Course Description

Course sessions are structured into three related parts. In the space below I provide a brief description of each part. Further details are provided in the detailed session outline.

Part 1: Introduction to Financial Accounting

In this part of the course we focus on theoretical and fundamental issues.

We first learn the two key financial statements: The balance sheet, the income statement, and stockholders equity statement. We discuss the information each conveys and the relation between them. We then describe and motivate key accounting principles and concepts.

Part 2: Accounting for Operating Activities

In order to be able to evaluate the information in the financial reports, we must
understand the underlying accounting standards and how they are applied. In this part of the course we focus on the fundamental concepts underlying the accounting for key operating activities (e.g., generating revenue, inventories, investing in long-lived assets, the acquisition of another business, etc.).


The financial reporting process is a means to an end: Providing information to investors and other outsiders so they can evaluate the firm's performance. Hence, in the third part of the course, we discuss how to use the financial statements to evaluate operating performance and cash flows. First, we learn how to analyze the cash flows statement. Second, we focus on how to calculate and interpret return on operating assets, RNOA, and its components. We focus on RNOA because it is the most important and commonly-used key performance indicator, KPI.

Structure of the Lectures:

Classes consist of lectures and discussions about financial accounting concepts and practice. The material in each chapter of the text will be presented in lecture form and supplemented with examples from financial reports and the business press. Short problems and cases involving corporate financial statements will be used to illustrate accounting concepts and methods. In general, these problems and cases will focus on ‘the big picture’ and illustrate the uses of financial reports.

Course Format

The course would be in the “normal” format, where we meet in class (that is, no Zoom, hopefully). All classes would be recorded and be available for viewing immediately after the end of the class.

Textbook:


Tutorial

You will be given 6 problem-sets in total during the semester.

You are allowed to discuss the questions with your friends; however, the written assignment is individual. Each student has to submit his or her own version of the assignment. The TA will give you the details on how to submit the assignments.

You will be graded on each assignment. The assignments are due on the date of the tutorial. If you know in advance that you cannot hand in the homework on time for whatever reason then you should let the TA know and schedule an alternative submission date.

Course Goals
This course is not designed to turn you into an accountant. I expect that after reading the last sentence you have mixed emotions. On the one hand, you're probably relieved because, given the stereotype of accountants, you probably don't want to be one. On the other hand, you're probably a bit anxious because you are now asking yourself: So, what is the objective of the course? This is an excellent question. Before answering it, I will digress a bit.

I expect that one of the reasons you're getting an MBA is that you want to lever your existing skillset and experience. You want to move into a leadership role in which you have more influence. However, you're constrained by your lack of understanding of certain business and management concepts. Alternatively, you may be an aspiring entrepreneur. You have great ideas, but you realize that, to execute them, you need to enhance your management skills and learn how to effectively communicate with potential investors, etc. To do this, you've decided to get an MBA at Reichman University.

With the above in mind, this course is designed to help you become a knowledgeable, confident consumer of accounting reports and financial information. This course is extremely important (after all there is a good why it is a required course in any business/management stream) for two main reasons. First, to make decisions, businesspeople need to communicate. Because the financial implications of business decisions are of central importance, when businesspeople communicate, they tend to assume that everyone understands fundamental accounting concepts and terminology. Hence, if you want to influence the decision-making process, you need to know the terminology and understand the concepts. If you don't, you won't be able to follow the conversation and you won't be persuasive. Your ideas may be fantastic but, if you can't explain them in a way that other people understand, you'll be misunderstood and ultimately ignored.

Second, and more important, not only will a strong understanding of accounting terminology and concepts improve your communication skills, it will also make you a better decision-maker. The reason for this is that financial implications are the key consideration underlying every business decision and accounting reports are the primary source of information about financial implications. They provide us with information about a firm's strategic choices such as the products and services that it provides, the resources that it uses, how it obtained the funds that it uses to acquire those resources, etc. They also provide us with information about the execution of these strategic choices. In particular, they provide us with information about revenues, expenses, profit and cash flow. Hence, if you understand how to evaluate accounting reports, you will be able to identify strategic choices and evaluate their execution.

To summarize, this course is not designed to turn you into an accountant. Rather, it is designed to provide you with the ability to be a knowledgeable, confident consumer of accounting information. This will allow you to take greater advantage of your unique
Grading

Tutorial (will be calculated as the average of the best 5 assignments) 20%
Final Exam 80%

Total 100%

Lecturer Office Hours
By appointment

Teaching Assistant
Lior Salant
lior.salant@post.runi.ac.il

Reading List

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Non Owner Financing
EWHM: Module 8

Stockholders Equity

Statement of Cash Flows

Profitability Analysis