

The University of Western Ontario
Management and Organizational Studies

MOS 4461B ADVANCED ACCOUNTING II
Course Outline January 2009- April 2009

FACULTY

Faculty:	Bill Dawson (Section 003, 004)	Faculty:	Michele Stewart (Section 002)
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TIMETABLE

<u>Section</u>	<u>Day</u>	<u>Time</u>	<u>Building and Room</u>
002	Wednesday	7:00 pm - 10:00 pm	SSC 3116
003	Monday	1:30 pm - 2:30 pm	SSC 3116
	Wednesday	1:30 pm - 3:30 pm	SSC 3116
004	Tuesday	12:30 am - 1:30 pm	SSC 3108
	Friday	10:30 am - 12:30 am	SSC 3108

COURSE OBJECTIVES

MOS 4461B is an advanced financial accounting course focussing on Canadian accounting for bankruptcy and receivership, not-for-profit organizations, partnerships, financial instruments and financial reporting and statement analysis, and evaluation of and valuation of a firm.

This course trains students to perform comprehensive financial analysis, using data from financial statements and company annual reports. After taking this course, students will be able to:

- 1) handle financial reporting issues related to bankruptcies and receiverships, not-for-profit organizations, partnerships, and financial instruments, and
- 2) independently perform comprehensive financial analysis using annual reports and other publicly available information from analysis recommend whether or not to invest in a company.

Prerequisite: MOS 4460A. Restricted to 4th year MOS students only.

TEXTBOOKS

Hilton, Murray W. Modern Advanced Accounting in Canada, 5th Edition, McGraw Hill Ryerson Limited. 2008. (ISBN 0-07-097111-0)

Stickney, C.P., and Brown, P.R., and Wahlen, J.M.. Financial Reporting, Financial Statement Analysis and Valuation: A Strategic Perspective, Sixth Edition, Thomson, Southwestern, 2007 (ISBN 0-324-30295-9)

Casebook (available at UWO Book Store)

CICA Handbook available on SSCL network.

EVALUATION

Hand-in Assignment (due Fri, Mar 27)	10%
Midterm Examination (Thurs, Feb 12)	25%
2 ½ Hour Test (Fri, Mar 20)	15%
Participation	10%
Group Assignment (due Thurs, Apr 9)	30%
Presentation of Group Assignment	<u>10%</u>
	<u>100%</u>

EXAMINATIONS

Students who fail to appear for an examination at the time set in the timetable will not be allowed to write the examination thus missed. Students should report this irregularity immediately to their Dean's office. They may, with the approval of the Chair of the Department concerned, petition the Dean for standing or permission to write a special examination. Petitions will be entertained only when they are submitted on compassionate grounds with supporting documents. See the current Western Academic Calendar.

POLICY ON SPECIAL EXAMINATIONS

- (3) Students with conflicts or students who are unable to write an exam based on compassionate grounds (supported by appropriate documents), may apply in writing prior to the exam to the course coordinator to be excused.
- (4) Students involved with approved out-of-town university activities during the scheduled mid-term exam may apply to the course coordinator for special proctoring privileges to write the mid-term exam.
- (5) Students who are excused from the writing of the mid-term exam will have the appropriate percentage of marks transferred to the weighting of the marks for the final exam.

NOTES

- (1) It is the student's responsibility to submit his or her own original written material in courses in this program. See the current Western Academic Calendar, "Scholastic Offenses".
- (2) For a description of the process to be followed for mark/grade appeals see your professor.
- (3) The use of personal computers during examinations will not be permitted.

ADD/DROP DEADLINES

January 13 (Tuesday)	Last day to ADD a half course.
February 23 (Monday)	Last day to DROP a half course without academic penalty.

GROUP ASSIGNMENT

The group assignment must be done in groups of 5 or 7 Main campus students. You are responsible for finding your own team. The project consists of analyzing an organization's financial performance within an industry (in Canada or the US). You must choose a public company **other than a financial institution, mutual fund or not-for-profit organization**. The instructor will advise you if your chosen company can be selected for the purpose of this assignment. Only one group will be allowed to analyze any one company. Approval of company's will be selected on a first come, first served basis. Company, industry and group selections must be submitted to the instructor in writing prior to conference week (or earlier if possible).

Your report should be a detailed analysis of the financial performance of the company as well as an analysis of the industry. Chapter 1 of the text (Strickney, Brown, Wahlem) will provide you with a suggested approach. In addition to a complete ratio analysis, your analysis must also consider supplier and buyer powers, the capital intensity of the industry, its consequence on the entrance of new players and possible changes in the environment (ie. technology, regulation, etc). You should also include a review of the company's accounting policies and a comparison of the policies to those of other company's in the industry to determine whether the firm is aggressive or conservative and to assess earnings quality. You should identify contracts that may create incentives to manipulate accounting information (ie. compensation schemes, profit sharing plans, debt covenants, etc.). You should include an assessment of the quality of the company's earnings and the impact of off-balance sheet activities on the company's profitability. The ratio analysis should be integrated with information related to the company's industry, life cycle and any other relevant information. Your report must include a recommendation as to whether or not you would invest in this company.

Your report should not exceed 25 pages excluding exhibits (12 point font; 1.5 line spacing) and is due no later than Thursday, April 9, 2009. Assignment can be handed in during class time or to the professor's office. All information used in your analysis should be included in an indexed appendix. Your grade will be determined based on the depth of your analysis, the integration of the analysis, the style and content of your report and your professionalism and creativity. Cite all sources for information included in your report. All group members will evaluate the efforts of the other members of the group (peer evaluation). To the extent that a member of a group has not provided the necessary effort/work, his/her mark will be adjusted accordingly. In addition, other class members will evaluate your report.

Each group will present its analysis during the last two weeks of the term. The presentation will be graded based on clarity, style and content and the group's ability to answer questions. Each group member must have an active role in the presentation. A penalty will be applied if this is not the case. All students are expected to attend all presentations and to ask relevant questions.

TENTATIVE LECTURE OUTLINE

WEEK TOPIC AND ASSIGNMENT

Week 1 COURSE INTRODUCTION

Jan 5-9 ACCOUNTING FOR NOT-FOR-PROFIT ORGANIZATIONS

Read: Hilton, Chapter 13 (lecture), Appendix A
CICA Handbook, Sections 4400-4460 (FYI)

Assignment: Web Based Problem 1

Week 2 ACCOUNTING FOR NOT-FOR-PROFIT ORGANIZATIONS & GOVERNMENTS

Jan 12-16

Read: Hilton, Chapter 13, Appendix B

Articles: -CICA Handbook, Sections PS 1300, PS 1400, PS 1500 (FYI only)
-“Universities in \$450M Hole” – National Post Dec. 20, 2005 (Casebook)
-City of London Financial Statements (2007)

<http://www.london.ca/Taxes/Residential/finstatements2007.pdf>

-UWO Financial Statements

http://www.uwo.ca/finance/finstate/2007_08/complete.pdf

--deferred method

-McGill University Financial Statements

<http://www.mcgill.ca/files/vpadmin/742041-McGill-University-Client.pdf>

--fund accounting

Assignment: Cases 1, 2, 4, 6

Problems: 13-1, 13-2, 13-4

Week 3 NOT-FOR-PROFIT (Cont'd)

Jan 19-23

Read: Hilton, Chapter 13

Assignment: Case 5, 6

Problems: 13-5, 13-6, 13-9, 13-11

COMPREHENSIVE REVALUATION OF ASSETS & LIABILITIES

Read: Hilton, Chapter 14 (A) (casebook/handout)

Assignment: Case 1

Problem 14-1, 14-4, 14-5

Week 4 BANKRUPTCY AND RECEIVERSHIP

Jan 26-30

Read: Hilton, Chapter 14 (B) (casebook/handout)

Article: “Quebecor World Battle” – Financial Post, Nov. 14, 2008

Assignment: Review Questions 7-14

Case 2, 3

Problems 14-7, 14-8, 14-9

Week 5 ACCOUNTING FOR PARTNERSHIPS

Feb 2-6

Read: Hilton, Chapter 15 (casebook)

Assignment: Problems 15-2, 15-4, 15-5, 15-6, 15-10, 15-15

Week 6 ACCOUNTING FOR FINANCIAL INSTRUMENTS
Feb 9-13 Read: CICA Handbook, Section 3860
 Beechy, Intermediate Accounting, Fourth Edition, Chapter 14 (casebook)
Assignment: Case 14-1, 14-3
 A 14-1, A 14-3, A 14-5, A 14-8, A 14-13

MID-TERM EXAM - 3 hours - location TBA
Thursday, February 12, 2009 6:00-9:00 pm

NOTE: Group Assignment
Selected Company & Group Members Due Week 7 (prior to Conference Week)

FEBRUARY 16 – 20 CONFERENCE WEEK (NO CLASSES)

Week 7 FINANCIAL STATEMENT ANALYSIS - INTRODUCTION INCOME AND
Feb 23-27 CASH FLOWS
Readings: SBW, Chapters 1 and 3 (pp 124-144)
 “From Pizza to Dough” (casebook)
Assignment: SBW Problems 1.11, 1.14, 1.16, Problems 3.14, 3.16

Week 8 EARNINGS QUALITY - EARNINGS MANAGEMENT AND SUSTAINABILITY
Mar 2-6 Readings: SBW, Chapter 6
Articles: -“Never Say Never” (casebook)
 -“Letters - Predicting Future Earnings” (casebook)
 -“Pick a Number, Any Number” (casebook)
 -“Credit Ratings Under Fire”, Financial Post (June 14, 2008)(casebook)
 -“Enron: Who’s Accountable?” Time (Jan. 13, 2002) (casebook)
 - “From There to Here” CA magazine (June/July 2008) (casebook)
 -“Former Livent VP Outlines Accounting” Financial Post
 (May 16, 2008)(casebook)
 -“Former VP Tracked Fake Books, Court Told” Financial Post
 (May 16, 2008)(casebook)
 - “Nortel Settles Fraud Suit with \$35M” CFO.com
 (Oct. 15, 2007)(casebook)
Assignment SBW: Problem 6.10, Case 6.2 (Hewlett-Packard)

Week 9 PROFITABILITY AND RISK ANALYSIS
March 9-13 Readings: SBW, Chapter 4, 5
Income Statements
Articles: - Predicting Future Earnings (casebook)
 -“Mark to Market Rules up to OSFI” Financial Post
 (Oct. 6, 2008)(casebook)
 -“Mark to Market May be Eased” Financial Post
 (Oct. 8, 2008)(casebook)

