

University of Pennsylvania
The Wharton School
Department of Accounting
Introduction to Financial Accounting — ACCT 101
Fall 2010

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Teaching Assistants:

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Office hours/Location:

Prof. Balakrishnan (SHDH 1318):	Wed, 2:00-4:00pm
Prof. Taylor (SHDH 1312):	Mon & Wed, 10:00-11:00am

Teaching Assistant office locations and hours can be found on WebCafé.

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, 6th edition). The 5th edition was used in prior semesters and can be used this semester. Either the 6th or 5th edition 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. 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 webCafé.

Class Website: To access the webCafé system, go to <http://webcafe.wharton.upenn.edu> and choose ACCT, Fall 2010, Accounting 101. All homeworks and will be submitted via the webCafé system. Various course materials, including lecture notes and exam & homework solutions, will be distributed exclusively through webCafé. **Make sure you have access to this website.** If you have problems accessing the site email webcafe@wharton.upenn.edu.

Role of Textbook, Lectures, and Class Notes: The textbook covers the basic material in the course, including transaction analysis, financial disclosure and interpretation. 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 *prior to class*. Homeworks will be based on material covered in the lecture. Lecture notes (PowerPoint slides) will be posted after class to the website.

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.
- 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 your Friday recitation sections.
- Take notes in class. After class download and review the lecture notes. The lectures and supplemental material often contain problems or examples which summarize the material in a way different from the textbook.
- 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.

- 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.

First Exam	Thursday, October 14, 2010	6:00 – 8:00 p.m.
Second Exam	Monday, November 8, 2010	6:00 – 8:00 p.m.
Final Exam	Friday, December 17, 2010	3:00 – 5:00 p.m.

Last year's exams and their solutions will be posted on webCafé for your reference. There will be some differences between your exams and prior exam, 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. 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 recitation/office hours. The graded final exam will be available from the accounting department at the beginning of the Spring semester. The solutions 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 need additional time on an exam because of a university-recognized disability, I must 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.

Homework: There will be four homework assignments which will be handed in during the semester. The actual homework assignments 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** via webCafé, and homeworks **must be submitted by 9 a.m. on the due date**. 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.** The scores from your homework will be available electronically. Directions for submitting homework will be distributed via webCafé and explained in class in the near future.

Homework Due Dates:

HW #1	Friday, 10/8
HW #2	Friday, 11/5
HW #3	Monday, 11/22
HW #4	Wednesday, 12/8

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 via the course e-mail: accounting101@wharton.upenn.edu

If you believe your exam is incorrectly graded, submit the entire original copy of the complete examination to me (not your teaching assistant) within ten days of the exam date. 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 will be available on webCafé following each exam. **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 Scheduling Conflicts: Only I can grant permission to be excused from a scheduled exam because of a scheduling conflict. Teaching assistants cannot grant such permission. To obtain permission to be excused from a scheduled exam because of a scheduling conflict, students must provide documented evidence of the conflict. Notify me via the course e-mail within two weeks of any exam conflicts with your other courses. **Only scheduling conflicts with other courses or university representation will be considered. Internship is not an acceptable schedule conflict.**

Missed Exams Due to Illness: Only I can grant permission to be excused from a scheduled exam for illness. Teaching assistants cannot grant such permission. To obtain permission to be excused from a scheduled exam because of illness, students must provide documented evidence of the illness.

A note documenting a visit to health services is not 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. Also, illness during the time that a student had intended to study for an exam is not an excuse for missing a scheduled exam. **Students with serious illnesses who wish to be excused must consult the Dean's office;** it, in turn, will provide documentation of the illness to all of the student's professors.

A student who has permission to miss an exam will receive a grade of “incomplete” for the semester. If a student has permission to miss either the first or second exam, he/she will be required to take a make-up exam in the Spring of 2011. If a student has permission to miss the final exam, he/she will be required to take a make-up exam on the University’s scheduled make-up exam date in the Spring of 2011. After the student takes the make-up exam in the Spring of 2011, 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. **Make-up exams will not be offered at any other time.**

Any request to reschedule the final exam to accommodate a student’s travel plans will be denied. Do not make travel plans for the winter 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.*

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.

ACCOUNTING 101, COURSE OUTLINE FALL 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	SUGGESTED PROBLEMS
LECTURE 1	Wed. 9/8	Introduction	Chapter 1 Chapter 5: pp 231-243, 249-252	E1-1 , E1-3, E1-4, E1-5, E1-9 , CP1-1
LECTURE 2	Mon. 9/13	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	Wed. 9/15	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	Mon. 9/20	Income Statement - Concepts	Chapter 3 Chapter 5, pp. 245-247	M3-2, M3-3, E3-3 , E3-5 , P3-1, P3-3
LECTURE 5	Wed. 9/22	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	Mon. 9/27	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	Wed. 9/29	Timing of Revenue Recognition	Chapter 6 (skim) Articles (SM) • SAB 101 • Supplemental Revenue Recognition	M6-1, P6-1 , CP6-5
LECTURE 8	Mon. 10/4	Statement of Cash Flows	Chapter 13	M13-1, E13-1 , E13-3
LECTURE 9	Wed. 10/6	Statement of Cash Flows	Chapter 13	E13-4, E13-5, E13-8 , E13-9 , E13-10, E13-11, E13-12 ¹ , P13-4

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

	Fri. 10/8	Homework #1 Due		
	Mon. 10/11	No Class - Fall Break		
	Wed 10/13	No Class – Exam #1 on Thurs 10/14, 6 – 8 pm		
LECTURE 10	Mon. 10/18	Cash and Receivables	Chapter 6	E6-3, E6-9, E6-15, E6-16, E6-18, P6-2, P6-5
LECTURE 11	Wed. 10/20	Cash and Receivables	Chapter 6 Case: Timberland	E6-17, E6-21, P6-4, AP6-3
LECTURE 12	Mon. 10/25	Inventories – Cost Methods	Chapter 7 including Suppl A, B & C	E7-7, E7-15, E7-20, P7-5, P7-7, P7-8, P7-10
LECTURE 13	Wed. 10/27	Inventories – Cost Methods	Chapter 7 Chapter 7 Including A, B & C Case ² : Snap-On Tools	E7-3, E7-8, E7-10, E7-14, E7-18, E7- 21, P7-2
LECTURE 14	Mon. 11/1	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 15	Wed. 11/3	Long-Lived Assets	Chapter 8 Case ³ : Snap-On Tools	P8-4, P8-7, AP8-4, CP8-9
	Fri. 11/5	Homework #2 Due		
	Mon. 11/8	No Class – Exam #2 6 – 8pm		
LECTURE 16	Wed. 11/10	Liabilities – Present Value Notes and Mortgages	Chapter 9, pp. 461- 483	M9-7, M9-8, M9-9, E9-15⁴, E9-22⁵, P9-4, P9-6
LECTURE 17	Mon. 11/15	Liabilities – Bonds	Chapter 10 Case: General Mills	M10-4, E10-4, E10- 10, E10-12, P10-3, P10-13, P10- 14, AP10-7
LECTURE 18	Wed. 11/17	Liabilities - Leases	MBA Companion Manual	E1-1, E1-4, E1-5, P1-1, C1-1 (MBA

² Case is available on webCafé in the “Cases” folder.

³ Case is available on webCafé in the “Cases” folder.

⁴ The corresponding problem from the 5th edition of Libby, Libby and Short is E9-14.

⁵ The corresponding problem from the 5th edition of Libby, Libby and Short is E9-21.

			(Section 1) Case ⁶ : Safeway	Companion Manual)
LECTURE 19	Mon. 11/22	Shareholders' Equity Homework #3 Due	Chapter 11 Case: Grainger	E11-3, E11-12 , E11-13, E11-15 , E11-23 , P11-2
	Wed. 11/24	No Class		
LECTURE 20	Mon. 11/29	Deferred Taxes	MBA Companion Manual (Section2)	E2-2 (MBA Companion Manual)
LECTURE 21	Wed. 12/1	Intercompany Investments	Chapter 12: pp. 605-617 Case: Deere and Co.	E12-1 , E12-3, E12-4, E12-5, E12-6, E12-7 , P12-5 , P12-6
LECTURE 22	Mon. 12/6	Financial Statement Analysis, Current Issues	Chapter 14	
LECTURE 23	Wed. 12/8	Exam Review Homework #4 Due		
	Friday 12/17	FINAL EXAM 3 - 5 PM		
		FINAL EXAM IS COMPREHENSIVE WITH EMPHASIS ON LECTURES 16-22 (excluding "Current Issues")		

⁶ Case is available on webCafé in the "Cases" folder.