



APPLIES TO ACADEMIC YEAR 2010/2011

## **BØK 3531 Financial Accounting and Financial Statement Analysis**

### **Programme**

Bachelor in Auditing (2. year), Bachelor in Business Administration (2. year), Bachelor in Real Estate (2. year), Bachelor of Science in Business (2. year)

### **Responsible for the course**

### **Department**

Department of Accounting - Auditing and Law

### **Term**

According to study plan

### **ECTS Credits**

7,5

### **Language of instruction**

Norwegian

### **Introduction**

All limited companies and many other enterprises must annually prepare financial statements, which give all interested parties an insight into how the economic situation has developed. In this course students learn how financial statements are prepared and how they can be used.

Financial statements must be organized in a specific manner. The legislation for this area is extensive and regulates the entire production process: from bookkeeping of the enterprise's transactions to the type of information that has to be disclosed in the publicly available annual report.

The first part of the course covers techniques and methods used for an enterprise to record all its transactions in the course of a year. The consequences of making mistakes in this area are also discussed, since the (tax) authorities may react strongly if it is revealed that the bookkeeping requirements are violated.

It's not sufficient to consecutively book the transactions that take place. The financial statements must be set up at the end of the fiscal year, which means that the enterprises must value their assets and debts and calculate how much that has been lost or gained. The second part of the course covers this process and addresses what the financial statements shall include of information and the rules that govern valuation of assets and liabilities and recognition of revenues and expenses.

Financial statements are publicly available and vital information on every Norwegian company can be accessed by just pressing a key, since the main figures are freely available on the Internet. The third part of the course covers how financial statements can be used.

### **Learning outcome**

#### **Acquired knowledge**

After having completed the course the students shall be able to:

- Record ordinary transactions and incorporate frequent closing provisions (including calculation of the annual tax cost and allocation of net income) in accordance with the principle of double-entry book-keeping, and draw up the final income statement and balance sheet.
- Account for the main accounting rules, the structure of the accounting act, and describe which reactions the authorities may implement if violations or suspicions of violations of the accounting and book-keeping regulations are revealed.

#### **Acquired skills**

After having completed the course the students shall be able to:

- Analyse and comment on a company's financial development over time and relative to other companies.
- Value assets and debts and apply the accruals principle on revenues and costs in accordance with the main rules of the accounting act. The rules and principles may be applicable to the asset and debt items and the income and cost elements that are customary in small and medium-sized enterprises.
- Draw up a cash flow statement and consolidated accounts when conditions are simple and easily understood.

#### **Reflection**

- After having completed the course the students shall be able to read a financial statement with sound

scepticism and be able to reflect on the possibilities that the producers of the accounts have to provide good or poor information to users of the accounts.

### **Prerequisites**

BØK 34111 Finance and Managerial Accounting I, BØK 1113 Managerial Accounting or similar.

### **Compulsory reading**

#### **Books:**

Kristoffersen, Trond. 2005. Årsregnskapet : en grunnleggende innføring. 2. utg. Bergen : Fagbokforlaget

#### **Articles:**

Langli, John Christian. 2007. Konsekvenser av bevisst og ubevisst rot med bokføringen i fortid og fremtid. Magma nr. 6. 32-48. <http://www.sivil.no/magma/2007/06/0107.html>

### **Recommended reading**

#### **Books:**

Kristoffersen, Trond. 2005. Årsregnskapet : en grunnleggende innføring. Oppgavesamling med løsninger. 2. utg. Bergen : Fagbokforlaget

### **Course outline**

#### *Part 1: Accounting (tentative weight 25%)*

What are accounts and accounting?

Transactions and the balance sheet equation

Transactions and the accounting system (the principle of double-entry bookkeeping)

Closing of accounts: from the list of ledger balances to the income statement and the balance sheet

#### *Part 2: Presentation of the financial statement (tentative weight: 50%)*

Basic accounting principles

Measurement of assets and debts

The cash flow statement

Consolidated accounts

The connection between accounts and taxation

#### *Part 3: The use of financial statements (tentative weight 25%)*

The accounts as a source of information

Time series analyses and cross section analyses of profitability, cash flow, solidity and financing.

For students enrolled in the bachelor programme in real estate studies some topics will be replaced by bookkeeping and accounting topics that are typical of the real estate business.

### **Computer-based tools**

Students are expected to have access to a spread sheet program (Excel) and the Internet.

### **Learning process and workload**

The course duration is 36 teaching hours which include lectures and review of assignments. It's important to do assignments to grasp the content of the course, and review of the assignments is integrated with the lectures.

Students receive a curriculum for the entire term when the course starts. The lectures are carried out under the assumption that the curriculum are followed by the students.

#### Required work

To give students feedback about their progress in the course, eight tests will be distributed via it's learning. Each test can be taken in the course of a designated week, and during this week there are no limitations as to the number of attempts. An evaluation guideline for each test will be made available at the end of the test period. Some of the tests may be more time-consuming than others since students are required to solve a relatively comprehensive assignment. Each assignment states the requirement that has to be met in order to get the the assignment approved. Students must pass five out of the eight tests to be able to sit for the exam.

The conduct of the course assumes that students have worked with the assignments distributed via It's learning in the weeks where tests are available. The tests are only available during the designed weeks (students that wish to use the test in preparing for the final exam must arrange for this on their own). The questions are representative for questions given at the exam except for questions that require discussion.

The learning process requires that the students take responsibility for their own learning. The table for recommended workload below reflects this aspect.

Recommended workload for students

<b>Activity</b>	<b>Time use</b>
Lectures with review of assignments	36
Work on tests via it's learning (eight tests with an average work load of 2 hours)	16
Work on curriculum, assignments and preparations for lectures/review of assignments, either alone or together with others	128
Exam preparations	20
Recommended total workload	200

#### **E-learning**

Please contact the E-learning department for details.

#### **Use of hours**

36 hours for lecturer in plenary sessions (lectures and assignment reviews)

4 hours for the lecturer to follow up tests in It's learning and assignment reviews that take place in plenary sessions

5 hours to the person(s) who are responsible for carrying out the automated tests

45 hours altogether.

#### **Coursework requirements**

In order to be able to sit for the final exam students are required as a minimum to have passed five out of eight tests, see the Learning process and workload section.

#### **Examination**

A five-hour individual written exam concludes the course.

#### **Examination code(s)**

BØK 35311 - written exam which accounts for 100% of the grade in BØK 3531, 7.5 ECTS.

#### **Examination support materials**

BI-defined exam calculator TEXAS INSTRUMENTS BA II Plus TM

Examination support materials are specified under examination information in our web-based Student Handbook. Please note the use of calculator and dictionary.

<http://www.bi.edu/studenthandbook/examaids>

#### **Re-sit examination**

A makeup exam is held every term. Students that have not passed five of the eight mandatory tests have not met the coursework requirements and are not allowed to sit for the exam. This means that they will have to retake the whole course. Students who have not passed the final exam or who wish to improve their grades can take a makeup exam at a later scheduled exam.

#### **Additional information**