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University of Economics, Prague

Faculty of Finance and Accounting

Department of Financial Accounting and Auditing



Course guidelines

1FU596 Intermediate Accounting: Course guidelines



EVROPSKÁ UNIE
Evropské strukturální a investiční fondy
Operační program Výzkum, vývoj a vzdělávání



MINISTERSTVO ŠKOLSTVÍ,
MLÁDEŽE A TĚLOVÝCHOVY

1 Course information

[1] Tutor

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[2] Aims of the course

The course focuses on the international financial reporting based on principles and requirements of IFRSs, accounting standards developed primarily for publicly registered entities. The course integrates the knowledge of recognition, measurement and presentation of certain accounting phenomena in the financial statements of these entities; the exposition is based on the extracts from the financial statements of real entities as well as on (real) case studies.

[3] Learning outcomes and competences

Upon successful completion of this course, students will be able to:

- explain the nature of IFRSs and their up-to-date influence on financial reporting in the world including regional specifics;
- recognise and measure entity's transactions and events, included in the scope of the course, in accordance with IFRSs;
- prepare relevant disclosures related to transactions and events discussed in the course;
- analyse differences in financial statements of real companies reporting under IFRSs (including the impact of different accounting choices).

[4] Literature

- Basic literature:

PROCHÁZKA D.: Working Papers (assignments of case studies)

IASB: International Financial Reporting Standards (Bound Volume)

- Recommended literature

BAKKER, E. et al. (2017): Wiley interpretation and application of IFRS standards: includes summary of key provisions of US GAAP vs. IFRS. Hoboken: John Wiley & Sons, 2017. ISBN 978-1-119-36057-5.

CLARK, K. et al. (2016): Applying IFRS standards. Chichester: John Wiley & Sons, Ltd., 2016. ISBN 978-1-119-15922-3.

[5] Assessment methods and criteria

Tasks are divided into semester (cases and presentation) and examination period (final test):

- Case studies 40%
- Presentation 10%
- Final test 50 %

2 Seminar content information

2.1 General issues

Case [01]: Accounting within economic environment

- Aim:
 - to explain nature of accounting and influence of various factors constituted by surrounding environment on the behaviour of managers
- Learning outcome:
 - clarification of the structure of reporting incentives of private firms and their differences compared to public firms, including the relation of incentives to manage earnings for capital markets with the theoretical models of shares pricing
- Content:
 - a complex case study comparing a private and a public firm operating in the same industry and their responses to external demand for accounting information

2.2 Revenue recognition issues

Case [02]: Revenue recognition (realisation principle)

- Aim:
 - to outline the general approaches for determination when revenue is realised
- Learning outcome:
 - ability to distinguish whether revenue shall be recognised at a point in time or over time
- Content:
 - short real cases from construction industry and aviation industry

Case [03]: Revenue recognition (multiple deliveries)

- Aim:
 - to relate the composition of a selling transaction covering several deliveries with the accounting model for revenue recognition
- Learning outcome:
 - clarification of conditions when a product supplied is distinct and allocation of transaction prices to all distinct performance obligations (distinct deliveries)
- Content:
 - short real cases, focusing mainly on manufacturing and selling of engines (differences between “small” engines and “aviation” engines)

Case [04]: Revenue recognition (sales contra commissions I)

- Aim:
 - to explicate the differences in business models of a principal vs. an agent
- Learning outcome:
 - ability to decide whether an entity sells products on its own or on behalf of another party
- Content:
 - short real cases, focusing mainly on passenger bus transport and different distribution channels for tickets sales

Case [05]: Revenue recognition (sales contra commissions II)

- Aim:
 - to explicate the differences in business models of a principal vs. an agent
- Learning outcome:
 - assessment of the impact of “principal vs. agent” consideration on the amount and timing of revenue
- Content:
 - short real cases, focusing mainly on passenger air transport, different classes of tickets and different distribution channels for ticket sales

Case [06]: Revenue recognition (sources of revenue)

- Aim:
 - to distinguish direct sources of revenue (from contracts with ultimate customers) from indirect sources (connected with the contracts with ultimate customers, but stemming from another party outside selling contract)
- Learning outcome:
 - knowledge of impact of different business models (even by direct competitors) on the emergence of sources generating revenue
- Content:
 - short real cases, focusing mainly on telecommunication services

2.3 Other selected up-to-date issues**Case [07]: Property, plant, and equipment**

- Aim:
 - to extend the basic knowledge of acquisition of PPE by specific cases, including extremely long useful lives and obligations to dismantle the asset and restore the site
- Learning outcome:
 - clarification of conditions for depreciation of PPE under specific restrictions for usage as well as disposal of the assets
- Content:

- short real cases from gas, oil, and power-generating industry

Case [08]: Government grants

- Aim:
 - to discuss the selection of an appropriate accounting model when acquiring assets with government grants
- Learning outcome:
 - ability to assess the relation between the purpose of an asset acquisition and approval or rejection of government grant and its impact on the usefulness of accounting information
- Content:
 - short real cases relating to renewal sources of energy

Case [09]: Leases

- Aim:
 - to explain the changes approaches to depict leases in financial statements
- Learning outcome:
 - knowledge of differences in off-balance sheet financing and balance sheet financing on the usefulness of accounting information
- Content:
 - short real cases from machinery leases

Case [10]: Accounting for cryptocurrencies

- Aim:
 - to explicate the nature of cryptocurrencies and their relation to current accounting model
- Learning outcome:
 - ability to apply a general guidance on the development of own accounting policy in a specific case of modern economy
- Content:
 - short real cases connected with cryptocurrency community and business

Case [11]: Individual vs. consolidated financial statements

- Aim:
 - to illustrate the differences between individual and consolidated financial statements
- Learning outcome:
 - knowledge of impact of complex intragroup transactions on the content of individual financial statements compared to consolidated statements
- Content:

- short real cases focusing on selected advanced areas of intragroup transactions

2.4 Business model presentations

Each case starts with the students' presentation (20-25 minutes) covering the key features of selected market as well as the description of business model of an entity operating in the given market. The market and company (companies) are picked up to correspond with the content of cases.

- Aim:
 - to acquire fundamental knowledge of market specifics of selected industries
- Learning outcome:
 - ability to present the market overview including the identification of impact on the accounting treatment of market specifics
- Content:
 - assigned presentations

2.5 Business games

Business games serve as informal extension of issues covered by cases. The games shall help students in practicing obtained knowledge by doing (playing).

- Aim:
 - to practice obtained knowledge to acquire corresponding skills
- Learning outcome:
 - understanding of real-life processes represented by financial figures
- Content:
 - assigned games