

**FINANCIAL ACCOUNTING
ACCT 611
FALL 2012**



Instructor:

Chris Armstrong
1313 Steinberg Hall-Dietrich Hall
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Location:

Section 001: JMHH 365 (MW 9:00 – 10:30)
Section 002: JMHH 365 (MW 10:30 – 12:00)
Section 003: JMHH F85 (MW 3:00 – 4:30)

Office Hours:

Monday and Wednesday 1:30 – 2:30 or by appointment

Course objectives:

The role of accounting is the accumulation, analysis, and presentation of relevant financial data of an enterprise to serve the needs of creditors, investors and other external decision makers. The objective of this course is to familiarize the student with the basic principles and practices of financial accounting. This course focuses on the concepts underlying corporate financial statements. The course begins with an overview of the procedures necessary to prepare and understand the balance sheet, income statement, and statement of cash flows. The remainder of the course examines the accounting for the most common and significant transactions of a firm, such as accounts receivable and revenue recognition, inventories, long-term assets, debt, income taxes, investments, and stockholder's equity. Although a solid understanding of the rules and procedures required to construct financial statements is essential, this course emphasizes the analysis of financial statements and other financial disclosures.

Course website:

The website for this course can be found on Canvas:

<https://wharton.instructure.com/courses/723373>

Course Material:

- **Homework assignments and Cases:** These materials are available on the course website.
- **Recommended Textbook:** Stickney, Weil, Schipper, and Francis, Financial Accounting: An Introduction to Concepts, Methods and Uses, South-Western Cengage Learning, 13th edition (SWSF). In the class schedule below, practice problems from the textbook are assigned to reinforce the material covered on each topic (we refer to ‘SWSF’ in the syllabus). Solutions to all of the problems in the Stickney et al. book will be posted on the class website. *Note that although this textbook is not “required” for the course, many students find that it is a very valuable resource in preparing for class, learning accounting mechanics, and studying for quizzes and exams.*
- **Class Slides:** The class slides will be available to download from the course website.
- **Exam Practice Problems and Solutions:** Previous exams and solutions will be available to download from the course website.
- **Articles:** Articles are sometimes referenced in the course syllabus. These are from the business press and provide context for issues that will be discussed in class. They are available on the course website and are required reading before class.

Grading Policy:

Final grades will be determined using the following weights (**Total: 100 points**):

Midterm Exam	35 pts.
Final Exam	35 pts.
In-Class Quizzes	15 pts.
Homework	10 pts.
Class Participation	5 pts.

The grading scheme will be re-weighted to take into consideration improvement in student performance over the semester. If a student’s mean-adjusted score on the Final Exam (i.e., adjusted for the mean class score) **improves** relative to his or her mean-adjusted score on the Midterm Exam, then the weight on the Midterm Exam will be reduced by 5 pts. (from 35 pts. to 30 pts.) and the weight on the Final Exam will be increased by 5 pts. (from 35 pts. to 40 pts.). Final course grades adhere to the school’s mandated grade guidelines.

Exams:

The Midterm Exam is scheduled for Thursday, October 18th from 6 pm to 8 pm, and covers the material in Sessions #1 through #12, inclusive. The Final Exam is scheduled by the University Registrar and covers the material in Sessions #13 through #23, inclusive. The final exam has been *tentatively* scheduled for Monday, December 17th from 3 - 5 pm. **However, the date and time may change.**

All exams are closed-book, but you are allowed to bring to each exam one piece of 8 ½" x 11"

paper with notes. This paper may contain handwritten or typed (any font and size) notes. You may write on both sides.

It is the student's responsibility to attend examinations at the times and places that are specified. If a student cannot attend an examination, **it is his/her responsibility to notify the MBA Office** and the instructor prior to the exam (or as soon as possible). **Only** the MBA Office may grant a student authorization to be absent from an examination; **there are no exceptions to this rule**. In the event of an *authorized* absence from any exam, a make-up exam will be given in **January, 2013** during the official make-up exam period that is set by the Registrar. You will receive a final grade of "Incomplete" for the course pending the completion of the make-up exam. **An unauthorized absence from an examination will result in a grade of zero for that examination.**

The graded mid-term exam will be returned to the student mail folders. Scores will be posted to Canvas. If you believe that your exam has been incorrectly graded, you should return your exam to me – *not a TA* – **within one week** of the return of the examination (requests made after that will not be considered). You must submit the original copy of the examination together with a **written** note that clearly explains what you believe is the error. **The entire exam will be re-graded.**

In-Class Quizzes:

There will be **five** in-class quizzes during the semester that will be held on the dates indicated below and in the class schedule. **Quizzes will be given at the beginning of the class** (late arrivals will not be accommodated, so make sure that you arrive to class on time), usually before we start a new topic. Each quiz will take about 10 to 20 minutes and will usually consist of about four or five questions (primarily multiple choice). The quizzes will be closed-book and no notes will be allowed. The material covered in each quiz is set out in the syllabus below. Quiz scores will be posted to Canvas.

In computing a student's final grade, only the **four highest quiz scores** will be counted (i.e., the lowest quiz score will be dropped from the computation of your grade). If for some reason you are unable to attend class on one of the five quiz days, we will simply count the four quizzes that are completed. **No make-up quizzes will be given.** The solutions will be posted on the class web site on the same day of the quiz.

The dates for the five in-class quizzes are as follows:

Quiz 1	Wed, Sept. 19 th
Quiz 2	Mon, Oct. 1 st
Quiz 3	Mon, Nov. 5 th
Quiz 4	Mon, Nov. 12 th
Quiz 5	Mon, Nov. 19 th

Homeworks:

There will be three homework assignments with due dates indicated below and in the class schedule. The homework assignments may be discussed in groups. However, you must submit your own solutions that represent your own individual work. It is not acceptable to copy another student’s work and submit it as your own. The homework assignments will be available on the course website about one week before they are due. All homeworks must be submitted **electronically (via Canvas) by 5pm on the due date. I strongly recommend that you submit your homework answers in advance of the 5pm deadline. Please do not hand in a hard-copy to me or the TAs. It will not be accepted.** Homework scores will be posted on Canvas soon after the time the assignment is due.

The due dates for the three homework problem sets are as follows:

	<u>Date Homework Due (by 5pm)</u>
Homework 1	Tues, Oct. 9 th
Homework 2	Tues, Oct. 16 th
Homework 3	Tues, Dec. 4 th

The solutions will be posted on the class web site on the same day that the homework is due.

Instructions for accessing and completing the online homework on the Canvas website will be made available when the first homework is assigned.

Class Participation and Conduct:

Class participation grades will be based on what you add to the learning experience of the entire class. Students who consistently make contributions that facilitate discussions, help to clarify technical points, or provide new insights will receive five points. No contribution or contributions that are obvious, confusing, or peripheral will receive zero points. Consistently discourteous behavior (see below) will also result in zero class participation points. Contributions between these two extremes will receive between one and four points. Please make sure to display your name tents to help facilitate the classroom discussion and to help me keep track of participation.

As a courtesy to both me and your fellow students and to ensure that everyone has the greatest opportunity to learn, please adhere to the “Concert Rules”:

- Class starts and ends on time. If a unique situation arises such that you must arrive late or leave early, please let me know **ahead of time** and sit in an open aisle seat close to the door so you do not disturb your classmates.
- All phones and other electronic devices should be turned off, with the exception of computers. Use of computers, however, must be strictly for ACCT611 class materials.
- Please do not carry on private conversations during class.

Class Structure and Student Preparation:

To help students become effective financial statement users, the course strikes a balance between the teaching of accounting mechanics and the analysis of financial statements. The class slides and portions of each session will present basic mechanics of financial accounting, which must be mastered to become an effective user of financial statements. The suggested readings from the textbook for each class period (see Class Schedule below) also present these accounting mechanics. Further, to reinforce these concepts, practice problems from the textbook (SWSF) have been listed for each class session. These problems cover both the basic mechanics as well as more complicated illustrations. Solutions to the textbook problems will be available in a folder on the course website. Case studies based on real financial statements are also assigned for many class sessions and are scheduled to be discussed in class on the indicated dates. *Most of these cases are based on questions from prior midterm and final exams.*

Students should come to class having reviewed the class slides and, on days with an assigned case study, having read the case carefully and worked through the case questions. It is also highly recommended that students read the suggested chapter sections from the textbook either before or immediately after the class, and work through at least some of the suggested practice problems from the textbook.

Teaching Assistants and Review Sessions:

The course teaching assistants are for both ACCT 611 and ACCT 613 and will have the following office hours:

Monday	4:30 pm – 6:30 pm
Tuesday	4:30 pm – 6:30 pm
Wednesday	4:30 pm – 6:30 pm
Friday	10 am – noon

All TA office hours will be held in **SHDH 215** except during Fall Break (i.e., 10/22 and 10/23), prior to Thanksgiving (i.e., 11/21), and unless otherwise noted. During office hours the TAs will assist with questions about concepts, assigned problems, or homework problems. The names and e-mail addresses of the TAs for ACCT 611 and ACCT 613 are:

Florentina Furtuna	ffurtuna@wharton.upenn.edu
Andrew Ma	ajma@wharton.upenn.edu
Jalaj Garg	jalaj@wharton.upenn.edu
Ana Crespo	avcrespo@wharton.upenn.edu
Mark Miller	millermj@wharton.upenn.edu
Martin Mumford	mmumford@wharton.upenn.edu

There will also be option review sessions that will be held outside of the normal class times before the midterm and final exams.

Ethics Matrix

	Materials							People				
ACCT 611 Financial Accounting	Approved calculator	Laptop / other electronics	Summary sheet of notes	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
In-Class Readings & Cases	A	A		A			A	W	W	W		
Homework Problem Sets	A	A		A			A	D	D	D		
In-Class Quizzes	A											
Midterm & Final Exams	A		A									
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
<p><u>Other comments:</u></p>												
<p>The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others.</p> <p>Should you have questions, please contact your ethics liaison or professor.</p>												

Class Schedule: All of the topics listed below will be covered.

Key

- SWSF refers to the Stickney et al. textbook (13th edition).
- SWSF x-y means problem y in chapter x of the SWSF textbook

1	W	9/5	Introduction
			Slides: Session 1
			SWSF Reading: Chapter 1
			SWSF Problems: Q1.11, Q1.13, E1.18, E1.22, E1.24, E1.26, E1.27, P1.33, P1.35, P1.38, P1.39
			Add. Reading: Basics of Accounting Are Vital to Survival

2	M	9/10	Accounting Process; Mapping Business Activity into Financial Statements
			Slides: Session 2
			Case: Animatronics (#1, Q1 – Q4)
			SWSF Reading: Chapter 2, p. 43-61, Chapter 3
			SWSF Problems: Chapter 2: E2.12, E2.14, P2.28, P2.34 Chapter 3: E3.14, E3.22, E3.25
			Add. Reading: U.S. Firms Clash Over Accounting Rules

3	W	9/12	Economics vs. Accounting; Balance Sheet Presentation; Introduction to Accrual Accounting
			Slides: Session 3
			SWSF Reading: Chapter 2, p. 58-73; Chapter 4
			SWSF Problems: Chapter 2: Q2.4, E2.22, P2.29, P2.33, P2.35, P2.45 Chapter 4: E4.11, E4.13, E4.22
			Add. Reading: When Balance Sheets Collide With the New Economy

4	M	9/17	Accrual Accounting and the Matching Principle; Revenue Recognition
			Slides: Session 4
			Case: United Airlines (#2)
			SWSF Reading: Chapter 7, p. 311-315, 330-342
			SWSF Problems: E7.16, E7.19, P7.39, P7.47, P7.50
			Add. Reading: Accounting Shift Would Lift Tech Profits Zynga Explains Method For Recording Real Revenue Microsoft Financials

5	W	9/19	Statement of Cash Flows
			Slides: Session 5
			Case: Animatronics (#1, Q5)
			SWSF Reading: Chapter 5
			SWSF Problems: Q5.10, Q5.11, E5.21, E5.25, E5.26, E5.27, E5.30, P5.33, P5.35, P5.46
			Add. Reading: Cash Never Flow Lies PepsiCo Statement of Cash Flows
			Quiz #1: 10-20 minute quiz, covering Sessions #1 - #4

6	M	9/24	Statement of Cash Flows (continued)
			Slides: Session 6
			Case: Callaway Golf (#3)
			Add. Reading: Quick Cash Via Receivables Deals

7	W	9/26	Introduction to Financial Statement Analysis (FSA)
			Slides: Session 7
			SWSF Reading: Chapter 6
			SWSF Problems: E6.11, E6.13, E6.14, E6.16, E6.17, E6.18, E6.21, E6.24, P6.30
			Add. Reading: Decline of the P/E Ratio A Tower of Babel in Accounting Home Depot Working Capital PepsiCo Financials

8	M	10/1	Accounts Receivable
			Slides: Session 8
			Case: Barnes & Noble (#4)
			SWSF Reading: Chapter 7, p. 315-330
			SWSF Problems: E7.22, E7.23, E7.26, E7.30, P7.42, P7.43
			Add. Reading: Accounting Issues at WorldCom At Nortel, Warning Signs Existed Months Ago
			Quiz #2: 10-20 minute quiz, covering Sessions #5 - #7

9	W	10/3	Earnings Quality & Earnings Management
			Slides: Session 9
			Case: Detecting Earnings Manipulation
			Add. Reading: TBD

10	M	10/8	Inventory and Cost of Goods Sold
			Slides: Session 10, Session 10 (Supplemental)
			Case: RIM (#5), Dow Chemical (#6)
			SWSF Reading: Chapter 8, p. 365-383; Appendix 8.1
			SWSF Problems: E8.15, E8.17, E8.18, E8.27, E8.28, E8.29, E8.30, E8.31, P8.39, P8.42
			Add. Reading: Big Oil's Accounting; Unraveling Inventory's Riddle; LIFO Should be First Tax Reducer

	Tue	10/9	Homework #1 due by 5pm
			(Topics covered: Accounts Receivable and Inventory)

11	W	10/10	Long-Lived Assets
			Slides: Sessions 11&12
			SWSF Reading: Chapter 9
			SWSF Problems: E9.14, E9.20, E9.25, E9.27, P9.29, P9.32, P9.35
			Add. Reading: IFRS Spells Write-Downs Caterpillar Financials

12	M	10/15	Long-Lived Assets (continued)
			Slides: Sessions 11&12 (continued)
			Case: Snap-On Tools (#7)
			Add. Reading: Demystify the Lehman Shell Game Wachovia Reports Loss

	Tue	10/16	Homework #2 due by 5pm
			(Topics covered: Long-Lived Assets)

	Th	10/18	Midterm Exam, 6 – 8pm (Rooms to be determined)
			(Topics covered: Material through Long-Lived Assets, Sessions #1 - #12)

13	M	10/29	Long-Term Debt
			Slides: Session 13
			SWSF Reading: Chapter 8, p. 383-391; Chapter 10, p. 461-481 Appendix (Time Value of Cash Flows), p. 805-818
			SWSF Problems: E8.35, E10.16, E10.18, E10.21, P10.29
			Add. Reading: Confronting High Risks and Banks Comcast Financials

14 W 10/31 Long-Term Debt (continued) and Leases

Slides: Sessions 14&15
 Case: Carter's Inc. (#8)
 Add. Reading: Citigroup Finds a Profit

15 M 11/5 Leases (Continued)

Slides: Sessions 14&15 (continued)
 Case: Safeway Inc. (#9)
 SWSF Reading: Chapter 10, p.482-493
 SWSF Problems: E10.25, E10.28, P10.34, P10.35
 Add. Reading: Hidden in Plain Sight; Supplement on Leases
 New Accounting Rules Ruffle the Leasing Market

Quiz #3: 10-20 minute quiz, covering Sessions #13 - #14

16 W 11/7 Deferred Taxes

Slides: Sessions 16&17
 SWSF Reading: Chapter 11, p. 536-545
 SWSF Problems: E11.25, E11.26, E11.28
 Add. Reading: Lifting the Veil on Tax Risk
 Unisys News Release

17 M 11/12 Deferred Taxes (continued)

Slides: Sessions 16&17 (continued)
 Case: Safeway Inc. (#10)
 SWSF Problems: P11.33, P11.36
 Add. Reading: Motorola Deal Offers Google Tax, Patent Benefits

Quiz #4: 10-20 minute quiz, covering Sessions #15 - #16

18 W 11/14 Stockholders' Equity

Slides: Session 18
 Case: Pepsico (#11)
 SWSF Reading: Chapter 14
 SWSF Problems: E14.16, E14.23, E14.24, P14.31, P14.36
 Add. Reading: EnerSys Announces Stock Buy Back
 What Seller Wants a Low Price?
 OCI: The Burden That Won't Go Away

19 M 11/19 **Marketable Securities**
Slides: Session 19
Case: Peet’s Coffee (#12)
SWSF Reading: Chapter 12, p. 565-578, 595-598
SWSF Problems: E12.11, E12.15, E12.18, E12.19, P12.24, P12.26
Add. Reading: Banks Face Mark-To-Market Challenge

Quiz #5: 10-20 minute quiz, covering Sessions #17 - #18

20 M 11/26 **Intercorporate Investments and Segment Reporting**
Slides: Session 20
Case: TBD
SWSF Reading: Chapter 13, 615-635; Chapter 6, p. 253-255
SWSF Problems: E13.15, E13.16, P.13.28
Add. Reading: Buyers Beware: The Goodwill Games
SEC Makes B&N Justify Unimpaired Goodwill

21 W 11/28 **Pensions and Other Post-Employment Benefits (OPEB)**
Slides: Session 21
Case: TBD
SWSF Reading: Chapter 11, p. 523-535
SWSF Problems: E11.22, P11.31
Add. Reading: U.S. Corporate Pension Plans’ Funding Deficit

22 M 12/3 **Accounting for Financial Institutions**
Slides: Session 22
Case: TBD
SWSF Reading: Chapter 12, p. 578-582
Add. Reading: Distortions In Baffling Financial Statements
Accountants Misled Us Into Crisis

Tue 12/4 **Homework #3, due at 5pm**
(Topics covered: TBD)

23 W 12/5 **“Capstone” Case and Review**
Case: Target Corp. Comprehensive Case

M 12/17 **Final Exam, 3 – 5 pm (Rooms to be determined)**
(Topics covered: Sessions #13 - #23, inclusive)
