

## **Course Outline**

### **WINTER 2022 - Fundamentals of Accounting and Finance**

Class Time and Location:

Section L0101: Tuesday from 3:00pm to 6:00pm in GB220

Section L0102: Tuesday from 6:00pm to 9:00pm in BA1200

Section L0103: Thursday from 6:00pm to 9:00pm in BA1220

Tutorial Time & Location: Mondays from 6:00-7:00 pm (BA1220 & GB304) & 7:00-8:00 pm (GB304)

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#### **Instructor: Scott Douglas**

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Office Hours: TBA

#### **Instructor: Tony Mayadunne**

Email: [tony.mayadunne@gmail.com](mailto:tony.mayadunne@gmail.com)

Office Hours: TBA

## **Course Description**

This course introduces a brief overview of essential concepts in accounting and corporate finance. The first part of the course covers the fundamentals of accounting. We start by exploring the basic language of accounting and the fundamental concepts of financial reporting. Students learn to read and analyze basic financial statements including the statements of financial position, comprehensive income, changes in equity, and cash flows. We then introduce key management accounting concepts and explore various methods of costing for decision-making. The second part of the course covers the fundamentals of corporate finance. In the second half, students will learn how to make financial projections and how to value complex investment opportunities. Following this, students will learn various techniques for controlling risk and how to determine the appropriate cost of capital. Finally, the course wraps up by considering issues in cash flow management and by providing an overview of the project valuation process as it relates to corporate mergers.

**Recommended Preparation:** *Engineering Economics*

## **Course Format**

In each online meeting we will present and discuss theories, concepts, analytical techniques and empirical findings. In addition, we will apply the concepts through problems as well as through analysis of cases and current events.

## Statement on Equity, Diversity and Inclusion

You belong here. The University of Toronto commits to all students, faculty and staff that you can learn, work and create in a welcoming, respectful and inclusive environment. In this class, we embrace the broadest range of people and encourage their diverse perspectives. This team environment is how we will innovate and improve our collective academic success.

We expect each of us to take responsibility for the impact that our language, actions and interactions have on others. Engineering denounces discrimination, harassment and unwelcoming behaviour in all its forms. You have rights under the Ontario Human Rights Code. If you experience or witness any form of harassment or discrimination, including but not limited to, acts of racism, sexism, Islamophobia, anti-Semitism, homophobia, transphobia, ableism and ageism, please tell someone so we can intervene. Engineering takes these reports extremely seriously. You can talk to anyone you feel comfortable approaching, including your professor or TA, an academic advisor, our Assistant Dean, Diversity, Inclusion and Professionalism, the Engineering Equity Diversity & Inclusion Action Group, any staff member or a U of T Equity Office.

You are not alone. Working together, we can all achieve our full potential.

## Required Technology

**For the first three weeks (until January 31<sup>st</sup> end of day), this course will be conducted entirely online.** To participate fully and to complete the course successfully, you should ensure you have access to a computer that meets the University of Toronto guidelines, as well as a reliable internet connect.

## Required Readings

Students can purchase the required package of readings on the University of Toronto Bookstore website ([uoftbookstore.com](http://uoftbookstore.com)). The required readings will be contained in a custom textbook to be published by Wiley Custom Learning Solution. This textbook will be titled "JRE300" and will contain 2 volumes: Accounting and Finance. **Both volumes are also available in an e-book format.** It is recommended that the students read the assigned readings before each lecture.

## Evaluation and Grades

| <b>Component</b>    | <b>Due Date:</b>                 | <b>Weight</b> |
|---------------------|----------------------------------|---------------|
| Midterm Assessment  | Tues, March 1 <sup>st</sup>      | 35%           |
| Assignment (Part 1) | Thurs, February 17 <sup>th</sup> | 12.5%         |
| Assignment (Part 2) | Thurs, April 14 <sup>th</sup>    | 12.5%         |
| Final Assessment    | TBA                              | 40%           |

## Midterm Assessment

Midterm examination will be held from 6:10-8:00pm on Tuesday, March 1<sup>st</sup> and will test all accounting material covered up to that point.

## Integrative Project

In part I of the assignment, students will be asked to analyze financial statements of a

company and evaluate the company's earnings quality. In part 2, students will build on their analysis in Part 1 to make financial projections, perform a project valuation, and/or learn which risks are worth controlling. **Students are to work in groups of at least 3 and a maximum of 4 students per group.** Students will form their own groups and a discussion board will be set up to assist in this process.

You will be using a financial platform called "FactSet" to assist you in answering some of the assignment questions. **You are required to sign up for an individual FactSet account** ([https://advantage.factset.com/academic\\_idrequest](https://advantage.factset.com/academic_idrequest))

Once you apply for an individual account, **it may take up to four days to receive an e-mail from FactSet, and so you should sign up as soon as possible.** Please make sure that you choose "University of Toronto Rotman School of Management" for University Name. The platform is pretty straight forward, but if you want some extra help, you can go to "FactSet Learning" --> "Catalog". This module allows you to search for particular topics and watch videos to learn about the platform and its features.

### **Final Assessment**

2.5 hour final examination will be held in the examination period and will test all topics covered in the course (with a focus on topics covered in the last half of the course).

## **COURSE FORMAT AND EXPECTATIONS**

### **Written Assignments:**

Please note that clear, concise, and correct writing will be considered in the evaluation of the Integrative Project. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre ([www.asc.utoronto.ca](http://www.asc.utoronto.ca)) or one of the College Writing Centres ([www.writing.utoronto.ca/writing-centres](http://www.writing.utoronto.ca/writing-centres)). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

## **POLICY AND PROCEDURES**

### **Missed Tests and Assignments (including midterm examinations)**

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration through the Term Work Petition website on the Engineering Portal (<http://undergrad.engineering.utoronto.ca/petitions/term-work-petitions/>). Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied. Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero). Further information on Term Work Petitions can be found at <http://undergrad.engineering.utoronto.ca/petitions/term-work-petitions/>

**There is no make-up midterm assessment in this course. If the midterm assessment is missed, the weight of the midterm assessment will be shifted to the final assessment (making the final assessment worth 75%).**

### **Accommodations**

The University of Toronto supports accommodations for students with diverse learning needs, which may be associated with mental health conditions, learning disabilities, autism spectrum, ADHD, mobility impairments, functional/fine motor impairments, concussion or head injury, blindness and low vision, chronic health conditions, addictions, deafness and hearing loss, communication disorders and/or temporary disabilities, such as fractures and severe sprains, or recovery from an operation.

If you have a learning need requiring an accommodation the University of Toronto recommends that students register as soon as possible with Accessibility Services at <https://studentlife.utoronto.ca/service/accessibility-services-registration-and-documentation-requirements/>.

Phone: 416-978-8060

Email: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca)

### **Mental Health**

As a university student, you may experience a range of health and/or mental health challenges that could result in significant barriers to achieving your personal and academic goals. Please note, the University of Toronto and the Faculty of Applied Science & Engineering offer a wide range of free and confidential services that could assist you during these times. As a U of T Engineering student, you have a First- Year Advisor, a Departmental Undergraduate Advisor or a Departmental Graduate Administrator who can support you by advising on personal matters that impact your academics. Other resources that you may find helpful are listed on the U of T Engineering Mental Health & Wellness webpage, and a small selection are also included here:

Accessibility Services & the On-Location Advisor · Graduate Engineering Council of Students' Mental Wellness Commission · Health & Wellness and the On-Location Health & Wellness Engineering Counsellor · Inclusion & Transition Advisor · U of T Engineering's Learning Strategist and Academic Success · U of T Engineering's Mental Health Programs Officer · My Student Support Program (MySSP) · Registrar's Office · SKULE Mental Wellness · Scholarships & Financial Aid Office & Advisor

If you find yourself feeling distressed and in need of more immediate support resources, consider reaching out to the counsellors at My Student Support Program (MySSP) or visiting U of T Engineering's Urgent Support – Talk to Someone Right Now webpage.

### **Academic Integrity**

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will

continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

*The University of Toronto's Code of Behaviour on Academic Matters*

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed separately).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

**Misrepresentation:**

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or not is permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

**Email**

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UofT email address. You are responsible for ensuring that your UofT email address is set up AND properly entered on the ROSI system.

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

**Quercus and the Course Page**

The online course page for this course is accessed through Quercus. To access the course page, go to the UofT Quercus page at <https://q.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help.

## Course Schedule Part 1 – Fundamentals of Accounting

| <b>Week</b>   | <b>Lesson Content</b>   |
|---|---|
| 1<br>(Jan 11/13)  | <b>Introduction to Financial Reporting</b> <ul style="list-style-type: none"> <li>• <b>Role of financial reporting in capital allocation decisions</b></li> <li>• <b>Importance of financial reporting standards</b></li> </ul> Table of Contents: Ch. #1   |
| 2<br>(Jan 18/20)  | <b>Conceptual Framework Underlying Financial Reporting</b> <ul style="list-style-type: none"> <li>• <b>Objectives of financial reporting &amp; elements of financial statements</b></li> <li>• <b>Financial statement analysis and performance measurement</b></li> </ul> Table of Contents: Ch. #2, #7 |
| 3<br>(Jan 25/27)  | <b>Analyzing Key Financial Reporting Issues (Part 1)</b> <ul style="list-style-type: none"> <li>• <b>Accrual basis of accounting</b></li> <li>• <b>Introduction to Statement of Cash Flows and earnings quality</b></li> </ul> Table of Contents: Ch. #3, #6  |
| 4<br>(Feb 1/3)  | <b>Analyzing Key Financial Reporting Issues (Part 2)</b> <ul style="list-style-type: none"> <li>• <b>Identifying, analyzing and resolving financial reporting issues related to revenue, inventory and long-lived assets</b></li> </ul> Table of Contents: Ch. #4, #5                                   |
| 5<br>(Feb 8/10)   | <b>Introduction to Managerial Accounting</b> <ul style="list-style-type: none"> <li>• <b>Cost concepts, cost behaviour and relevant costs for decision-making</b></li> </ul> Table of Contents: Ch. #8, #9, #10   |
| 6<br>(Feb 15/17)  | <b>Cash Flow Analysis</b> <ul style="list-style-type: none"> <li>• <b>Cash conversion cycle &amp; valuation of working capital policies</b></li> </ul> Table of Contents: Ch. #11, #12  |
| <b>Due date for assignment (Part 1) (12.5%): Thursday, Feb 17th, <u>online submission by 4:00pm</u></b> |   |
| <b>March 1st</b>  | <b>MIDTERM EXAM/ASSESSMENT (35%) – NO CLASS THIS WEEK</b>   |

## Course Schedule Part 2 – Fundamentals of Finance

| Date  | Lesson Content   |
|---|--|
| 7<br>(Mar 8/10)   | <b>Projections and Valuation of Bonds</b> <ul style="list-style-type: none"> <li>Intro to capital markets, bond characteristics and bond valuation</li> </ul> Table of Contents: Ch. #1, #2  |
| 8<br>(Mar 15/17)  | <b>Projections and Valuation of Stocks</b> <ul style="list-style-type: none"> <li>Intro to equity instruments, discounted cash flow models and relative valuation</li> </ul> Table of Contents: #3   |
| 9<br>(Mar 22/24)  | <b>FactSet and Capital IQ</b> <ul style="list-style-type: none"> <li>Intro to digital tools used to complete comprehensive assignment</li> </ul>   |
| 10<br>(Mar 29/31)   | <b>Project Evaluation and Real Options</b> <ul style="list-style-type: none"> <li>Intro to capital expenditures and tools used to make capex decisions</li> </ul> Table of Contents: Ch. #6, #10   |
| 11<br>(Apr 5/7)   | <b>Cost of Capital / Capital Structure</b> <ul style="list-style-type: none"> <li>Intro to components of cost of capital, individual component cost and impact of capital structure on firm value</li> </ul> Table of Contents: Ch. #8, #9 |
| 12<br>(Apr 12/14)   | <b>Hedging</b> <ul style="list-style-type: none"> <li>Forwards, futures and options</li> </ul> Table of Contents: Ch. #4, #5   |
| <b>Due date for assignment (Part 2) (12.5%): Thursday, April 14th, <u>online submission by 4:00pm</u></b> |  |
| <b>Apr 19-30</b>  | <b>FINAL EXAM/ASSESSMENT (40%)- Date &amp; Time TBA</b>  |