

Accounting for Financial Decision
EMBA
Kathmandu University School of Management
(KUSOM)

Rajesh Sharma, PhD

Perspective

- Accountants are the *scorekeepers* of business.
 - Without accounting, a business couldn't function; it wouldn't know whether it's making a profit; and it wouldn't know its financial condition.
- Bookkeeping — the *recording-keeping* part of accounting — must be done well to make sure that all the financial information needed to run the business is *complete, accurate, and reliable*.
- Your take on accounting: Which perspective?
 - As an Accountant
 - As a Regulator
 - As a Creditor
 - As an Investor
 - As a Manager

Course Objective

- This module is designed to provides a comprehensive introduction of the main principles of *Financial and Management Accounting*, with a strong practical emphasis.
- A clear and unequivocal focus on *how financial data or information can be analyze and used to improve the quality of decision making by mangers*, providing the perfect grounding for the decision makers of the future.
- Enable students to *develop the key decision-making skills* by applying accounting and finance knowledge.

Course Aim

- This course aims to build intuition in “Accounting & Finance” beyond the nitty gritty of accounting statements i.e., debit and credit, journal entries, ledger and trial balance.
- Focuses on practical implications.
- As such this tutorial focuses to develop key decision-making skills by applying financial and accounting techniques to *assist in control and planning at management level*.
 - **Financial Accounting:**
 - Accounting overview/ CG Mechanism/ Ratio Analysis/ Regulatory requirement for accounting disclosure/ Issues and problem in reported financial statement
 - **Management Accounting:**
 - Costing: Absorption and Marginal/ Pricing: BEP and Optimal Pricing/ Budgeting and Variance Analysis: Actual, Fixed and Flexible

Learning Outcome

- On completion of this module, students will be able to:
 - Apply a range of accounting and financial techniques to *critically and effectively interpret financial information* to support decision making, planning and control.
 - Identify and critically evaluate the *responsibilities of directors* in relation to governance and internal control.
 - Understand the implication of *regulatory requirements* and change in *accounting standard*.
 - Select an appropriate range of *financial ratios* to critically analyze and interpret a set of published financial statements.
 - Assess *cost, price and budget* based on accounting data to support organizational objectives.

Course Structure

Why are the relevant topics structured in such a way?

- Important for Managerial Decision
- Not a Technician/ Accountant

Study Materials

- Atrill, P. & McLaney, E. (2017). *Accounting and Finance for Non-Specialists*, Tenth Edition. Pearson Education Limited, UK.
- Atrill, P. (2020). *Financial Management for Decision Makers*, Ninth Edition. Pearson Education Limited, UK.

Assessment

Final Exam (Written)	30 %
Mid-term Exam (Written)	20 %
Group Project	20 %
Cases and Presentation	15 %
Class Attendance and Participation	15 %

- Use of other resources and incase of contradictory points
- Absent in final exam
- 80 % attendance is compulsory
- Class cancellation
- Class delivery: Face to face unless stated otherwise
- For other course rules, please check course outline

Group Project (20%)

- This will be a *group report*.
- There will be *minimum 4 and maximum 5 members* in each group. You have to submit the name of your group members by the end of week 3.
- You will select a **public limited manufacturing** *company listed in any stock market of the world*.
- You also have to *submit* the name of your selected company by the end of week 3 and each group will select a separate company.
- You have to *collect five years information* for preparing the report.
- The report will *not exceed 3500 words*, however, tables, charts, figures, references etc. will not be included within this words limit.
- You have to *submit a hard copy of this report and financials in a pen drive* **by 10th week**.

Group Project (20%)

Prepare a report for the **potential investor** covering the following areas (**An Example**):

- a) An analysis of the group's financial performance making reference to ratio analysis and other relevant information which provides information of interest to a potential investors.
- b) Your conclusions and clear advice and recommendations.
- c) Looking for five main things in your report and presentation:
 - Ability to relate the *ratios* to the financial performance of the business (What and Why).
 - Ability to *study the accounts* to find the information required (Narrative sections – Chairman's Statement or Directors Report).
 - Ability to demonstrate an understanding of the *relationships between the ratios* (Link with other ratios).
 - Ability to *tailor the analysis* to the needs of the particular user group you are addressing (Investors in our case).
 - Ability to arrive at a clear *conclusion* (Based on calculation).

Group Project: Grading Criteria

A: Performance Ratios and Chairman statement:		Total Score out of 60	GrP
1. Clear evidence of how calculations completed, as suggested in the assessment guidelines.	(score out of 15)		
2. Explanations & comments.	(score out of 20)		
3. Other additional ratios and comment	(score out of 10)		
4. Critical analysis of Chairman statements	(score out of 15)		

B: Corporate Governance:		Total Score out of 20	GrP
1. Clear discussion on corporate governance	(score out of 10)		
2. Reasons and explanation for noncompliance with the CG codes	(score out of 10)		

C: Sensitivity and Financial Health:		Total Score out of 20	GrP
1. Calculation and discussion of sensitivity analysis	(score out of 10)		
2. Estimation and explanation of F- score and Z-score	(score out of 10)		

Expectation from Participants

- Basic Accounting and Finance
- Basic Statistics
- Basic Microsoft word, excel
- Basic Understanding of Business Phenomena
- Curiosity: “ *why things happen the way they happens* ”

Issue and Intuition

- Types of Firm: Private/ Public Companies (Understand the way they operates)
- Insider (Managers) v/s Outsiders (Policy makers): Objective
- Theory and Financial models:
 - Provide tools to understand, analyze, and solve problems.
 - The test of a model or theory then should not be based on its elegance but on its usefulness in problem solving.
- Common Sense (Not an exact science)/ History of Business Operations

Questions ?