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# A DESCRIPTIVE CASE STUDY OF INSTRUCTING THE “FINANCIAL REPORTING & ANALYSIS” COURSE: CONVENTIONAL VS CONVENIENT APPROACHES

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## ABSTRACT

*The Financial Reporting and Analysis (FRA) course has experienced numerous researches and developments in terms of delivery of the course, selection of topics and case studies for the potential managers since its inception. This case study covers issues related to grading pattern, evaluation and learning through cases, identification and selection of cases, best resources for the cases and the topics to be delivered. It also covers conventional and convenient approaches of the delivery adopted by the instructors. This study describes how cases are to be delivered for better outcomes through a comparison of two classic cases of accounting. This study reflects on innovation (i.e. ‘Class Reflection Notes’) and facilitates the instructors to use it as a powerful tool for teaching and learning. The study suggests on how conventions could be delivered conveniently through an extensive use of the board work and a change in the delivery style of the concepts of accounting.*

**Keywords:** *Financial reporting and analysis, India, qualitative, accounting*

## INTRODUCTION

There are various titles being used for the accounting courses delivered in postgraduate programmes in business management. There is a general trend in business schools to introduce finance through the course of Financial Reporting and Analysis (FRA) in the first trimester or quarter of the programme. It is an introductory course which deals with the construction

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and reporting of financial statements. The course has been identified as the foundation for other finance based courses to be covered for the rest of the trimester or quarter of the programme. It has a unique position in the Post Graduate Programme for Executives (PGPX) and Post Graduate Programme (PGP) for fresh graduates. Some business schools (in India) have a traditional approach where they directly introduce financial management course without introducing FRA. This approach does not support participants to look at the nitty-gritty of accounting, especially in terms of management choices and policies for disclosures. This study observed the last ten-year trend of Indian business schools in terms of course curriculum development, restructuring and revision, and realized that most of the schools have shifted from traditional thoughts to new thoughts of learning and teaching. They have realized the importance of FRA and have adopted the course as an introductory course for finance.

It is very important to understand that the course is not at all based on typical and traditional accounting, but it is designed for taking managerial decisions. Though the course has some limitations; it covers only those issues which are required by a manager to understand the construction, analysis and reporting of financial statements and decision making. The list of the topics covered in the FRA course is tabulated in Table 1. An important part of the course is that participants should be able to understand components of the course through the cases.

**Table 1: A List of the Topics Covered in the FRA Course**

<b>Module 1: Framework of Accounting Concepts &amp; Mechanics</b>
<p><b>To explain the basic principles underlying the preparation of financial statements and to go through the entire accounting process quickly to establish an overview.</b></p> <ul style="list-style-type: none"><li>• Reporting &amp; Construction of Balance Sheet as per Indian, US, UK GAAP &amp; IFRS</li><li>• Reporting &amp; Construction of Income Statement as per Indian, US, UK GAAP &amp; IFRS</li><li>• Accounting Process: Financial Statements</li><li>• Integration of Accounts</li><li>• Construction of Cash Flow Statement</li></ul>

<ul style="list-style-type: none"> <li>• Reporting of Cash Flow Statement as per Indian, US, UK GAAP &amp; IFRS</li> <li>• Financial Forecasting (Forecasted Financial Statements)</li> </ul>
<b>Mid-Term exam/ Mid-Quarter Exam</b>
<b>Module 2: Accounting Policies and Managerial Choices</b>
<p><b>To discuss the important accounting policies and standards which are required for measuring the revenues, expenses, assets and liabilities.</b></p> <ul style="list-style-type: none"> <li>• Accounting Policy Choice: Revenue Recognition</li> <li>• Accounting for Contingencies</li> <li>• Accounting Policy Choice: Inventory</li> <li>• Accounting Policy Choice: Depreciation</li> <li>• Accounting Policy Choice: Long Lived Assets</li> <li>• Accounting for Lease</li> <li>• Accounting for Equity</li> <li>• Accounting for Income Taxes: Deferred tax</li> <li>• Reporting of Financial Statements &amp; Ratio Analysis (Business inter-linkages, restructuring and development)</li> <li>• Understanding of Annual Report</li> </ul>
<b>End-Term Exam/Quarter End Exam</b>

The purposes of this study are to explore and document the perception of the participants about FRA course, to understand the grading pattern, to discuss learning outcomes through cases, to understand the selection and delivery of the cases and topics, and to comment on the conventional and convenient approaches adopted by the instructor to facilitate the participants for making the sessions adoptable.

### **The Approach Adopted for the Study**

This is an experience and description-based case study. This study uses a phenomenological approach to look at how author experienced the FRA course. The information provided in this study is excerpt of the course review related discussion, meetings conducted and the classroom sessions delivered by the author. The top five premium business schools and two new business schools were selected for the series of discussions and delivery

of the course from 2005 to 2015. Class sessions were recorded by audio and final board work were captured by photographs for recounting of and reflection upon the experience. The class reflection notes were prepared for the outcome of each and every session's learning and were e-mailed to the participants to support the evidence. Participants' comments<sup>[1]</sup> on the relevance of class reflection notes were also considered as evidence.

The primary objectives of the discussions, meetings and classroom sessions were to strengthen the FRA course and to deliver it effectively. The core components, of the course review meetings and discussions were:

1. Pedagogy related discussions
2. Selection of the cases and potential outcomes
3. Classroom delivery
4. Dealing with cases in class

This study aims to understand the behavioural conditions of the FRA course through the author's perspective. The qualitative data of the case study explains the process and outcome of a phenomenon through a complete observation. It is longitudinal examinations of a single course. Events were observed and recorded in a systematic way and a descriptive report is generated during the period from 2005 to 2015. The data collected through observations are recorded to ascertain the nature and development of the course. This case study observes the data at the micro level and reports it in a narrative form. This study also describes the methods of teaching adopted by the instructor and explains it in a narrative form.

### **Challenges**

The biggest challenge of this descriptive case study is to begin with a descriptive theory to support the description of the story. This study is a type of instrumental case where the author selected a single course in order to examine a certain pattern of behaviour, for instance, to see how FRA course was developed in certain institutes.

### **Limitations and Practical Implications**

This study adopted a pedagogic methodology that would not attempt to provide for wider generalisation but to provide the characteristics of the

targeted institution which are similar in other universities or institutes in other countries. This study may help bring about changes to improve the teaching of the FRA course.

## **Description**

Six broad themes emerged from discussions and classroom sessions. Each theme is described in the following subheadings.

## **Perspective of the Participants**

The participants of the programme generally do not look at the title of the course (FRA) but they always try to discover what issues and cases are being covered by other business schools in the same course. How are they different from the content covered by their business school? As far as Indian business schools are concerned, it is observed that all premier business schools in India consider FRA course as the first step of information prior to other finance courses. Different names are given for the FRA course and this is as per convenience and prior experience of the course review committees of the Business Schools.

For example, the Indian Institute of Management, Ahmedabad (IIMA) –India had been running the same course (FRA) as Managerial Accounting & Control-1 (Popular title ‘MANAC-1’) for their flagship programme ‘Post Graduate Programme’ (PGP) thereafter (2007-2008) IIMA renamed the course as FRA though the contents were the same. Another premier business school, the Indian Institute of Management, Indore (IIMI), India adopted the same course or content from IIMA (2007-2008) and is currently running the course as Financial Accounting & Reporting (FAR). The Indian Institute of Management, Bangalore (IIMB) and the Indian Institute of Management, Calcutta (IIMC) are still running the course as ‘Financial Accounting’ though the contents are the same as FRA. Indian Institute of Management, Lucknow (IIML) adopted the same course content, but still comfortable with the title of ‘Management Accounting-1’. Some new business schools in India have also adopted the course curriculum from premier business schools so that they can justify the content being delivered to their participants.

This study examined the characteristics of the course, the quality of content and teaching pedagogy, and realized that they were widely adopted by IIMA (established in 1961) from Harvard Business School. Harvard Business School was the first to adopt the case method extensively in management education. IIMA pioneered its use in India for 50 years (1961-2011) and also gave it to other business schools in India. IIMA informed other business schools about case-based teaching pedagogy through various programmes especially the Faculty Development Programs.

It is observed that the terminologies or titles adopted by the business schools may be different, but the treatment of the course is the same as tabulated in Table 2.

From Table 2, “Managerial accounting-1” is principle-based and Managerial Accounting -2<sup>[2]</sup> or Cost and Management Accounting is dealing with the decision part or costing part.

**Table 2: Titles for the Financial Reporting & Analysis Course**

Financial accounting = Managerial Accounting & Control-1 = Managerial Accounting-1 = Management Accounting-1 = Financial Reporting & Analysis = Financial Statements Analysis = Financial Accounting & Analysis = Financial Accounting & Reporting
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## Performance Evaluation and Grading Pattern

It is observed that some institutes (Premier business schools in India) take this FRA course very seriously in terms of final grading and placements where they never award “A+ grade” to the participants of the course<sup>[3]</sup>. The idea is to promote the non-accounting background participants<sup>[4]</sup> to perform better in the course and to cover their grades in the next term or quarter. This study also experienced some specific information which is more aligned with this approach and academic rigor; and some faculties commented during grading pattern related meetings “We keep A+ for an answer that is superior to the instructor’s key”.

Another observation is that the non-accounting background participants (especially engineers) perform better than the accounting

background participants in Managerial Accounting-2 and Financial Management related courses (Trimester-2/Quarter-2). The non-accounting background participants are generally slow learners. They may not perform well in the FRA course because of the nature of the course, as it is “principle-based”. At the same time, it is also identified that even participants with accounting background find it difficult to perform in this course because they are comfortable with the typical or traditional approach of accounting which they learnt in their earlier degree or diploma course. So, sometimes full bag and baggage of information on the subject does not support the participants when the approach and delivery of the course is in a different direction (i.e. managerial approach). Consequently, it is easier to deliver the subject to those who are blank or have no clue about the subject than those with prior accounting knowledge because their adaptability is higher than the accounting background participants.

It is also observed that new business schools avoid admitting participants (in PGP programmes) who have working experience. Their perception is that “these participants carry the luggage of the partial information collected from the job profile and do not compromise in terms of new learning”. But the experience of the instructors states that a proper mix of plain graduates and graduates with work experience always enriches the class discussion. In fact, plain graduates are fast learners and contribute better than the graduates having work experience. Post Graduate Programme for Executives (PGPX) does not support this argument. For PGPX situation, relevant experience always enriches the class discussion. Continuous evaluation is an important tool to enhance the learning output of the participants. The high frequency of the quizzes in FRA course may create inconvenience to the participants, but it always helps in getting the normal-curve of the class performance. Additionally, it is also very important to control the class in terms of participation during the sessions (Guess, 2014). Over participation by the accounting background participants may affect the learning and thinking process of the non-accounting background participants. So in this case over participation is considered as negative participation. Participation should move the class forward. Participation is not about reading the facts; it is about adding fresh information.



## Learning through Cases

Learning FRA through cases has a major significance. A small exercise in accounting may bring classroom satisfaction but participants lose the objective of the FRA. Situation analysis and role play can give the right direction to the learning of accounting. Pre class analysis and healthy discussion on the given cases always enrich the learning experience. One should be able to draw a line between lecturing and discussion on the case [5]. Instructors use the case method as a way of bringing students to pre-determine the conclusions, akin to 'teaching as telling' (Ramsden, 2003). Teaching accounting through cases should be interactive and illustrative.

Selected premier business schools in India do not appreciate the case method of learning. They feel that the conventional approach of teaching and learning (lecture method) through exercises and problems can deliver the concepts in a better manner. So, there are different views and experiences behind this phenomenon. It is observed that the lecture method of learning may give participants the in-class satisfaction, but it never forces them to think beyond the problem. Moreover, there is no scope for the post class analysis and discussions. Furthermore, there is no scope for writing decisions on the decision sheet for providing feedback. On the other hand, the new business schools have adopted the case-based teaching, but are unable to justify this pedagogy. It is observed that they give lectures on cases.

Learning through case studies in modules like FRA has always been appreciated by the participants. It is one area where the engineers and non-accounting background participants find many difficulties. It is very important to select specific cases to be covered in this module for learning and teaching. Business schools are not supposed to deliver all possible issues of financial accounting to the prospective managers. The best syllabi should cover only issues related to the construction of balance sheet, income statement, cash-flow, changes in accounting policies (revenues, depreciation and inventory), deferred taxes, ratio analysis and additional issues pertaining to the specific courses or programmes sector. Engineers understand the language of the equation; hence accounting principles and concepts should be delivered through equation method only for engineers. It is observed that the non-accounting background students (engineers) can easily deal with the management accounting related issues if they are

delivered through equation method<sup>[6]</sup>. Therefore, decision making-based modules like managerial accounting do not create any further problem. Finally, participants should be able to understand the financial reporting and analysis, which are the core objectives of this course. Once the participants are well-equipped with the construction of balance sheet and its analysis they would be able to approach corporate finance issues to some extent. Using the ratio analysis for all financial issues is not a good approach. Ratio analysis is an initial tool to analyze the financial health of a company. There are numerous other issues in corporate finance module and other financial management-based modules which can help participants with a better understanding of a company's financial health.

The cases provide 360 degrees coverage of problems or situations wherein participants are expected to arrive at a decision. In this mode of learning, participants are required to undertake extensive pre-class of reading and analysis. While discussing the issues, both the instructor and participants face a situation which had neither been discussed by the instructor nor had been referred to by the participants in their text books. This is the beauty of this mode of learning where every case gives participants a new situation to deal with. Group learning and analysis is always considered as an essential tool in this process. Here the instructor facilitates the participants by discussing the issues given in the case. The process enhances the participants' analytical skills by concentrating on the parts uncovered in the class.

Finally, participants should be able to connect with the cases and they should be able to understand the issues and their requirements. Each and every case has some specific issue or four to five different issues, and it is up to the participant to apply the learning from the discussion in the previous case to the new case or situation. This step requires dedication, and learning of both pre and post class analysis by the participants.

Authors in the accounting area have contributed many cases in this field, but some selected cases are still making their place despite narrating an old story. They are considered as classic cases of accounting. Table 3 shows the list of the cases generally used in the FRA course.

**Table 3: The List of the Cases Generally used in FRA Course**

<b>Cases for Module 1: Framework of Accounting Concepts &amp; Mechanics</b>	
1.	Lone Pine Café (A) & (B), Accounting Text & Cases, 12 <sup>th</sup> Edition by: Robert N Anthony, David F Hawkins, Kenneth A /merchant (Page 47,75) <sup>A</sup> .
2.	Smoky Valley Café by: Robert L. Lavoie and Robert N. Anthony <sup>B</sup> .
3.	Epilogue on Smoky Valley Café, (F&A0499EP) by: Barua, Samir K; (Source: IIMA Cases) <sup>C</sup> .
4.	Symphony Theatre (IIMA/F&A-126R) by: Suresh A Seshan (Source: IIMA Cases).
5.	Mansa Building (IIMA / F&A-0089R) by: Suresh A Seshan (Source: IIMA Cases).
6.	Irrigation Equipments Ltd. (F&A 151) by: Pravin V Desai (Source: IIMA Cases).
7.	Birla 3M (IIMA/F&A0462) by: M S Sriram (Source: IIMA Cases).
8.	Chemalite, Inc. (B) (9-195-130) by: Anthony Davila (Source: Harvard Business Publishing) <sup>D</sup> .
9.	Octane service station (9-198-059) by: David F Hawkins (Source: Harvard Business Publishing).
<b>Cases for Module 2: Accounting Policies and Managerial Choices</b>	
1.	Boston Automation Systems, Inc., (9-103-041) by: David F Hawkins (Source: Harvard Business Publishing).
2.	Bausch and Lomb Inc. (A) (9-101-010) by: Gregory S. Miller, (Source: Harvard Business Publishing).
3.	Microsoft's Financial Reporting Strategy (9-10-027) by: Dawn Matsumoto (Source: Harvard Business Publishing).
4.	Merrimack Tractors and Mowers, Inc.: LIFO or FIFO? (3217) by: WILLIAM E. BRUNS (Source: Harvard Business Publishing).
5.	The Question of LIFO or FIFO: Which is Preferable? (9-104-087) by: Bruns Jr, W.; Bruns, S. (Source: Harvard Business Publishing).
6.	Depreciation at Delta Air and Singapore Airlines (9-198-001) by: WILLIAM J. BRUNS (Source: Harvard Business Publishing).
7.	Land Securities Group (A): Choosing Cost of Fair Value on adoption of IFRS (9-105-014) by: Edward J.Riedl (Source: Harvard Business Publishing).
8.	Kemp Foods Corporation (9-110-101) by: David F Hawkins (Source: Harvard Business Publishing).
9.	Accounting for the Intel Pentium Chip Flaw (9-101-072) by: Gregory S. Miller (Source: Harvard Business Publishing).
10.	A Note on Comdisco's Lease Accounting (9-196-122) by: Krishana Palepu (Source: Harvard Business Publishing).
11.	Taxing situations: Two cases on income taxes and Financial Reporting (9-191-071) by: Susan S. Harmeling (Source: Harvard Business Publishing).
12.	Daizy Healthcare (B) (IIMA/F&A463 B) by: M S Sriram, Shailesh Gandhi (Source: IIMA Cases).

## **Selection and Delivery of the Cases**

The selection of the case for the first session of FRA is a major task. The facilitator needs to select a case which can be referred to till the end of the course. There should be a long lasting effect of the case and all possible situations and further topics should be derived through the introductory case. In short, the case should have potential to deal with the all basic and possible issues of accounting.

Now the dilemma is that introducing an integrated case<sup>[7]</sup> may create difficulty in classroom delivery and it is not fair to the non-accounting background students. So the facilitator needs to find a standard case (Case let) which at least deals with the introduction of the balance sheet and the income statement. As Stinson and Miller (1996) pointed out, a good case is an unstructured case - a 'messy story'. Standard cases are often highly structured, excessively focused, simplified abstractions, which bring neither realism nor challenge to the participants.

Cases like Lone Pine Café (A) & (B), and Smokey Valley Café (Please refer Exhibit-2) are good examples of standard and introductory cases. Furthermore, the selection of one case out of these two is debatable. Some experts and facilitators have opined that the Smokey Valley Café case has the potential to deal with the first session's of FRA requirement and Lone Pine Café is not a smart case. But at the same time, looking at the content part of the case Smokey Valley Café, it loses the opportunity to introduce the income statement to the beginners (non-accounting participants). It does not give a complete picture of the income statement for further verification of the balance sheet.

Meanwhile, the cases of Lone Pine Café (A) & (B), both cases have a good connect and case (A) creates a path for case (B). Lone Pine Café (A) reflects partial information on the income statement, though the opening and closing balance sheet-related information is available. So based on the information given in case (A), balance sheets can be prepared, but income statements cannot be concluded as partial information is given for expenses and revenues. Case (A) leaves the class with the curiosity on how to justify balance sheet without a clear cut information on profit or loss. It would be great if the facilitator instructs the class not to read case (B) but

to concentrate on case (A) only for the first session. The class is supposed to assume that the case (B) kind of information is not available, and in that case, they would justify on their closing balance sheet preparation on the basis of partial information.

Basically, this is the teaching approach through which the facilitator could try to prepare participants on how to account the partial information.

Lone Pine Café (B) brings information on the expenses and revenues in the second session, though some of the expenses and revenues are partially identified in case (A). Now the class is engaged in identifying the figure for profit or loss through the income statement and trying to bring a balancing figure (profit or loss) which can match with the balancing figure of the closing balance sheet which was prepared in the first session. While adjusting the balancing figure of balance sheet and income statement, the class encounters issues related to the revenue recognition<sup>[8]</sup>. This case has the potential to drag the discussion on revenue as per the requirement and understanding of the class. Furthermore, the same example can be referred when revenue recognition is delivered through the cases like Boston Automation Systems, Inc., Bausch and Lomb Inc. (A) & Microsoft's Financial Reporting Strategy (Please refer Exhibit -2). The most important part of the case is to draw participants into a situation where they have to think on "how to account for the missing assets"<sup>[9]</sup>. The "Smokey Valley Cafe" case also brings the same opportunity. At this point the facilitator may introduce the concepts of depreciation<sup>[10]</sup>. The facilitator should avoid introducing depreciation through traditional definition<sup>[11]</sup> because it would limit the thinking process of the participants and the cascading effect would be realized while discussing the accounting policy choice for depreciation.

Both the cases (Lone Pine Café (A) & (B) and Smokey Valley Café) have the potential to introduce all the required principles and concepts of accounting. But the case of Lone Pine Café (A) & (B) brings more clarity in terms of income statement, especially in terms of matching of the balancing figure of balance sheet and income statement. The cases also direct the participants that a manager should not conclude accounting until and unless balancing cash (closing cash) is verified through a cash account. The cases also teach the lesson that an accountant is not supposed to assume things while accounting the statements.

So if one looks at the components of the case (A) and (B), it may be realized that the case very systematically approaches the opening balance sheet, closing balance sheet, income statement and cash account. Furthermore, the same case can be approached when discussion is being held for the statement of the cash flow, rather than forcing the class to deal directly with the case Chemalite, Inc. (B) (Table 3). Referring the foundation case (Lone Pine Café) would be easier for the class to bring the understanding and connectivity.

Once the class is ready with the preparation and understanding of the initial three statements (balance sheet, income statement & statement of cash flow) through Lone Pine Café (A) & (B), then the facilitator has achieved his partial objective of the course “Financial Reporting & Analysis”. Now the facilitator is ready to introduce the “Ratios and remaining issues of Accounting Policies and Managerial Choice through the same case of Lone Pine Café (A) & (B). The epilogue on Smokey Valley Café (Barua, Samir K; F&A0499EP, Jan 25, 2013; IIMA Cases) could be another good option which gives a platform to discuss the various ways of paying compensation to the partners.

This paper does not state that the entire issues of the FRA should be covered through one case, but it emphasises that the introduction of the new topic should be achieved through an introductory case. Thereafter, the new cases should be introduced as per the requirement of the topic (Table 1). The discussion on new cases will bring new issues and dimensions along with the participants’ satisfaction.

Another approach could be using new cases rather than selecting the classic cases. The classic cases have been discussed by the instructor to the different programmes and batches and ultimately these cases have lost the scope and possibilities of further discussion on turning points (i.e. turning points identified by the instructor and the participants). All possible assumptions and discussions have had been made by the instructors (veteran and new) and there is nothing new to put out of sight and to be distributed as assignments because the online resources (solution) have distorted the self-trial approach. It is not always suggested that the new cases of accounting should be picked from commercial providers (Weinstein, 2005) like Harvard Business Publishing; Robert Trueblood Accounting and Auditing Case Study

Series produced by Deloitte; The Business Measurement Case Development and Research Programme co-sponsored by KPMG & the University of Illinois etc. Other sources could be the cases published in the accounting education and pedagogy related journals like: Journal of accounting education; Advances in accounting education; The journal of accounting case research; Case research journal; Strategic finance; Annual advances in business cases, Issues in accounting education; Accounting education: an international journal; Global perspective on accounting education; Meditari accountancy research; and many others. It is observed that the frequency and number of cases published in pedagogy and accounting education related journals are less as compared to commercial providers but these cases have good impact on class learning and discussion. They are helpful for the beginners (new instructors).

### **Conventional vs Convenient Approaches**

It is observed that some facilitators in India (within a setup of premium Business School) prefer teaching FRA through Debit (Dr.) and Credit (Cr.) system. Their argument is; introducing managerial accounting through conventional methods (journal entries; ledger and trial balance) is the right way of approaching the course. This argument has some flaws as introducing accounting for potential managers through the conventional approach loses the objectives of the FRA. Participants may have to encounter the fundamentals of accounting through the balance sheet only. Furthermore, approaching balance sheet and income statement through Dr. and Cr. somehow deviates from the objectives of the course. As discussed earlier, the potential managers are supposed to be delivered the concepts through accounting equation only.

Looking at the limited sessions for accounting and requirements of the course in business school setup, it is suggested that the facilitators should avoid the conventional methods of teaching accounting. Dr. and Cr. are important for the managers, but their learning of accounting cannot be derived through this approach. Dr. and Cr. can be introduced once a discussion on the balance sheet and income statement is over. The participants' thought process should be in different directions where they should be in a condition to assume that Dr. and Cr. is not everything but it is important for them to understand and to comment on the transactions-related reports prepared by their accountant through the conventional

method. Participants are not supposed to become master in Dr. and Cr. but they should have touched upon this issue in the FRA course.

Finally, it is very important to understand the treatment part. Facilitators must avoid introducing the three golden rules of accounting<sup>[12]</sup>. Participants could be given an understanding of the treatment of the two components of the balance sheet (i.e. Asset & Liability) and two components of the income statement (i.e. Revenue & Expenses). Table 4 shows the treatment of balance sheet and income statement's components.

**Table 4: Treatment of the Balance Sheet and Income Statement's Components**

<p>4 + 2 = 6 rules:</p> <p><u>Rule 1 is a kind of foundation for other 5 rules</u></p> <p>1- If any asset increases, it should be Debited (Dr.)                  2- If any asset decreases, it should be Credited (Cr.)                  3- If any liability increases, it should be Credited (Cr.)                  4- If any liability decreases, it should be Debited (Dr.)</p> <p><math>A = C + L + (R - E)</math>                  Or  <math>A = C + L + \text{Profit or Revenue (If } R &gt; E)</math>                  Or  <math>A = C + L - \text{Loss or Expenses (If } E &gt; R)</math>                  Or  <math>A + \text{Exp.} = C + L</math></p> <ul style="list-style-type: none"> <li>• A = Assets</li> <li>• L = Liabilities</li> <li>• C = Capital/ Owner's Equity</li> <li>• R = Revenue</li> <li>• E = Expenses</li> </ul> <p>So, if profit comes in business (when <math>R &gt; E</math>), it would increase the liability.</p> <p>And, if <b>liability increases, it should be credited</b>. Revenue is a liability, so revenue or profit should be Credited.</p> <p>Therefore, rule number 5 &amp; 6 says:</p> <p>5- Revenue/ Profit/ Sales should be Credited (Cr.) [they increase the liabilities]                  6- Expenses/ Loss/ Purchase should be Debited (Dr.) [they decrease the liabilities or increase the assets]</p>
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## **Board Work vs Power Point Presentation and Class Reflection Notes**

As far as the delivery of the topics is concerned, the delivery of FRA through power point presentation (PPT) has been somewhere identified as an illogical and ineffective method of teaching. PPTs do not give a range for the discussion and number crunching if required as per the class discussion and direction. It limits the thinking process for the beginners. Extensive board work has always been identified as the standard approach to deal with the accounting related courses. PPTs could conveniently give a snapshot of the discussions and solutions discussed for a problem in the last minutes of the session. Technology may be moving very fast in all areas, but conventional approaches (teaching through the board) in teaching are always appreciated by the participants. FRA course does not demand the facilitators to adopt new technology to deliver the things, but it is very much required of them to extensively work on the board. Facilitators should conveniently deliver the concepts through conventional approaches (Board work). Discussion held through board work must be communicated to the participants as “Class Reflection Notes” via information technology (e-mails). The author of this paper innovated and initiated this process in 2009 with “Financial Accounting & Analysis” course of a premier business school in India. Initially the author implemented this in a flagship programme of that institute and later introduced in other programmes and business schools (both in premium and new business schools). The author has not experienced this process in Management Development Programmes (MDPs), yet. The author experienced this process during 2009 to 2015 and concluded that, it is a very effective tool to share the learning outcomes achieved and discussion held in the class with the participants. This process demands instructors to take extra effort and time out of their personal and professional schedule to ensure that participants are imbibing what is taught effectively. The instructors send reflection notes after the classes, and organize extra examples to facilitate the understanding. It is a complete summary of the session that happened. The objective of this process is to disseminate the basic learning of the accounting from the scratch. Table 5 shows the format of class reflection notes (i.e. sharing of insight after every class).

**Table 5: The Format of Class Reflection Notes  
(i.e. sharing of insight after every class)<sup>A</sup>:**

<p>A. The points discussed in class today:</p> <ul style="list-style-type: none"> <li>a) ....</li> <li>b) ....</li> <li>c) ....</li> <li>d) ....</li> </ul> <p>B. Situations where the class was supposed to look back to their decision sheets <sup>B</sup>:</p> <ul style="list-style-type: none"> <li>a) ....</li> <li>b) ....</li> <li>c) ....</li> <li>d) ....</li> </ul> <p>C. Directions for the next session:</p> <ul style="list-style-type: none"> <li>a) What case or topic is supposed to read for the next session?</li> <li>b) What is supposed to submit as decision sheet: <ul style="list-style-type: none"> <li>i. Decision sheet <sup>C</sup> on case discussed in class.</li> <li>ii. Decision sheet on the case to be discussed in class</li> </ul> </li> </ul> <p>D. Direction for participants in their own learning:</p> <ul style="list-style-type: none"> <li>a) Participants are supposed to write reflection notes on own learning to summarize the day's learning.</li> </ul>
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- A. It should not cover the untouched portion of the class. Participants are supposed to work on an untouched portion of the class.
- B. Participants should come with the decision sheet on the case discussed in the last session.
- C. The decision sheet in general should address key decision questions and rationale: Participant's key decisions and rationale, identification and assessment of risk factors including any negative/ unintended consequences, if any, and how the participant plans to take care of negative/ unintended consequence.

Finally, it is very important for the instructors to make the sessions interesting through proper selection of cases and teaching methods and class reflection notes. Their focus should be on making the sessions adoptable and acceptable.

## ENDNOTES

- 1 Participants' comments received through qualitative feedback on FRA course from 2009 to 2015.
- 2 Popularly known as MANAC-2 at IIM Ahmedabad (IIMA) INDIA.
- 3 Outstanding performance on quizzes, mid-trimester examination and end-trimester examination can be Exceptional.
- 4 Participants those who do not have a prior degree/diploma in accounting.
- 5 "It is observed that participants are generally aware that their dream business school should not be an institute which gives lectures on the cases, but it should be able to provide a platform to the participants for case discussion and analysis facilitated by expert case teachers".
- 6  $\text{Assets} = \text{Liability} + \text{Capital} + \text{or} - (\text{Revenue} - \text{Expenses})$ .
- 7 A case which cover all issues in FRA
- 8 Whether likely to be received or receivable is the part of income statement?
- 9 An asset is realizable from the partners of the firm.
- 10 Deprecation is charged on a fixed asset up to its useful period of life. Land has perpetual life that is why it is appreciated.
- 11 The monetary value of an asset decrease over time due to use, wear and tear or obsolescence.
- 12 Personal account, Real account & Nominal account.

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## **ABBREVIATIONS**

FRA: Financial Reporting & Analysis;  
PGPX: Post Graduate Programme for Executives;  
PGP: Post Graduate Programme;  
IIMA: Indian Institute of Management, Ahmedabad;  
IIMB: Indian Institute of Management, Bangalore;  
IIMC: Indian Institute of Management, Calcutta;  
IIMI: Indian Institute of Management, Indore;  
MDPs: Management Development Programmes