

University of Pennsylvania
The Wharton School – Department of Accounting

Introduction to Financial Accounting — ACCT 101/620
Spring 2010

Instructor:

Ricardo F Reis (RFR)
215-898-5424
1330 Steinberg Hall Dietrich Hall
rreis@wharton.upenn.edu

Teaching Assistants:

Marshall Vance (MaV)
mvance@wharton.upenn.edu

Eugene Simuni (EuS)
simuni@wharton.upenn.edu

Course e-mail:

accounting101@wharton.upenn.edu

Class schedule and location:

MW 9a-10.30a	JMHH260,
MW 10.30a-NOON	JMHH260,
MW 1.30p-3p	JMHHG60.

Office hours:

<i>RFR</i> : MW 3.15-4.30p	SHDH1330
<i>MaV</i> : Th 9-11a	SHDH205
<i>EuS</i> : Th 3-5p	SHDH205

Introduction:

This is an introductory course in financial accounting intended for students with no previous exposure to financial accounting. It aims at providing the necessary tools for students to feel comfortable reading, understanding, analyzing and extracting information from financial statements. The course adopts a user approach of accounting by emphasizing the relation between accounting data and the underlying economic events that generated them, and how this knowledge is helpful in decision-making.

The course focuses initially on how to record economic events in the accounting records and how to prepare and interpret the primary financial statements (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.

The course concludes with a few sessions on financial statement analysis methods and some more advanced topics.

Main Course Objective:

Provide tools to read, understand, and analyze financial statements.

Learning Materials:

Textbook (LLS):

Financial Accounting by Libby, Libby and Short (Irwin/McGraw-Hill, 2008, 6th edition). The 6th of the textbook and solution manual (which will have supplemental material for leases) are required and available at the bookstore. 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. Very often we will use real financial statements. Links to these will be posted online with an indication of which pages to print and bring to class.

Course handouts:

Classes' presentations, supplemental class notes, cases, homework assignments, and solutions to the cases and problems will be available from webCafé.

Class Website:

To access the webCafé system, go to <http://webcafe.wharton.upenn.edu> and choose ACCT, Spring 2010, 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.
- You might find it helpful to try the suggested problems in **boldface** before class and the other problems after class. If time permits, the suggested problems will occasionally be discussed in class and 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.
- Attend the Friday recitation sessions led by the teaching assistants. During these sessions, the TAs will review prior year's exams, suggested problems, and will 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.

- 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:

Exams and Grading:

There are four exams for this course.

First Midterm	Wed., February 17, 2010	6:00 – 8:00 p.m. (Covering lectures 1 to 7)
Second Midterm	Mon., March 22, 2010	6:00 – 8:00 p.m. (Covering lectures 8 to 14)
Third Midterm	Wed., April 14, 2010	6:00 – 8:00 p.m. (Covering lectures 15 to 20)
Final Exam	Thu., May 06, 2010	6:00 – 8:00 p.m. (Comprehensive)

Only the two best midterm grades will count towards your final grade.

Prior exams and their solutions are posted on webCafé for your reference. There may be some differences between your exams and prior exams, as I am changing some of the material covered in the class. Midterm and exam questions will test your understanding of the topics covered in class and they are intended to make you think about the material. All three midterms and the final exam will be composed primarily (if not exclusively) of multiple choice questions. Midterms should be 30 questions long to be answered in 75 minutes (an average 2.5 mins per question). You will be given practice and mock tests, so make sure you get familiarized with the type of questions.

The graded midterms will be distributed during TA office hours or recitations. The graded final exam will be available from the accounting department after the end of the semester. The solution to each exam, including the score distribution on that exam, will be available from webCafé. Your exam grade will also be posted on webCafé and will be accessible through the "My Grades" link.

If you believe your test is incorrectly graded, or if you want to discuss any of the solutions, please send me an email within a week of the midterm date. Given the nature of the exams, grading should be extremely expeditious, so you should have plenty of time within a week of the test to review your answers and your grade. Your email should fully explain your contention. You do not need to resubmit your test, as we will have copies of all answer sheets.

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 webCafé 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 encourage you to 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.** Directions for submitting homework will be distributed via webCafé and explained in class in the near future.

Grading:

The course grades will be assigned using the following weights:

Homework	8%
First midterm	27% *
Second midterm	27% *
Third midterm	27%*
Final exam	38%

* Only the best two midterms will count towards your final grade.

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.

Grades will be assigned across the sections approximately as follows:

20% As
40% Bs
30% Cs
10% Cs, Ds, Fs

(This means that the possibility of getting an "F" in the course is NOT excluded.)

Any questions about grades, grading curves, etc. should be **addressed to me** via the course e-mail.

Exam Conflicts: Notify me via the course e-mail (i.e., accounting101@wharton.upenn.edu) within two weeks of any final exam conflicts with your other courses. When you send me this e-mail notification, also include your class schedule (days and times) and your exam schedule (days and times) so I can find a mutually available makeup period for the exam. 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 the final exam, contact **me** via the course e-mail (i.e., accounting101@wharton.upenn.edu) 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 the 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. You are urged to follow the University's guidelines on flu vaccinations to prevent infection with the most common strains of viruses. 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. If a student misses the final exam (with a valid excuse), he/she will be required to take a make-up exam on the University's scheduled make-up exam date in the subsequent term. **A make-up final exam will not be offered at any other time.** A student who misses the 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 in the subsequent term, 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.

Midterm Conflicts

Keep in mind that only the two best grades of the three midterms count towards your grade. This means you can drop one of the three midterm grades.

However, you are encouraged to not miss any of the three, as all of them will constitute a good practice opportunity for the final exam. Also do not skip any of the first two midterms, unless you are really sick or have any other conflicts! The topics covered there should be more accessible than the ones on the last midterm and you never know if you will be unable to attend the later midterm.

Midterm conflicts will only be an issue if you have already missed one previous midterm. **Make-up opportunities for the second or the third midterms are contingent upon presentation of detailed explanations on why you missed TWO or more midterms. You will need to produce admissible documented evidence for all conflicts. Please hand in these documents following similar rules and deadlines as outlined in the exam conflicts section. Make-up midterms will take place in conjunction with the final exam, and you need to be approved for those based on the documented evidence presented at the time of the conflicting midterms.**

Any questions regarding course policy should be addressed to me.

ACCOUNTING 101, TENTATIVE COURSE OUTLINE SPRING 2010

All question numbers refer to the 6th edition of Libby, Libby and Short (2008). A few of the noted problems have different numbers in the 5th edition of the text.

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

SM indicates supplementary material that is available on WebCafé.

	DATE	TOPICS	READINGS	PROBLEMS
LECTURE 1	Wed. 01/13	Introduction	Chapter 1 Chapter 5: pp 231- 243, 249-252	E1-1 , E1-3, E1-4, E1-5, E1-9 , CP1-1
NO LECTURE	Mon. 01/18	Dr. Martin Luther King Jr. Day		
LECTURE 2	Wed. 01/20	Overview of Financial Statements Balance Sheet - Concepts	Chapter 2 Chapter 5: pp. 243- 245	M2-5, M2-7, E2-2, E2-4, E2-5
LECTURE 3	Mon. 01/25	Balance Sheet - Concepts Accounting Process	Chapter 2	M2-8, M2-9, E2-6, E2-8, E2-13 , E2-16 , E2-17 , E2-18 , P2-3 , P2-4 , AP2-3, AP2-4
LECTURE 4	Wed. 01/27	Income Statement - Concepts	Chapter 3 Chapter 5, pp. 245- 247	M3-2, M3-3, E3-3 , E3-5 , P3-1, P3-3
LECTURE 5	Mon. 02/01	Income Statement – Concepts and Accounting Process	Chapter 3	M3-5, M3-6, E3-8, E3-13 , E3-14 , E3-18 , E3-19 , P3-7
LECTURE 6	Wed. 02/03	The Accounting Cycle	Chapter 4	M4-2, E4-2 , E4-4, E4-6 , E4-8 , E4-12, E4-13 , E4-14 , P4-9 , CP4-5
LECTURE 7	Mon. 02/08	Timing of Revenue Recognition	Chapter 6 (skim) Supplement B of Chapter 6 Articles (SM) SAB 101	M6-1, P6-1, CP6-5
LECTURE 8	Wed. 02/10	Statement of Cash Flows	Chapter 13	M13-1, E13-1 , E13- 3,
LECTURE 9	Mon. 02/15	Statement of Cash Flows	Chapter 13	E13-4, E13-5, E13-8 , E13-9 , E13-10, E13-11, E13-121, P13-4
LECTURE 10	Wed. 02/17	Statement of Cash Flows	Chapter 13	E13-4, E13-5, E13-8 , E13-9 , E13-10, E13-11, E13-121, P13-4
MIDTERM 1	Wed. 02/17		From 6 – 8 pm (lectures 1-7)	
LECTURE 11	Mon. 02/22	Cash and	Chapter 6	E6-3, E6-9, E6-15,

		Receivables		E6-16, E6-18, P6-2, P6-5
LECTURE 12	Wed. 02/24	Cash and Receivables	Chapter 6 Timberland	E6-17 , E6-21, P6-4 , AP6-3
LECTURE 13	Mon. 03/01	Inventories – Cost Methods	Chapter 7 Chapter 7 Supp. A, B & C	E7-7 , E7-15, E7-20 , P7-5 , P7-7 , P7-8 , P7-10
LECTURE 14	Wed. 03/03	Inventories – Cost Methods	Chapter 7 Chapter 7 Supp. A, B & C Snap-On Tools	E7-3, E7-8 , E7-10, E7-14, E7-18, E7-21, P7-2
NO LECTURE	Mon. 03/08	Spring Break		
NO LECTURE	Wed. 03/10	Spring Break		
LECTURE 15	Mon. 03/15	Long-Lived Assets	Chapter 8 Delta	M8-1, M8-3 , M8-4, M8-8, M8-10, E8-5, E8-7, E8-9, E8-13 , E8-15 , E8-22, E8-23
LECTURE 16	Wed. 03/17	Long-Lived Assets	Chapter 8 Snap-On Tools	P8-4 , P8-7 , AP8-4 , CP8-9
LECTURE 17	Mon. 03/22	Liabilities – Present Value, Notes and Mortgages	Chapter 9, pp. 461-483	M9-7 , M9-8 , M9-9 , E9-152 , E9-223 , P9-4 , P9-6
MIDTERM 2	Mon. 03/22		From 6 – 8 pm (lectures 8-14)	
LECTURE 18	Wed. 03/24	Liabilities – Bonds	Chapter 10	M10-4 , E10-4, E10- 10, E10-12
LECTURE 19	Mon. 03/29	Liabilities – Bonds	Chapter 10	M10-4 , E10-4, E10- 10, E10-12
LECTURE 20	Wed. 03/31	Liabilities – Bonds	Chapter 10 General Mills	P10-3 , P10-13 , P10- 14, AP10-7
LECTURE 21	Mon. 04/05	Liabilities - Leases	Companion Manual (Section 1) Safeway	E1-1, E1-4, E1-5, P1-1, C1-1 (MBA supplement)
LECTURE 22	Wed. 04/07	Liabilities - Leases	Companion Manual (Section 1)	E1-1, E1-4, E1-5, P1-1, C1-1 (MBA supplement)
LECTURE 23	Mon. 04/12	Shareholders' Equity	Chapter 11 Grainger	E11-3, E11-12 , E11- 13, E11-15 , E11-23 , P11-2
LECTURE 24	Wed. 04/14	Shareholders' Equity	Chapter 11	E11-3, E11-12 , E11- 13, E11-15 , E11-23 , P11-2
MIDTERM 3	Wed. 04/14		From 6 – 8 pm (lectures 15-20)	
LECTURE 25	Mon. 04/19	Intercompany Investments	Chapter 12: pp. 605-617 Deere and Co.	E12-1 , E12-3, E12-4, E12-5, E12-6, E12-7 , P12-5 , P12-6

LECTURE 26	Wed. 04/21	Deferred Taxes	Companion Manual (Section2) Safeway
LECTURE 27	Mon. 04/25	Financial Statement Analysis, Academic Research	Chapter 14 Academic Research (SM)
LECTURE 28	Wed. 04/27	Final Review Sessions	

**FINAL EXAM THURSDAY, MAY 6TH, 6-8PM. FINAL EXAM IS COMPREHENSIVE
WITH SOME EMPHASIS ON LECTURES 21-28**