

## MODULE DESCRIPTION

The module provides a broad view of how accounting contributes to an organization. Students will gain (a) an understanding of the concepts and language of accounting so it can be used as an effective tool for communication, monitoring and resource allocation and (b) familiarity with how modern accounting and control theory is used in evaluating economic conditions and making organizational decisions.

## KEY CONTENTS

Introduction to Finance Management; cash-flows and financial statements; financial analysis and growth; capital budgeting; introduction to managerial accounting; costing principles; break-even; budgeting and control.

## MODULE PREREQUISITES

No prerequisites.

## LECTURER

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## GRADING

Case discussions and class participation	20%
Mid-term test	30%
Final test	50%

## TEXTBOOKS AND COURSE DETAILS

The course has two parts. **Part 1** follows the textbook by Ross et al.: Fundamentals of Corporate Finance, Tenth Edition, McGraw-Hill, 2012, and it includes:

### **Introduction to Corporate Finance**

The Financial Manager  
Financial Management Decisions  
Capital Budgeting  
Capital Structure  
Working Capital Management  
Forms of Business Organization  
The Goal of Financial Management  
The Agency Problem and Control of the Corporation  
Financial Markets and the Corporation  
Primary versus Secondary Markets

### **Financial Statements, Taxes, and Cash Flow**

The Balance Sheet  
Net Working Capital  
Liquidity  
Debt versus Equity  
Market Value versus Book Value  
The Income Statement  
Noncash Items

Average versus Marginal Tax Rates  
Cash Flow from Assets  
Operating Cash Flow  
Capital Spending  
Change in Net Working Capital  
Cash Flow to Creditors and Stockholders  
Cash Flow to Creditors  
Cash Flow to Stockholders

### **Working with Financial Statements**

Sources and Uses of Cash  
The Statement of Cash Flows  
Short-Term Solvency, or Liquidity, Measures  
Liquidity Ratios  
Long-Term Solvency Measures  
Total Debt Ratio  
Times Interest Earned  
Cash Coverage  
Asset Management, or Turnover, Measures  
Inventory Turnover and Days' Sales in Inventory  
Receivables Turnover and Days' Sales in Receivables  
Asset Turnover Ratios  
Profitability Measures  
Profit Margin  
Return on Assets  
Return on Equity  
Market Value Measures  
The Du Pont Identity

### **Long-Term Financial Planning and Growth**

Growth as a Financial Management Goal  
Financial Planning Model  
Sales Forecast  
Pro Forma Statements  
Asset Requirements  
Financial Requirements  
EFN and Growth  
Financial Policy and Growth  
The Internal Growth Rate  
The Sustainable Growth Rate  
Determinants of Growth

**Part 2** follows the textbook by Weigandt et al., *Managerial Accounting: Tools for Business Decision Making*, eleventh edition, Wiley, 2014, and it includes:

### **Introduction to Managerial Accounting**

Accounting for merchandising operations  
Inventory and cost of goods sold  
Accounting for manufacturing operations  
Managerial Cost Concepts  
Manufacturing Costs in Financial Statements  
Managerial Accounting Today

### **Cost behaviour**

Cost-Volume-Profit  
Cost-Volume-Profit Analysis: Additional Issues  
Incremental Analysis

Pricing

### **Budgetary Planning**

Budgetary Control and Responsibility Accounting  
Standard Costs and Balanced Scorecard

"Financial Reporting and Control" is the sole "Accounting" course in the MBA, and it aims at introducing Financial Statement Analysis and Financial Planning. The module shows how leaders can use performance measurement systems, budgets and budgetary control, to build effective organizations.

OBJECTIVES

### **Introduction**

Explain the role of a financial manager in a company.  
Indicate the major types of decisions which have to be made by the financial manager.  
Indicate the major activities in the value-added process.  
Explain forms of business ownership and their relevant characteristics in terms of taxes and accounting requirements.  
Discuss: what is the goal of financial management.  
Explain the Agency problem and its costs.

### **Cash Flows**

Show the cash flows between the company and external entities namely capital markets.  
Calculate cash flow components from consecutive financial statements.  
Calculate free cash flow for owners and for creditors.  
Understand the effect on cash flow of the different components of the Balance Sheet and the Income Statement  
(Butler Lumber) Calculate and discuss cash requirements, liquidity and capital budgeting.

### **Accounting for operations**

Explain how sales are recorded in different types of companies.  
Explain the relationship between finished goods inventory and Cost of Goods Sold.  
Calculate Ending Inventory and Cost of Goods Sold under LIFO, FIFO and Average Cost.

### **Costing**

Distinguish between product and period costs.  
Distinguish between direct and indirect product costs.  
Calculate Manufacturing Costs, Cost of Goods Manufactured and Cost of Goods Sold.

### **Cost behaviour**

Distinguish between Variable, Fixed and Mixed costs.  
Calculate the fixed and variable components of mixed costs.  
Calculate the Break-Even.

### **Budgeting**

Explain the components of the Master Budget.  
Prepare the Operating Budgets.  
Prepare the Financial Budgets.

**Budgeting Control and responsibility centres.**

Explain problems arising from static budgeting.  
Calculate flexible budgets from static budgets.  
Explain the difference between controllable versus non-controllable revenues and expenses.  
Explain the difference between cost, profit and investment centers  
Perform budgeting control at the investment level.

**Balanced Scorecard and other trends**

Indicate the perspectives included in a balanced scorecard  
Identify the goals and advantages of implementing a balanced scorecard.  
Explain the Value Chain Analysis.  
Explain Enterprise Resources Planning.