# Module: Financial Reporting Quality

### Topics

This module includes the following five topics:

Topic 1: IFRS Relevant to Financial Reporting Quality

Topic 2: Earnings Quality

Topic 3: Cash Flow Quality

Topic 4: Balance Sheet Quality

## Topic 1: IFRS Relevant to Financial Reporting Quality

This topic examines the accounting standards that have the greatest influence on financial reporting quality.

### Readings

Introduction, Section 1.1

#### **Learning Problems**

Types of Accounting Transactions

**Answer Keys**

Types of Accounting Transactions

## Topic 2: Earnings Quality

This topic explains the revenue and cost recognition strategies used to manage a firm’s earnings.

### Readings

Section 1.2

Learning Problems

Revenue Recognition Strategies

Cost Recognition Strategies

Restructuring Provisions

Warranty Provisions

Beneish Model

**Answer Keys**

Revenue Recognition Strategies

Cost Recognition Strategies

Restructuring Provisions

Warranty Provisions

Beneish Model

## Topic 3: Cash Flow Quality

This topic studies the advantages of using cash flows from operations instead of earnings to evaluate financial reporting quality but how this measure can also be manipulated.

### Readings

Section 1.3

#### **Learning Problems**

Cash Flow Quality

#### **Answer Keys**

Cash Flow Quality

## Topic 4: Balance Sheet Quality

This topic explores balance sheet quality problems and the steps analysts can take to ensure a complete and unbiased measurement of a company’s assets and liabilities.

### Readings

Section 1.4

#### **Learning Problems**

 Balance Sheet Quality

#### **Answer Keys**

Balance Sheet Quality

## Module Summary

In this module, you learned how to detect financial reporting quality problems and how to adjust a firm’s financial statements to address these issues.