

University of Pennsylvania

The Wharton School

Department of Accounting

**Introduction to Financial Accounting — ACCT 101 (Section 401, 402)**

Spring 2009

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Location: L-FH AUD

Office hours: To be announced.

Teaching Assistant office locations can be found on the WebCafe.

Course objectives: The objective of the course is for the student to learn to read, understand, and analyze financial statements. The course is intended for students with no previous exposure to financial accounting. The course adopts a decision-maker perspective of accounting by emphasizing the relation between accounting data and the underlying economic events that generated them. The course focuses initially on how to record economic events in the accounting records (i.e., bookkeeping and accrual accounting) and how to prepare and interpret the primary financial statements that summarize a firm's economic transactions (i.e., the balance sheet, the income statement, and the statement of cash flows). The course then examines in depth the major asset, long-term liability, and shareholders' equity accounts.

Textbook (LLS): *Financial Accounting* by Libby, Libby and Short (Irwin/McGraw-Hill, 2008, 6<sup>th</sup> edition). The 5<sup>th</sup> edition was used in prior semesters and can be used this semester. Either the 6<sup>th</sup> or 5<sup>th</sup> edition of the textbook and solution manual (which will have supplemental material for leases) are required and available at the bookstore. You should bring the textbook to every class. Copies are also on reserve at Lippincott-VanPelt Library.

The study guide that accompanies the textbook is recommended, but not required, and is available at the bookstore.

Supplementary material (SM): For certain topics the class schedule refers to supplementary material. This material can be found on the course web site. You should bring the relevant supplemental material, which are indicated in your assignment sheet, to the respective class session.

Course handouts: Supplemental class notes, cases, homework assignments, and solutions to the cases and problems will be available from webCafe.

Class Website: To access the webCafe system, go to <http://webcafe.wharton.upenn.edu> and choose ACCT, Spring 2009, Accounting 101.

To download material at other than a Wharton computing site, you may have to click on the Adobe Acrobat link to download that program first. Solutions to online homework will also be accessible on webCafé after respective due dates.

Role of Textbook, Lectures, Class Notes and PowerPoint Slides: The textbook covers the basic material in the course, including transaction analysis, financial disclosure and interpretation. Some of the textbook material is sufficiently straight-forward that we will expect you to learn it solely from reading the textbook. The lectures will cover only the more important and difficult material in the textbook as well as some additional material not covered in the textbook. The class notes briefly summarize the material in the lectures. In general, the class notes will not repeat material in the textbook. The lectures will be based on the assumption that you have read the material in the textbook and the class notes, *prior to class*. It is essential that you come to class having read the assigned material and worked the assigned problems.

Classroom Environment: I expect that students will be prepared for class. I suggest the following routine:

- Before class, read the assigned pages of the textbook. Try the assigned problems to test your understanding of the material. YOU ARE ADVISED NOT TO READ THE SOLUTIONS UNTIL AFTER YOU HAVE MADE A GENUINE ATTEMPT TO SOLVE THE PROBLEMS. You are also advised not to simply memorize the solutions. Exam questions related to the same basic material might require alternative solution techniques.
- Read the assigned material (both textbook and supplemental material). The lecture notes and supplemental material often contain problems or examples which will be discussed in class and summarize the material in a way different from that provided in the textbook. Included in the supplemental material are disclosure examples with questions. Try to answer the questions prior to coming to class.
- The suggested problems in **boldface** will be discussed in class during the indicated class session (time permitting). Therefore, you should be familiar with these problems prior to coming to class. The suggested problems which are not covered in class will be covered in your Friday recitation sections.
- After class, complete the suggested problems which you were unable to complete prior to class, and identify gaps in your understanding. If necessary, you should attempt additional questions and problems. I encourage you to work in groups. However, homework must be submitted individually. Further, the exams are an individual effort so only study in a group if this improves your *individual* understanding of the material.
- Attend the Friday recitation sessions led by the teaching assistants. During these sessions, the TAs will review suggested problems and respond to questions regarding the material covered in class or in the book.

I also expect that you will treat this course as a professional engagement.

- Be on time and remain throughout the class meeting.
- Cell phones off during class time AND office hour visits.
- Display courteous behavior to your classmates.
- Follow the Code of Academic Integrity. On behalf of the majority of the students who make an honest effort in this class, I will take action against anyone suspected of breaching this Code.

Exams: There are three exams for this course.

|                    |                                  |                          |
|--------------------|----------------------------------|--------------------------|
| <b>First Exam</b>  | <b>Monday, February 23, 2009</b> | <b>In Class</b>          |
| <b>Second Exam</b> | <b>Monday, March 30, 2009</b>    | <b>In Class</b>          |
| <b>Final Exam:</b> | <b>Monday, May 11, 2009</b>      | <b>6:00 PM – 8:00 PM</b> |

Prior exams and their solutions are posted on Webcafe for your reference. There will be some differences between your exams and prior exams, as I am changing some of the material covered in the class. Before each exam, I will announce the topics for which you are responsible. Exam questions will test your understanding of these topics. **Exam questions will not be identical to questions from either prior exams or the textbook.** The exam questions are intended to make you think about the material. Therefore, the format and the content of the questions may differ from the format and the content of prior exam questions.

The graded first and second exams will be distributed during TA office hours. The graded final exam will be available from the accounting department after the end of the winter semester. The solution to each exam, including the score distribution on that exam, will be available from webCafe. Your exam grade will also be posted on webCafé and will be accessible through the “My Grades” link.

Homework: There will be several homework assignments which will be handed in during the semester. The actual homework assignments and their due dates will be posted on webCafe and announced in class. Homework assignments can be completed as part of a group but all homework must be submitted individually. The submission process is done **electronically** and **must be by 9 a.m. on the day due.** Because these homework assignments will be graded electronically, it is important that you submit the answers in the form indicated by the question. In particular, make sure that you submit the answers in the denomination requested (e.g., thousands of dollars or millions of dollars, etc.) and in the precision requested (e.g., rounded to the nearest third decimal, etc.). **I strongly suggest that you submit your homework answers well in advance of the 9 a.m. deadline. Close to the deadline the number of students trying to access the system may become so great that the system will freeze up, preventing the inputting of answers. If you are unable to submit your homework on time and electronically, please do not hand in a hard-copy. It will not be accepted.** The scores from your homework will be available electronically.

Directions for submitting homework will be distributed via webCafe and explained in class in the near future.

Grading: The course grades will be assigned using the following weights:

|             |     |
|-------------|-----|
| Homework    | 10% |
| First exam  | 15% |
| Second exam | 35% |
| Final exam  | 40% |

Each homework problem will be assigned the same weight for grading purposes. Students taking the class pass/fail must achieve a grade of "D" or higher to get a "Pass". **Please note that the above weighting scheme will be followed. There is no possibility of earning extra credit or of changing the above weights.**

Any questions about grades, grading curves, etc. should be **addressed to me**.

If you believe your exam is incorrectly graded, submit the entire original copy of the complete examination to me (not your teaching assistant) within one week of the return of the exam. Include a memo which legibly and fully explains your contention. Exam re-grade requests must also be accompanied by a signed re-grade request form which is available on webCafe. Exams which have been altered in any way will not be re-graded, the exam score will be changed to a zero and the appropriate judicial panel will be notified. Only exams written in pen will be accepted for a re-grade.

**Exam Conflicts:** Since both exams are in class during the regularly scheduled class time, there should be no exam conflicts.

If you need additional time on an exam because of a university-recognized disability, the Instructor needs to be informed **directly by the Office of Student Disability Services, at least two weeks prior to the first exam**. I will make whatever accommodations are recommended by them.

If you have other extraordinary reasons which prevent you from taking an exam, contact **me** as soon as you know about the conflict **but at least 24 hours prior to the exam**. If your conflict arises within 24 hours of a scheduled exam, contact me as soon as you learn of the conflict. **But I must be informed prior to the exam.**

**Only I can grant permission to be excused from a scheduled exam.** Teaching assistants cannot grant such permission. To obtain permission to be excused from a scheduled exam, students will be asked to provide documented evidence of the conflict. A note documenting a visit to health services is **not** necessarily a sufficient excuse for missing an exam. Minor illnesses, including upper respiratory infections (i.e., colds), or fatigue, are examples of **UNACCEPTABLE** reasons for missing an exam. Students with serious illnesses are encouraged to consult the Dean's office; it, in turn, will provide documentation of the illness to all of the student's professors. **Also, illness during the time that a student had intended to study for an exam is not an excuse for missing a scheduled exam.** Finally, any request to reschedule the final exam to accommodate a student's travel plans will be denied. **Do not make travel plans for the summer break before finding out when your final exams are. If you miss the final exam without receiving instructor permission, you will not be allowed to take the make-up exam and you will receive a failing grade.**

There are no make-up exams for the first exam. If a student misses the first exam (with a valid excuse), his/her course grade will be based entirely on the homework and the second and third

exam scores. If a student misses either the second or third exams (with a valid excuse), he/she will be required to take a make-up exam. Make-up exams will be given **only** on the make-up exam date, which is scheduled by the university. For the spring of 2009, the make-up exam date will be in the fall of 2009. A student who misses either the second or final exam (with a valid excuse) will receive a grade of “incomplete” for the semester. After the student takes the make-up exam on the university-scheduled date, I will change the incomplete to the earned course grade. If a student fails to show up for the make-up exam, he/she will receive a failing grade for the course.

**Students who miss an exam without making arrangements with me according to the above guidelines are subject to the following:**

**Failure to show up for the:**

**First exam  
Second exam  
Final exam**

**Results in:**

**Exam grade of zero  
Course grade of Fail  
Course grade of Fail**

Any questions regarding course policy should be addressed to me.

|                   | DATE             | TOPICS                                                       | READINGS                                                                   | SUGGESTED PROBLEMS                                                                                                |
|-------------------|------------------|--------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| SESSION 1         | Wed. 1/14        | Introduction                                                 | Chapter 1<br>Chapter 1<br>Supplement A&B<br>Chapter 5: pp 231-243, 249-252 | E1-1, E1-3, E1-4,<br>E1-5, E1-9, CP1-1                                                                            |
| SESSION 2         | Wed. 1/21        | Overview of Financial Statements<br>Balance Sheet - Concepts | Chapter 2<br>Chapter 5: pp. 243-245, An Historical Defense of Bookkeeping  | M2-5, M2-7, E2-2,<br>E2-4, E2-5                                                                                   |
| SESSION 3         | Mon. 1/26        | Balance Sheet - Concepts<br>Accounting Process               | Chapter 2                                                                  | M2-8, M2-9, E2-6,<br>E2-8, <b>E2-13, E2-16, E2-17, E2-18, P2-3, P2-4</b> , AP2-3, AP2-4                           |
| SESSION 4         | Wed. 1/28        | Income Statement - Concepts                                  | Chapter 3<br>Chapter 5, pp. 245-247                                        | M3-2, M3-3, <b>E3-3, E3-5</b> , P3-1, P3-3                                                                        |
| SESSION 5         | Mon. 2/2         | Income Statement – Concepts and Accounting Process           | Chapter 3                                                                  | M3-5, M3-6, E3-8,<br><b>E3-13, E3-14, E3-18, E3-19</b> , P3-7,<br><b>ABC Merchandise Co. (SM)</b>                 |
| SESSION 6         | Wed. 2/4         | The Accounting Cycle                                         | Chapter 4                                                                  | M4-2, <b>E4-2</b> , E4-4,<br><b>E4-6, E4-8</b> , E4-12,<br><b>E4-13, E4-14, P4-9</b> , CP4-5                      |
| SESSION 7         | Mon. 2/9         | Timing of Revenue Recognition                                | Chapter 6 (skim)<br>Supplement B of Chapter 6<br>Articles (SM)<br>SAB 101  | M6-1, P6-1, CP6-5                                                                                                 |
| SESSION 8         | Wed. 2/11        | Statement of Cash Flows                                      | Chapter 13                                                                 | <b>ABC Merchandise Co. (SM)</b>                                                                                   |
| SESSION 9         | Mon. 2/16        | Statement of Cash Flows                                      | Chapter 13                                                                 | M13-1, E13-1, E13-3, E13-4, E13-5,<br><b>E13-8, E13-9</b> , E13-10, E13-11,<br>E13-12 <sup>1</sup> , <b>P13-4</b> |
| SESSION 10        | Wed. 2/18        | Review for Exam #1                                           |                                                                            |                                                                                                                   |
| <b>SESSION 11</b> | <b>Mon. 2/23</b> | <b>Exam #1 – In Class</b>                                    |                                                                            |                                                                                                                   |
| SESSION 12        | Wed. 2/25        | Cash and Receivables                                         | Chapter 6                                                                  | E6-3, E6-9, <b>E6-15, E6-16, E6-18</b> , P6-2,                                                                    |

<sup>1</sup> The corresponding problem from the 5<sup>th</sup> edition of Libby, Libby and Short is E13-19.

|                   |                  |                                                          |                                                                                   |                                                                                             |
|-------------------|------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
|                   |                  |                                                          |                                                                                   | P6-5                                                                                        |
| SESSION 13        | Mon. 3/2         | Cash and Receivables                                     | Chapter 6<br>Timberland                                                           | <b>E6-17, E6-21, P6-4, AP6-3</b>                                                            |
| SESSION 14        | Wed. 3/4         | Inventories – Cost Methods                               | Chapter 7<br>Chapter 7<br>Supplement A, B & C                                     | <b>E7-7, E7-15, E7-20, P7-5, P7-7, P7-8, P7-10</b>                                          |
|                   |                  | <b>SPRING BREAK</b>                                      |                                                                                   |                                                                                             |
| SESSION 15        | Mon. 3/16        | Inventories – Cost Methods                               | Chapter 7<br>Chapter 7<br>Supplement A, B & C<br>Harley Davidson<br>Deere and Co. | E7-3, E7-8, E7-10, E7-14, E7-18, E7-21, <b>P7-2</b>                                         |
| SESSION 16        | Wed. 3/18        | Long-Lived Assets                                        | Chapter 8<br>Delta                                                                | M8-1, <b>M8-3</b> , M8-4, M8-8, M8-10, E8-5, E8-7, E8-9, E8-13, <b>E8-15</b> , E8-22, E8-23 |
| SESSION 17        | Mon. 3/23        | Long-Lived Assets                                        | Chapter 8<br>Delta                                                                | <b>P8-4, P8-7, AP8-4, CP8-9</b>                                                             |
| SESSION 18        | Wed. 3/25        | Review for Exam #2                                       |                                                                                   |                                                                                             |
| <b>SESSION 19</b> | <b>Mon. 3/30</b> | <b>Exam #2 – In Class</b>                                |                                                                                   |                                                                                             |
| SESSION 20        | Wed. 4/1         | Liabilities – Present Value Notes and Mortgages          | Chapter 9, pp. 461-483                                                            | <b>M9-7, M9-8, M9-9, E9-15<sup>2</sup>, E9-22<sup>3</sup>, P9-4, P9-6</b>                   |
| SESSION 21        | Mon. 4/6         | Liabilities – Bonds                                      | Chapter 10                                                                        | M10-4, E10-4, E10-10, E10-12                                                                |
| SESSION 22        | Wed 4/8          | Liabilities – Bonds                                      | Chapter 10<br>General Mills                                                       | P10-3, P10-13, P10-14, AP10-7                                                               |
| SESSION 23        | Mon. 4/13        | Liabilities – Leases                                     | Companion Manual (section 1)<br>Western Power                                     | E1-1, E1-4, E1-5, P1-1, C1-1 (MBA supplement)                                               |
| SESSION 24        | Wed. 4/15        | Shareholders' Equity                                     | Chapter 11                                                                        | E11-3, E11-12, E11-13, E11-15, E11-23, P11-2                                                |
| SESSION 25        | Mon. 4/20        | Shareholders' Equity<br><br>Financial Statement Analysis | Grainger<br><br>Chapter 14<br>Additional reading on equity valuation (SM)         | Detective Exercise                                                                          |
| SESSION 26        | Wed. 4/22        | Intercompany                                             | Chapter 12: pp.                                                                   | E12-1, E12-3,                                                                               |

<sup>2</sup> The corresponding problem from the 5<sup>th</sup> edition of Libby, Libby and Short is E9-14.

<sup>3</sup> The corresponding problem from the 5<sup>th</sup> edition of Libby, Libby and Short is E9-21.

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------------|---------------------------|------------------------------------------------|
|                                                                                                                                                                                                                                        |           | Investments                       | 605-617<br>Deere and Co.  | E12-4, E12-5,<br>E12-6, E12-7,<br>P12-5, P12-6 |
| SESSION 27                                                                                                                                                                                                                             | Mon. 4/26 | Academic Research<br>Final Review | Academic Research<br>(SM) |                                                |
| <p style="text-align: center;"><b>FINAL EXAM</b></p> <p style="text-align: center;"><b>Monday, May 11, 6:00 PM – 8:00 PM</b></p> <p style="text-align: center;"><b>FINAL EXAM IS COMPREHENSIVE WITH EMPHASIS ON SESSIONS 19-26</b></p> |           |                                   |                           |                                                |

All question numbers refer to the 5th edition of Libby, Libby and Short (2007).

Questions for “Leases” are from the MBA Supplement by Bishop and Schrand that is available at the UPenn Bookstore as part of the Acct 101 material.

SM indicates supplementary material that is available on WebCafe.

