

# **Accounting 202**

## **Intermediate Financial Accounting**

**University of Pennsylvania  
The Wharton School  
Spring, 2012**

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### **Course Objective**

This course builds on the knowledge you obtained in your introductory financial accounting course. The course is typically (but not necessarily) taken after completing Accounting 201. That course discusses in detail the income statement, the balance sheet, the statement of cash flows, and the asset-side of the balance sheet. The objective of Accounting 202 is to provide a better understanding of the liability and equity side of the balance sheet. Case studies and illustrative examples from the financial press will be used to increase your familiarity with actual firms' financial statements and to emphasize the effect of financial accounting rules on the numbers presented in the financial statements. Thus, after completing both Accounting 201 and Accounting 202, you will have obtained many of the tools necessary to both prepare and analyze accounting statements and financial information provided by corporations. You will acquire an understanding of both the "how" of accounting procedures and the underlying reasons "why" these practices are adopted. These skills are essential for pursuing a broad range of professions in accounting and finance.

### **Course Materials**

#### ***Textbook:***

Intermediate Accounting by Donald E. Kieso, Jerry J. Weygandt, and Terry D. Warfield (KWW), John Wiley & Sons Inc., 2011, 14th edition. The textbook is required and is available at the bookstore. Solutions to Kieso, Weygandt, and Warfield problems are available on the course website (password protected).

#### ***Lecture Notes, Articles, and Cases:***

Lecture notes and articles will generally be available 2-3 days before class on the course website. They should be downloaded and a hardcopy should be brought to class. Cases must be picked up during lectures and will not be made available on the course website.

We will discuss each case at the end of the corresponding lecture and I will not provide a solution manual to the cases on webCafé.

**Course Website:**

<http://webcafe.wharton.upenn.edu> (all course materials), or  
<http://syllabi.wharton.upenn.edu/index.cfm> (syllabus only)

**Office Hours:**

Wednesday, 3:30 – 5:00 p.m. or by appointment. I strongly encourage you to make full use of my office hours. However, please understand that office hours are intended to help you with any questions you have after you have attended the lectures, reviewed the materials, and attempted at the homework assignments. Office hours are not intended as make-up lectures for those who fail to attend the lectures, nor as a comprehensive review of lectures already given.

**Class Organization**

**Preparation for Class and Professionalism:**

Class sessions will follow a lecture/discussion format with student participation strongly encouraged. The lectures are designed to clarify and explain issues from the text, discuss the rationale underlying the techniques, and to compare and contrast accounting alternatives. You should complete the assigned reading and problems before class. We generally do not use class time to go over assigned problems. Use the solution for self-correction only. Professionalism consists of timeliness, respect for colleagues and the instructor, effectiveness in working with colleagues, etc. I strongly believe that learning is an active process and I expect you to treat this class as you would any significantly work-related responsibility. In general, I will strongly emphasize fairness to all students taking the course. Please do not ask me to make exceptions to these rules that would be unfair to other students in the course.

**Grading:**

Your course grade will be determined as follows:

|                              |             |
|------------------------------|-------------|
| Classroom Professionalism    | 5%          |
| Homework (2)                 | 10%         |
| 1 <sup>st</sup> Midterm Exam | 25%         |
| 2 <sup>nd</sup> Midterm Exam | 25%         |
| Final Exam                   | <u>35%</u>  |
|                              | <u>100%</u> |

**Homework:**

Your homework grade is the sum of your scores on the two required homework assignments and constitutes 10% of your final grade. The homework assignments are due at the beginning of class on the date noted on the syllabus. Please bring a copy of your answers to class. Your homework should be typed, double-spaced with 1" margins, and brief. For the homework assignments, you may work in groups of no more than three students. Names of the group members must be submitted to me via email by Jan. 31<sup>st</sup>. Groups are

not permitted to share information with other groups prior to the due date of the assignments. Please note the following: Relying on the work of your group members is not advisable as a learning technique. Relying on the work of other groups is not only unadvisable, but also unethical.

### **Exams:**

The two midterm examinations account for 50% of your final grade, and the final examination accounts for 35% of your final grade. The midterm exams are in-class and are not cumulative. The final exam is cumulative and covers all chapters since the 1<sup>st</sup> midterm. The exams are closed-book, but you will be allowed to bring one 8.5 x 11 inch, handwritten “cheat sheet” (double-sided) to the midterms and final exams. You must get my authorization to be excused from an exam prior to the exam (or as soon after the exam as possible in the case of an unexpected medical emergency). An unauthorized absence from an exam will result in a grade of zero for the exam. The University schedules the make-up exams for each of the two exams. It will most likely occur before classes begin next fall semester.

### **Lunches:**

In an effort to get to know more of you personally, I am willing to take as few as three students and as many as six students to lunch at a nearby restaurant. Because I teach on Mondays and Wednesdays and have other lunchtime commitments on Tuesdays and Thursdays, I am generally only available for lunch on Fridays. There is a sign-up function on the course website with the dates I am available during the semester.

## **Course Outline**

(subject to change if we fall behind or get ahead of schedule)

| No. | Date   | Topic                                 | Reading<br>(before class) /<br>Special remarks | Problems<br>(after class)         |
|-----|--------|---------------------------------------|--|-----------------------------------|
| 1   | W 1/11 | Introduction/Overview                 | Article 00-1                                   |                                   |
|     | M 1/16 | Martin Luther King Day                |  |                                   |
| 2   | W 1/18 | Current Liabilities and Contingencies | Ch. 13, Article 13-1, Sun Airlines Case        | E13-2/3, E13-5, E13-16            |
| 3   | M 1/23 | Current Liabilities and Contingencies | Ch. 13, BP Case                                | E13-13/14, P13-6, P13-8, P13-11   |
| 4   | W 1/25 | Long-term Liabilities                 | Ch. 14, Articles 14-1 /2                       | E14-1, E14-5, E14-9, P14-1, P14-5 |
| 5   | M 1/30 | Long-term Liabilities                 | Ch. 14 & App. 14A, Article 14-3                | P14-6, E14-21 through 24, P14-13  |

| No. | Date           | Topic   | Reading<br>(before class) /<br>Special remarks                              | Problems<br>(after class)                      |
|-----|----------------|---|---|--|
| 6   | W 2/1          | Stockholders' Equity:<br>Contributed Capital                          | Ch 15, Articles 15-1<br>to 15-3, Merck and<br>GlaxoSmithKline<br>Case (HW1) | E15-2, E15-6/7,<br>CA15-3, E15-8/9,<br>P15-5/6 |
| 7   | M 2/6          | Stockholders' Equity: Re-<br>tained Earnings and Divi-<br>dend Policy | Ch 15 & App. 15A,<br>Articles 15-4/5  | E15-14, E15-18,<br>P15-8, P15-11,<br>CA15-6    |
| 8   | W 2/8          | Dilutive Securities: Con-<br>vertible Bonds & War-<br>rants           | Ch 16, Articles 16-<br>1/2,<br><b>Due: HW1</b>                              | E16-2, E16-6,<br>E16-8                         |
| 9   | M 2/13         | Dilutive Securities: Stock<br>Compensation                            | Ch 16 & App. 16A,<br>Articles 16-3 to 16-<br>5                              | E16-11/12, P16-3                               |
| 10  | W 2/15         | Dilutive Securities: Earn-<br>ings per Share                          | Ch 16 & App. 16B,<br>Xilinx Case  | E16-15, E16-22,<br>E16-26, P16-7,<br>CA16-5    |
| 11  | M 2/20         | Income Taxes  | Ch 19, Articles 19-<br>1/2  | E19-1, E19-4,<br>E19-6, E19-17                 |
| 12  | W 2/22         | 1 <sup>st</sup> Midterm Exam  | Ch 13, 14, 15 & 16  |  |
| 13  | M 2/27         | No class  |   |  |
| 14  | W 2/29         | Income Taxes  | Ch 19 & App. 19A,<br>International<br>Speedway Case                         | E19-9, E19-14/15,<br>E19-24, P19-6             |
|     | M 3/5<br>W 3/7 | Spring Break  |   |  |
| 15  | M 3/12         | Pensions  | Ch 20, Articles 20-<br>1/2  | E20-2/3  |
| 16  | W 3/14         | Pensions  | Ch 20, Articles 20-<br>3/4  | E20-8, E20-10<br>through 12                    |
| 17  | M 3/19         | Pensions and Postretire-<br>ment Benefits                             | Ch 20 & App. 20A,<br>Johnson and John-<br>son Case                          | E20-13, P20-1,<br>P20-8                        |
| 18  | W 3/21         | Leases  | Ch 21, Articles 21-<br>1/2  | E21-2/3, E21-8,<br>P21-9                       |

| No. | Date   | Topic  | Reading<br>(before class) /<br>Special remarks                 | Problems<br>(after class)          |
|-----|--------|--|--|------------------------------------|
| 19  | M 3/26 | Leases                                       | Ch 21 & App.<br>21A/B, Build-A-<br>Bear Workshop<br>Case (HW2) | E21-4, E21-6,<br>P21-3, P21-10/11  |
| 20  | W 3/28 | 2 <sup>nd</sup> Midterm Exam                 | Ch 19, 20 & 21   |                                    |
| 21  | M 4/2  | No class                                     |  |                                    |
| 22  | W 4/4  | Derivative Instruments                       | App. 17A, Articles<br>17-1/2                                   | E17-22, E17-23,<br>E17-25, P17-13  |
| 23  | M 4/9  | Derivative Instruments                       | App. 17A, Articles<br>17-3/4<br><b>Due: HW2</b>                | E17-26, P17-16/17                  |
| 24  | W 4/11 | Statement of Cash Flows                      | Ch 23  | E23-1/2, E23-8/9,<br>P23-1, CA23-1 |
| 25  | M 4/16 | Disclosure Issues and<br>Earnings Management | Ch 24, Articles 24-1<br>to 24-3                                |                                    |
| 26  | W 4/18 | Disclosure Issues and<br>Earnings Management | Ch 24, Google Case   |                                    |
| 27  | M 4/23 | Review for Final Exam                        |  |                                    |
| 28  | F 5/4  | Final Exam 6-8pm                             | Ch 17A, 19, 20, 21,<br>23 & 24                                 |                                    |