820 772 974 976" rowspan="2">% weighting</th> <th colspan="6" data-bbox="974 772 1453 913">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th data-bbox="974 913 1052 976">a</th> <th data-bbox="1052 913 1130 976">b</th> <th data-bbox="1130 913 1208 976">c</th> <th data-bbox="1208 913 1286 976">d</th> <th data-bbox="1286 913 1364 976">e</th> <th data-bbox="1364 913 1453 976">f</th> </tr> </thead> <tbody> <tr> <td data-bbox="527 976 820 1077">Term test (financial reporting)</td> <td data-bbox="820 976 974 1077">10%</td> <td data-bbox="974 976 1052 1077">√</td> <td data-bbox="1052 976 1130 1077">√</td> <td data-bbox="1130 976 1208 1077">√</td> <td data-bbox="1208 976 1286 1077">√</td> <td data-bbox="1286 976 1364 1077">√</td> <td data-bbox="1364 976 1453 1077"></td> </tr> <tr> <td data-bbox="527 1077 820 1207">Tutorial participation (financial reporting)</td> <td data-bbox="820 1077 974 1207">15%</td> <td data-bbox="974 1077 1052 1207">√</td> <td data-bbox="1052 1077 1130 1207">√</td> <td data-bbox="1130 1077 1208 1207">√</td> <td data-bbox="1208 1077 1286 1207">√</td> <td data-bbox="1286 1077 1364 1207">√</td> <td data-bbox="1364 1077 1453 1207"></td> </tr> <tr> <td data-bbox="527 1207 820 1276">Term test (law)</td> <td data-bbox="820 1207 974 1276">12.5%</td> <td data-bbox="974 1207 1052 1276"></td> <td data-bbox="1052 1207 1130 1276"></td> <td data-bbox="1130 1207 1208 1276"></td> <td data-bbox="1208 1207 1286 1276"></td> <td data-bbox="1286 1207 1364 1276"></td> <td data-bbox="1364 1207 1453 1276">√</td> </tr> <tr> <td data-bbox="527 1276 820 1377">Class Exercises (law)</td> <td data-bbox="820 1276 974 1377">12.5%</td> <td data-bbox="974 1276 1052 1377"></td> <td data-bbox="1052 1276 1130 1377"></td> <td data-bbox="1130 1276 1208 1377"></td> <td data-bbox="1208 1276 1286 1377"></td> <td data-bbox="1286 1276 1364 1377"></td> <td data-bbox="1364 1276 1453 1377">√</td> </tr> <tr> <td data-bbox="527 1377 820 1446">Final examination</td> <td data-bbox="820 1377 974 1446">50%</td> <td data-bbox="974 1377 1052 1446">√</td> <td data-bbox="1052 1377 1130 1446">√</td> <td data-bbox="1130 1377 1208 1446">√</td> <td data-bbox="1208 1377 1286 1446">√</td> <td data-bbox="1286 1377 1364 1446">√</td> <td data-bbox="1364 1377 1453 1446">√</td> </tr> <tr> <td data-bbox="527 1446 820 1516">Total</td> <td data-bbox="820 1446 974 1516">100 %</td> <td colspan="6" data-bbox="974 1446 1453 1516"></td> </tr> </tbody> </table> <p data-bbox="527 1528 1453 1598">Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p data-bbox="527 1612 1453 1713">Term tests – Computation and short essay questions in respect of selected financial reporting topic and legal case study that students have to advise the parties involved their legal position.</p> <p data-bbox="527 1728 1453 1829">Tutorial participation – Students have to present and discuss financial reporting problems/cases on group basis as well as actively participate in tutorial/WebCT discussion.</p>								Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d	e	f	Term test (financial reporting)	10%	√	√	√	√	√		Tutorial participation (financial reporting)	15%	√	√	√	√	√		Term test (law)	12.5%						√	Class Exercises (law)	12.5%						√	Final examination	50%	√	√	√	√	√	√	Total	100 %						
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Group presentation – Students have to present legal problems/cases as well as actively participate in tutorial/WebCT discussion.

Final examination – 3 hours examination that covers both financial reporting and law problems/questions.

***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 lecturers.***

<b>Student Study Effort Expected</b>	Class contact:	
	▪ 13 weeks of three-hour seminar	39 Hrs.
	Other student study effort:	
	▪ Class preparations, reading subject materials/textbook, assignments and group discussions	78 Hrs.
	Total student study effort	117 Hrs.
<b>Reading List and References</b>	<p>John McKeith and Bill Collins, Financial Accounting and Reporting, latest edition, McGraw-Hill.</p> <p>Elliott, B. and J. Elliott, Financial Accounting and Reporting, latest edition, FT Prentice Hall.</p> <p>Hong Kong Institute of Certified Public Accountants, Member's handbook, Call Number: HF5601.H658.</p> <p>Lo, Stefan HC &amp; Qu, Charles Z, Law of Companies in Hong Kong, latest edition, Sweet &amp; Maxwell.</p> <p>Stott, Vanessa, Hong Kong Company Law, latest edition, Pitman.</p> <p>Cheng, Sum and Yuen, Hong Kong Company Secretary's Handbook: Practice &amp; Procedure, latest edition, Longman.</p> <p>Companies Ordinance Cap. 622</p> <p>Companies (Winding Up &amp; Miscellaneous Provisions) Ordinance Cap 32.</p> <p>Securities and Futures Ordinance Cap. 571.</p> <p>Codes on Takeovers and Mergers.</p>	