

**ACCT 742**  
**Problems in Financial Reporting**  
**Spring 2012 SYLLABUS -- Preliminary**

Professor Richard Lambert  
[lambertr@wharton.upenn.edu](mailto:lambertr@wharton.upenn.edu)

Office: 1307 SH-DH  
Phone: 898-7782

**Course Overview**

Financial statements are a primary means for firms to communicate information about their performance and strategy to investors and other groups. In the wake of numerous accounting scandals and the recent financial meltdown (which accounting both helped and hindered), it is more important than ever for managers and investors to understand (i) the financial reporting process, (ii) what financial statements do and do not contain, and (iii) the types of discretion managers have in presenting transactions they have undertaken. This course is designed to help you become a more informed user of accounting numbers by increasing your ability to extract, interpret, and analyze information in financial statements.

We will focus on many of the biggest problem areas of financial reporting:

- The Financial Reporting Environment Post Enron and Post Meltdown
- Earnings Quality
- Cash Flow Quality
- Alternative Measures of Profitability
  - GAAP, Pro Forma, EBITDA, and the FASB's proposed new performance statement
- Earnings Per Share and Dilution
  - GAAP dilution vs Economic Dilution
- Revenue Recognition
- Fair Value and Mark to Market
- Derivatives
- Stock Options
- Intangible Assets
- Pensions
- Consolidation of Debt and "Off Balance Sheet" Debt
- Special Purpose Entities and Control
- Multinational Reporting – Currency Changes
- Segmental Reporting
- Income Taxes
- Sarbanes Oxley and International Financial Reporting Standards

While this is not a course in equity valuation *per se*, equity valuation is one of the most common uses of financial statement data. Accordingly, we will examine the relation between

stock prices and financial statement information. We will also study the use of financial ratios and forecasted financial statement data in models of distress prediction.

The course assumes a solid understanding of basic financial accounting (at the level of Acct 620/621).

### **Course Materials**

**Bulkpack** The bulk pack is available at Study.net. In addition, virtually all of the material will be available in the eRoom for Acct 742 on Web Café.

**Text:** Revsine, Collins, Johnson, Mittelstaedt, *Financial Reporting and Analysis*, 5th ed., Prentice Hall, 2011. This text serves as a reference on accounting and disclosure topics. Note that the course is not a textbook-based course. Text readings provide supplementary information and information useful for preparing the problems and cases.

**Web Café** The course has a room on Web Café that you can log onto with your User name and Password. Within the Course Material folder, there is a folder for each class session, as well as one for the syllabus and the exams. Inside the folder for a given class session, you will see three or four subfolders:

Bulk Pack Material: This includes notes, problems, cases, and readings that were included in the bulk pack.

Pre Class Material: New readings, problems, and cases (ones not included in the course pack) are contained here. This folder will also have any spreadsheets available to help work the problems and cases. Finally, this folder will contain power point slides that will constitute the outline of what we'll cover in class that day. Many students find that printing out the slides before class helps them follow along better. Two to three slides per page is a good compromise between not using up too much paper and having room to jot down notes.

Solutions and Post Class Material: This is where I'll post solutions, corrections, etc

## **Office Hours**

Feel free to call with questions or contact me via email at the address above. E-mail is often an easier and quicker way to get your questions answered.

Office Hours: Monday and Wednesday 12:00 – 1:15pm

## **Grading and Course Requirements**

Your grade for the course will be determined on the basis of :

Class Participation	20 %
Midterm Examination	20 %
Group Project	25 %
Final Exam	<u>35 %</u>
Total	100 %

## **Class Participation**

The amount of learning that takes place in the course will depend on how active the class discussions are, which is dependent on the amount of preparation you do before class. Class participation will be based on your contribution to the class discussions and analyses, not simply on the amount of time you talk. If necessary, I will cold call students.

Because entering or leaving the classroom during class time is disruptive to the learning environment, your fellow classmates and I expect that you will not do so, except in an emergency.

Please bring to each class a Name Card, with your name printed in **LARGE DARK LETTERS**. This will facilitate my getting to know your names and my ability to reward you for class participation.

## **Midterm Exam:**

The Midterm Exam is scheduled to be available on **Thursday February 23** and is to be handed in by **Tuesday February 28 at 1:00**. It is an open book-open notes exam. The Midterm Exam will cover material covered in class through **Wednesday, February 22nd**.

More details on the exam will be provided as the time gets closer.

**You must work on the exam individually.** You are not permitted to discuss the exam with anyone else, including other students, former students, or people in the real world. However, you are permitted to use any written resource, such as your notes, the textbook, information on the company you find on the web, etc. Violations of these procedures will constitute cheating and could result in receiving an F for the course.

Sample questions and solutions will be available from Web Café.

### **Group Project:**

Your group must identify a firm that has been the subject of an accounting controversy (alleged or real). You can use internet search engines to help you pick your firm, SEC actions, etc. Choose a firm and accounting issue you are interested in.

Groups can be composed of up to 4 students. Groups may contain a mixture of students from my different sections. Group composition must be finalized by **February 29** (just before Spring Break starts). In addition each group must obtain approval for the company they're going to work on by **February 29**. The earlier you decide on a company, the more time you'll have to work on it. I strongly encourage you to form your teams sooner than this and to get started on your project before this date as well.

Group Projects must be turned in by **Monday April 2nd at 3:30 pm**

Please do not choose Enron, Sunbeam, Worldcom, Microstrategy, Computer Associates, or AOL. Moreover, do not choose any firm and their accounting controversy that we will be covering in class. For example, it's perfectly OK to pick a firm that has been found to have pension accounting, but don't pick American Airlines – because that's the pension case we'll be doing in class.

It's perfectly fine to pick a non-US company for your project.

Once you have identified a firm and its accounting controversy, send me an email letting me know who and what you've selected. Include a brief statement for what you believe the accounting issues for that firm are. An article from the financial press describing the controversy would probably work here. If I feel the firm/controversy is inappropriate, not complex enough, or too complex, I will veto it.

More details are provided below, and additional information will be provided during class and on the course web page.

First, find a company that has been criticized or investigated for some questionable *accounting practice*.

- Good places to search include popular press articles, analysts reports, or the SEC accounting enforcement page (<http://www.sec.gov/divisions/enforce/friactions.shtml>)
- Do *not* choose Enron, WorldCom, AOL, Sunbeam, or Microstrategy.
- Make sure that you choose a firm with questions about its accounting practices rather than a firm that has committed outright fraud. For example, a firm that ships empty boxes and books revenue is a fraud. A firm that ships actual product and books all of the revenue without any provision for bad debts has questionable accounting practices.
- Multiple groups can investigate the same company, but they *must* work *independently*!

- The degree of difficulty will be taken into account in grading your project. For example, if you investigate a firm with questionable pension accounting practices, which we will not cover in class until after the assignment is due, you will be given more slack in grading than if you investigate a simple revenue recognition issue. Thus, you are *encouraged* to investigate accounting issues that are difficult and that we haven't covered, or won't cover, in class.
  - Companies with problems that have occurred within the past 5 years will be given more credit than problems that occurred longer ago.
- You will need to find financial statements for the company. Search for the company on the SEC Edgar system (which can be accessed through the Lippincott Library page) or check out the company's web site to ensure you have access to financial statements.
- If you have any questions, please feel free to talk to me about your choice of company to investigate.

Once you have chosen a company, write a report on the company that addresses the following issues:

1. Describe the economic transaction(s) underlying the questionable accounting. Discuss the transaction in the context of the company's business and strategy (you may need to look in the company's annual report for this material).
2. Describe the accounting procedure used by the company and the accounting procedure that "should" have been used according to the critics of the accounting practice. Journal entries may be helpful here in laying out the accounting. What is the basis or justification for the company's accounting practices and for the alternative accounting practices in terms of accounting rules and concepts? How detailed or forthcoming about the accounting procedure was the company in its annual report prior to the controversy?
3. What indications were there (if any) of the problem that an astute analyst might have seen in advance?
4. Do you agree with the critics that the company's accounting practices were wrong, given your answers to the above questions? Why or why not? Note that, just because a company gets criticized for its accounting, it is not necessarily doing the wrong thing. Microsoft has been investigated by the SEC numerous times for questionable accounting practices and has been cleared every time. Are there changes to accounting or auditing standards you would recommend based on what happened?
5. If the company were to restate its financial statements using the accounting procedure that "should" have been used, what would be the effect on the a) income statement, b) balance sheet, and c) statement of cash flows? You do not have to replicate the entire statement; you just need to indicate changes (e.g., accounts receivable would increase, net income would decrease, etc.)
6. Why do you think the alleged problem occurred?

7. What were the consequences of the revelation/resolution of the problem? What happened to the firm's stock price? Did anyone get prosecuted or sent to jail? Were any fines levied? Etc.
8. Does the revelation of the company's alleged flawed accounting practices change your assessment of the company's long-run value? If so, how? If not, why not? Here I want something more substantive than the statement "value is based on cash flow, not on accounting numbers."

Hand in the following:

- A written report which addresses these issues. There is no page or word limit on your write up of this assignment, but please use 12 pt. font and at least a 1" margin on each side.
- The article, analyst report, or SEC enforcement bulletin that alerted you to the situation.
- The most recent set of financial statements issued by the company prior to the controversy.
- Any other exhibits or material to support your analysis.

### **Final Exam**

The final exam will be a take-home exam. While it is "officially" cumulative, it will concentrate on material covered since the midterm exam.

The final exam is a take home that will be distributed shortly after the last day of class – roughly **Friday April 27**. It is due (in the accounting suite- 1300 SH-DH) on **Thursday May 4<sup>th</sup> at 1 pm**.

More details on the exam will be provided as the time gets closer.  
Sample questions and solutions will be available from Web Café.

**You must work on the exam individually.** You are not permitted to discuss the exam with anyone else, including other students, former students, or people in the real world. However, you are permitted to use any written resource, such as your notes, the textbook, information on the company you find on the web, etc. Violations of these procedures will constitute cheating and could result in receiving an F for the course.

### **Grading Disputes**

All grading disputes must be appealed within *two calendar weeks* following the return of the assignment or exam (unless otherwise noted). *A request for a regrade will not be considered if it is submitted more than two week after the return of the assignment or exam (or after the specified deadline).* To have an assignment or exam regraded, you must submit the original (with no modifications) and a written description of your disagreement with the initial grade.

## Preliminary Course Outline

<u>Session</u>	<u>Date</u>	<u>Topic</u>	<u>Problem/Case</u>
1	Wed Jan 11	Introduction and The Post-Enron Financial Reporting Environment	Enron
	Mon Jan 16	No CLASS	
2	Wed Jan 18	Accounting Earnings Quality	Corbomax
3	Mon Jan 23	Cash Flow Quality	SCF - Alpha and Beta SCF - Epsilon and Omega
4	Wed Jan 25	Alternative Measures of Profitability	Millennium Pharmaceuticals
5	Mon Jan 30	Earnings Per Share and Dilution	Ciber Inc
6	Wed Feb 1	Stock Option Accounting	Google
7	Mon Feb 6	<b>NO CLASS</b>	
8	Wed Feb 8	Valuing Stock Options	Valuing a Stock Option
9	Mon Feb 13	Income Taxes and Fin 48	General Motors
10	Wed Feb 15	Revenue Recognition – Gross versus Net and Multiple Deliverables	Merck; Yahoo vs Google –
11	Mon Feb 20	Revenue Recognition and Uncollectibles	Patten
12	Wed Feb 22	Subprime Crisis and Securitization	New Century
	Thurs Feb 23	<b>Midterm Exam Available</b>	
13	Mon Feb 27	Fair Value Accounting – Gains and Losses	Morgan Stanley
	Tues Feb 28	<b>Midterm Exam Due</b>	
14	Wed Feb 29	<b>NO CLASS</b>	
	Mar 5 and Mar 7	<b>NO CLASS – SPRING BREAK</b>	
15	Mon Mar 12	Derivatives	American Airlines
16	Wed Mar 14	Risk Disclosures	American Airlines (cont'd)
17	Mon Mar 19	Repo's, Leases, and Leverage	CVS-Caremark Lehman Brothers
18	Wed Mar 21	Long Term Debt – Market vs Book Values	Royal Bank of Scotland
19	Mon Mar 26	Pensions and OPEB	American Airlines
20	Wed Mar 28	Long Term Assets - International	Land Securities
21	<b>Mon Apr 2</b>	<b>NO CLASS - GROUP PROJECT DUE</b>	
22	Wed Apr 4	Intangible Assets	Sun Microsystems
23	Mon Apr 9	Consolidations	Coca-Cola
24	Wed Apr 11	SPE's and Variable Interest Entities	Citigroup
25	Mon Apr 16	Multinationals and Foreign Currency Translation	Eyepass Worldwide
26	Wed Apr 18	Segmental Reporting and EVA	Pepsi
27	Mon Apr 23	Sarbanes Oxley, IFRS, and Course Summary	None

## Preliminary Schedule of Assignments

RCJM refers to Revsine, Collins, Johnson, Mittelstaedt, *Financial Reporting and Analysis*, 5th edition

Session	Date	Topic
1	Wed Jan 11	<b>Introduction and The Financial Reporting Environment Post Enron</b>
	Read:	RCJM: Chapter 1 (skim) “A Look Back on a Busy Year in Accounting Development” “A New Dimension to Disclosure Reform” “Shooting the messenger” (skim)  “The Rise and Fall of Enron” “Timeline of the major Enron-related events” “Timeline of key events leading to Andersen demise” “An Enron Primer” “The Formula: Enron, Intelligence, and the Perils of Too Much Information” “Excerpts from Report of Neal Batson, Court-Appointed Bankruptcy Examiner” (skim)
	Prepare:	Enron: What did Enron do to manipulate the appearance of their financial performance and financial condition? Why did they do these things?
2	Wed Jan 18	<b>Accounting Quality</b>
	Read:	RCJM: Chapter 2 pp. 57-83; Chapter 3, pp. 152-164; Chapter 5, pp. 249-252, Chapter 7, pp. 396-399 Class Notes on Accounting Changes MD&A: Revealing The Soft Numbers Increased SEC Aggressiveness in Investigations and Enforcement Actions
	Prepare:	Corbomax

- 3      Mon Jan 23      **Cash Flow Quality**  
 RCJM: Chapter 17 (skim – this should all be review, concentrate on pp. 1041-1051).  
 RCJM: Chapter 4, pp. 208-220
- Class Notes on Cash Flow Statement  
 Cash Flow Never Lies, Or Does It?  
 How Comcast Does Its Counting – ‘Cash Flow’ Looks Better Using Non-GAAP Metric  
 Cash Flow? It Isn't Always What it Seems  
 Testimony of Richard Roach on Enron Prepays (skim)
- Prepare      Statement of Cash Flow Classification Case – Alpha and Beta  
 SCF Case II – Epsilon and Omega
- 4      Wed Jan 25      **Alternative Definitions of Profitability**  
 Read:      RCJM: None
- Class Notes on Alternative Definitions of Earnings  
 A Clear Look at EBITDA  
 The Evils of EBITDA  
 EBITDA's Foggy Bottom Line  
 Top 10 Limitations of EBITDA
- Out, by \$100 billion - How Pro Forma Accounting Boosts Profits  
 New SEC Requirements For Pro Forma Statements and Annual Reports  
 Lies, Damn Lies, and Pro Forma  
 Non-GAAP Measures- Love Them or Hate Them?  
 Pro Forma Numbers Are Alive and Well  
 Stock Options, Meet Pro Forma  
 Analysts – Expensing Isn't Optional  
 How Groupon's accounting changes hide what's really going on at the company
- FASB Rethinks Changes in Presenting Other Comprehensive Income  
 Profit As We Know It Could be Lost With New Accounting Statements  
 Snapshot: Preliminary Views on Financial Statement Presentation  
 Financial Statement Presentation – Excerpts From Current Status of Joint FASB – IASB Project
- Prepare:      Millennium Pharmaceuticals

- 5      Mon Jan 30      **Earnings Per Share and Dilution**  
 Read:      RCJM Chapter 15 (Concentrate on pp. 905-911)  
                  Class Notes – Dilution and Earnings Per Share
- Dilution of Employee Stock Options  
 New EITF Pronouncement Aims to Close CoCo Loophole  
 Ciber Declares it will Settle at least 30% of its Convertible Debt in  
                  Cash Helps Mitigate FASB Stance  
 Ciber's Money Where Its Mouth Is  
 Move Over CoCo's: Net Shares Will Do
- Prepare:      Ciber, Inc – Stock Options, Convertible Debt, and Dilution
- 
- 6      Wed Feb 1      **Stock Option Accounting**  
 Read:      RCJM: Chapter 15, pp. 911-924
- Class Notes on Employee Stock Options , Dilution, and Notes on  
                  Earnings Per Share  
 “Accounting for Stock Options”  
 “Buffet vs Grove”  
 “From FASB and IASB to Managers: Don't Stop Feeding at the  
                  Option Trough”  
 “Google's Optional Windfall”
- Prepare:      Google Inc
- 
- 7      Mon Feb 6      **NO CLASS**

- 8      Wed Feb 8      **Valuation of Employee Stock Options**  
Read:      RCJM: Chapter 7, pp. 385-396 (skim only)  
                 "The Best Way of Valuing Options,"  
                 "New Valuation Model could dampen the controversy over expensing  
                 employee stock options"
- "Deciding Value of Stock Options May Be Tricky --- Lack of  
                 Universal Method For Determining Amount Poses Dilemma for  
                 Firms,"  
                 "Using the Black Scholes Model"  
                 "How To Excel at Option Valuation"  
                 "Cisco's Stock Option Valuation 2006"
- "Google Creates Options Market"  
                 "Are TSO's A New Trend?"  
                 "Expected Life After SAB 107 and SAB 110" (skim only)  
Prepare:      Google part 2 - Valuing an Employee Stock Option (see spreadsheet  
                 on course web page)

- 9      Mon Feb 13      **Income Taxes**  
Read:      RCJM: Chapter 13 (especially pp. 773-786)  
                 Class Notes on Income Taxes  
                 Understanding the Tax Footnote  
                 Income Tax Cheat Sheet  
                 Accounting for the Income Tax Consequences of Share based  
                 Compensation  
                 Tech Titan's Tax Picture is Clouded by Options  
                 Fin 48: Standing Naked Before the IRS  
                 Moody's: New FASB Guidance On Tax Uncertainties To Help Find  
                 Exposures
- Prepare:      General Motors
- 
- 10      Wed Feb 15      **Revenue Recognition**  
Read:      RCJM Chapter 2, pp. 61-69, Chapter 3, pp. 149-152
- Class Notes on Revenue Recognition  
                 Revenue Recognition Remains Accounting's 800-lb Gorilla  
                 Rulemakers Launch Revenue Recognition Makeover  
                 Revenue Recognition – Will a Single Model Fly  
                 New Revenue Recognition Rules – The Apple of Apple's Eye
- Gross versus Net Presentation of Revenue  
                 Xerox Settles SEC Enforcement Action Charging Company with  
                 Fraud  
                 Yahoo, Google, and Internet Math
- Prepare:      Yahoo versus Google  
                 Merck

- 11      Mon Feb 20      **Revenue Recognition and Uncollectibles**  
Read:      RCJM Chapter 3, pp. 142-146  
                         RCJM Chapter 8, pp. 425-435
- Class Notes on Revenue Recognition and Collectibility of Receivables  
                         Installment Method – An Example  
                         Revenue Recognition and the Collection of Cash  
                         Accounts Receivable – Gross vs Net and the Cash Flow Statement
- Prepare:      “Hot Air Accounting,”  
                         Patten Corp. (see spreadsheet on course web page)
- 
- 12      Wed Feb 22      **Subprime Crisis and Securitizations**  
Read:      RCJM: Chapter 8: pp. 441-451
- Class Notes - Securitizations and the Subprime Crisis  
                         Examples of Securitizations: Calculation of Gains and Losses  
                         “Once Upon a Time in the Land of Subprime”  
                         “Subprime Mess Fueled By Crack Cocaine Accounting”  
                         “Subprime Lessons”  
                         “H&R Block Unit Earnings Up 34%”  
                         “New FASB Rules Present Accounting Challenges”
- “American Securitization Forum: Testimony Before Congress”  
                         (skim)
- Prepare:      New Century Financial Corporations

- 13      Mon Feb 27      **Fair Value Accounting**  
Read:      RCJM: Chapter 11, pp. 611-640; Chapter 16, pp. 949-961; Chapter 8,  
p. 439-440.

Class Notes on Fair Value Accounting (Mark to Market)  
Proposed Accounting Standards Update: Financial Instruments  
“SEC – Fair Value Savior”  
“Fair Value Roundtable”  
“Fair Value Measurements”  
“Fair Value Accounting is Alive and Well”  
“Financial Reporting and the Financial Crisis: The Case for  
Measuring Financial Instruments at Fair Value in Financial  
Statements”

“Fair Value Accounting”  
“It’s Time to Get Real About Realizations”  
“FASB’s New Draft on Values: Good News and ...”

Show Business – A Blockbuster Deal Shows How Enron Overplayed  
Its Hand (skim)  
The Adventures of Enron, Blockbuster, and Me (skim)  
Enron’s Mark to Market Adventures (skim)

Prepare:      Morgan Stanley

- 14      Wed Feb 29      **No Class**

**SPRING BREAK – NO CLASS MARCH 5 or MARCH 7**

- 15      Mon Mar 12      **Derivatives**  
 Read:                  RCJM: Chapter 11, pp. 643-661.  
                              Class Notes On Hedging and Derivatives  
                              Summary – Exposure Draft: Amendment to FAS 133
- “IASB and FASB issue common offsetting disclosure requirements”  
                              “Derivative Wars”  
                              “Southwest Hedges Curb Rising Fuel Cost”  
                              “Airlines Try To Hedge the Cost of Fuel They Buy Months in Advance”  
                              “Southwest Posts First Loss in 17 Years”  
                              “GM Daewoo Hit by Massive Derivatives Losses”  
                              “Goldman Sachs’ Report on Porsche” (skim)  
                              “EDS Isn't Alone in Betting on a Rising Stock”  
                              “How EDS Rolled Dice -- and Lost --- Effort to Prevent Option Grants From Diluting Per-Share Profit Backfires When Stock Plummets”  
                              Global Candy Company  
 Prepare:              American Airlines
- 16      Wed Mar 14      **Derivatives and Risk Disclosures**  
 Read:                  RCJM: None  
                              Summary FAS 161  
                              “SEC-Market Risk Disclosures: Enhancing Comparability (concentrate on pp. 62-67)”  
                              “Value at Risk”  
                              “Risk Mismanagement” (skim)  
                              “VAR – Point Counterpoint” (skim)  
                              “Lost in the Maze”  
                              “This Much Is Clear: FAS 133 Needs To Go”  
                              “Freddie Mac Swings to \$211M 1Q Loss On Derivatives”  
                              “Freddie Execs Manipulated Acctg To Smooth Earnings”  
                              “FACTBOX – Fannie Mae accounting scandal, earnings restatement  
                              Fannie Mae Says It Expects to Spend Over \$1 Billion This Year on Accounting Review”  
 Prepare:              American Airlines (cont'd)

- 17      Mon Mar 19      **Repo's, Leases, and Leverage**  
 Read:                RCJM: Chapter 12 (skim – esp. pp 693-722 and pp. 727-729)
- Hidden in Plain Sight  
 FASB and IASB New Project on Leases  
 Fact Sheet – Economic Impacts of the Proposed Changes to Lease  
                  Accounting – Standards Highlights Of new study published by  
                  the Equipment Leasing & Finance Foundation
- The Origins of Lehman's "Repo 105"  
 Report Shows How, Collapsing, Lehman Hid Woes  
 MF Global Proves Enron-Era Accounting Lives On
- Practice Problem: Three Banks
- Prepare:            **CVS - Caremark**  
                          **Lehman Brothers**
- 18      Wed Mar 21      **Long Term Debt – Market vs Book Values**  
 Read:                RCJM: Chapter 11, esp. pp. 611-635  
                          RCJM: Chapter 15, pp. 924-929  
                          Class Notes: Accounting for Convertible Debt  
                          Practice Problem: Accounting for Convertible Debentures  
                          Practice Problem: Metro-Goldwyn-Mayer Inc  
                          Practice Problem: Historical Cost vs Market Value of A Bond
- Prepare:            Royal Bank of Scotland Group

- 19      Mon Mar 26      **Pensions and OPEB**  
                  Read:      RCJM: Chapter 14  
                               Class Notes on Pensions
- Bush Signs New Bill to Keep US Pension Plans Afloat  
 Pensions Likely to Stay a Dying Breed  
 FASB Addresses Pensions  
 Pensionphobia Strikes Again  
 Displaying the Funding Status of Postretirement Plans  
 Stock Options Yes, Pensions No  
 Trouble Stirring in the Pension Pot  
 Public Pensions Cook the Books  
 Pension Accounting Change Could Make Company Profits Less Predictable
- Pension Accounting - An Example  
 Pension Accounting - Solution
- Prepare:      American Airlines
- 20      Wed Mar 28      **Long Term Assets - International**  
                  Read:      RCJM: Chapter 10, pp. 586-591  
                               Practice Problem - Reidl Realty Trust  
                               Knight Frank Report - Land Securities Group
- Prepare:      Land Securities
- 21      Mon Apr 2      **NO CLASS – GROUP PROJECTS DUE**  
                  Read:      None  
                  Prepare:      None

- 22      Wed Apr 4      **Intangible Assets**  
 Read:      RCJM: Chapter 10, pp. 564-571  
                  "Valuing Intangibles: A Primer"  
                  "In-Process R&D Charge Offs: The Bad And The Ugly"  
                  "In-Process R&D in Business Acquisitions"  
                  "A Primer on Goodwill Impairment"  
                  "Corporate writedowns may hit \$1 trillion"  
                  "Measuring the Intangible Assets of a Firm"  
                  "The Top 100 Global Brands"
- Prepare:      Sun Microsystems (might be changed – consult course web page)
- 23      Mon Apr 9      **Intercorporate Investments and Consolidation**  
 Read:      RCJM: Chapter 16, pp. 961-977  
                  Class Notes on Business Combinations - New Rules  
                  Class Notes on Accounting For and Presentation of Noncontrolling Interests
- Mishmash Accounting  
 Goodwill and Noncontrolling Interests in Acquisitions
- Prepare:      Coca-Cola (also see spreadsheet from Course Web Page)
- 24      Wed Apr 11      **SPE's and Joint Ventures**  
 Read:      RCJM: Chapter 11, pp. 641-643  
                  RCJM: Chapter 16, pp. 980-981  
                  SPE's: A Post Enron Perspective  
                  Enron and the Raptors (SKIM)  
                  "Reining In SPEs: New rules for special-purpose entities may result in bigger corporate balance sheets,"  
                  "Update on Consolidation of Variable Interest Entities: Changes to criteria for Primary Beneficiaries, definition of variable Interest entity, disclosures"  
                  "Summary of FAS 167"
- Prepare:      Citigroup
- 25      Mon Apr 16      **Multinationals and Currency Rate Fluctuations**  
 Read:      RCJM: Chapter 16, pp. 982-988  
                  Class Notes on Foreign Currency  
                  Hyperana Practice Problem  
                  As Exchange Rates Swing Carmakers Duck  
                  Natural Performers
- Prepare:      Eyepass Worldwide (see also spreadsheet on Web Café)

- 26      Wed Apr 18      **Segmental Reporting and EVA**  
Read:      RCJM: None  
                 Class Notes on Segmental Reporting (SFAS 131)  
                 Class Notes on EVA as a Performance Measure  
                 At last! The light at the end of the corporate performance tunnel  
Prepare:      Pepsico Inc and Economic Value Added (B) [CP]
- 27      Mon Apr 23      **Sarbanes Oxley and Course Summary**  
Read:      RCJM: Chapter 1  
                 Brief Summary of SOX  
                 International Financial Reporting Standards  
                 FASB and IASB's Irreconcilable Differences  
                 The Future of Financial Reporting: A Market Perspective  
                 Standing on Principles  
                 The Top 10 Reasons to Fix the FASB's Conceptual Framework  
Prepare:      **NONE**