

**INTRODUCTION TO FINANCIAL &
MANAGERIAL ACCOUNTING
ACCT 613
FALL 2012**



Instructor

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Office Hours:

Tuesday/Thursday 3:00pm – 4:15pm and by appointment

Course objectives:

This course provides an introduction to both financial and managerial accounting, and emphasizes the analysis and evaluation of accounting information from the perspective of both investors as well as managers in the processes of planning, decision-making, and control. A large aspect of the course covers the fundamentals of financial accounting. The objective is to provide an overview of financial accounting and external reporting, including basic accounting concepts and principles, as well as the structure of the income statement, balance sheet, and statement of cash flows. The course also introduces elements of managerial accounting and emphasizes the development and use of accounting information for internal decisions. Topics include cost behavior and analysis, product and service costing and relevant costs for internal decision-making. This course is recommended for students who will be using accounting information for making strategic decisions in manufacturing and service operations, as well as those going into general consulting, thinking of starting their own businesses, or simply seeking a broad understanding of accounting and financial reporting as it relates to shareholders, creditors, managers and other users of financial information.

Course website:

The website for this course is on “Canvas.”

Course Material:

Recommended Textbooks (Optional):

- Stickney, Weil, Schipper, and Francis, *Financial Accounting: An Introduction to Concepts, Methods and Uses*, South-Western Cengage Learning, 13th edition. 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 are included in the Course-Wide folder on the class website. If you do not purchase the textbook, it would be useful to have access to another financial accounting textbook that covers the same material.

- Horngren, Datar, Foster, Rajan, and Ittner, *Cost Accounting: A Managerial Emphasis*, Prentice-Hall, 14th edition. In the class schedule below, chapters from this textbook are assigned to reinforce the material covered on the managerial accounting topics (we refer to 'HDFRI' in the syllabus). If you do not purchase the textbook, it would be useful to have access to another managerial accounting textbook that covers the same material.

Material on Course Website:

- **Class Notes:** PowerPoint lecture slides will be made available in advance
- **Homework assignments and Cases**
- **Exam Practice Problems and Solutions**
- **Articles:** business press articles are sometimes referenced in the course syllabus and provide context for issues which will be discussed in 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 the mean-adjusted score on the Midterm Exam, then the weight on the Midterm Exam is reduced by 5 pts. (from 35 pts. to 30 pts.) and the weight on the Final Exam is increased by 5 pts (from 35 pts. to 40 pts.).

Final course grades adhere to the school mandated grade guidelines. **Note that this allows for up to 5% failing grades. Historically this course does give some failing grades each year.**

Exams:

The Midterm Exam is scheduled for Thursday, October 18th from 6pm-8pm and covers the material in lectures #1 through #12, inclusive. The Final Exam is scheduled by the University Registrar and covers the material in lectures #13 through #23, inclusive. The final exam has been

scheduled for Monday, December 17th from 3pm-5pm. **Although it is rare for this date and time to change, the University Registrar does reserve the right to do so.**

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 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 is given in **January, 2012** during the official make-up exam period 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. The graded final exam can be picked up at the reception area of the accounting suite during the first of week of spring semester classes (you will need to bring your student ID to collect the exam). Exam scores will be posted online. If a student feels that an exam has been incorrectly graded, he/she should return the exam to the professor – *not a TA* – **within one week** of the return of the examination (requests made after that will not be considered). The student should submit the original copy of the completed examination together with a **written** note that carefully explains the point of contention. **The entire exam will be re-graded.**

In-Class Quizzes:

There are **five** in-class quizzes during the course of the semester, which will be held on the dates indicated below and in the class schedule. **Quizzes are given at the beginning of the class** (late arrivals will not be accommodated with extra time, so be punctual). Each quiz will take about 15 minutes, and will consist of about 4-5 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. The score assigned to each quiz represents the percentage of the questions asked which were correctly answered. Thus, the scores will range from 0 to 1. Quiz scores will be online.

In computing a student's final grade, only his/her **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 quiz solutions will be posted on the class web site within a day or so of taking the quiz.

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

Quiz 1:	Thursday, September 20 th
Quiz 2:	Tuesday, October 2 nd
Quiz 3:	Tuesday, November 6 th
Quiz 4:	Tuesday, November 13 th
Quiz 5:	Tuesday, November 20 th

Homeworks:

There are three homework assignments with due dates indicated below and in the class schedule. The homework assignments may be discussed in groups. However, the solution submitted by each student must be his/her own individual work. It is not acceptable to copy another student's work and submit it as your own. Doing so will be considered an act of cheating. The homework assignments will be available on the course website. All homeworks must be submitted **electronically (via Canvas) by 5pm on the due date. We strongly suggest that you submit your homework answers well 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 online.

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

	<u>Date Homework Due (at 5pm)</u>
Homework 1:	Wednesday, October 10 th
Homework 2:	Wednesday, October 17 th
Homework 3:	Wednesday, December 5 th

The solutions will be posted on the class web site within a day or so of the homework being due.

Class Participation and Conduct:

Class participation grades are 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 5 points. No contribution or contributions that are obvious, confusing or peripheral will result in zero points. Consistently discourteous behavior (see below) will also result in zero class participation points. Contributions between the endpoints will receive between 1 and 4 points, accordingly. Please display name tents to make it easier for me to keep track of participation (I'm not great with names – sorry, and thank you!).

Both as a courtesy to your fellow students and the professor, and to ensure that everyone has the greatest opportunity to learn, please observe the following:

- Students should sit in the same seat each class session to help me keep track of where everyone is.
- Class starts and ends on time.
If a unique situation arises such that you must come in late, please inform your professor ahead of time and sit in an open aisle seat close to the door you arrived through.
- Students should remain in attendance for the duration of class, except in an emergency
If a unique situation arises such that you must leave early, please inform your professor before class and sit in an open aisle seat near the exits of the classroom.
- All phones and other electronic devices should be turned off, with the exception of computers. Use of computers, however, must be strictly for ACCT613 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 notes and portions of each lecture 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 are available 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. *Many of these cases are based on questions from prior midterm and final exams.*

Students should come to class having reviewed the daily class slides and, on days with an assigned article or case study, having read these materials and worked through the case questions. It is also 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:

There are six teaching assistants for the course. Each of these TAs are second-year MBA students that performed extremely well in the introductory financial accounting course last year. One of the TAs will be present at each of the following times each week (except for breaks, holidays, etc.)

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 on Friday, 9/21, which will be held in SH-DH 1206).**

During office hours the TAs will assist with questions about concepts, assigned problems/cases, or homework problems. Note that the TAs are jointly servicing both ACCT611 and ACCT613, so you may encounter students from ACCT611 attending these same office hours.

The six TAs for the course are as follows:

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

Ethics Matrix

The Wharton MBA Code of Ethics typically requests an Ethics Matrix for each class to provide ground rules and ethical guidelines for course materials and assistance from classmates or others. Below is the completed matrix for ACCT613. If you have any questions about the matrix, please feel free to ask me.

	Materials							People				
ACCT 613 Financial & Managerial 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				
<u>Other comments:</u>												
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.												
Should you have questions, please contact your ethics liaison or professor.												

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
- HDFRI refers to the Horngren et al. textbook (14th edition)

1	Th	9/6	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	Tu	9/11	Accounting Process; Mapping Business Activity into Financial Statements
			Slides: Session 2
			Case #1: Animatronics (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	Th	9/13	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	Tu	9/18	Accrual Accounting and the Matching Principle; Revenue Recognition
			Slides: Session 4
			Case # 2: United Airlines
			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	Th	9/20	Statement of Cash Flows
		Slides:	Session 5
		Case # 1	Animatronics (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 Lectures #1 - #4

6	Tu	9/25	Statement of Cash Flows (continued)
		Slides:	Session 6
		Case # 3:	Callaway Golf
		Add. Reading:	Quick Cash Via Receivables Deals

7	Th	9/27	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	Tu	10/2	Accounts Receivable
		Slides:	Session 8
		Case # 4:	Barnes & Noble
		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 Lectures #5 - #7

9	Th	10/4	Inventory, Product Costing, and Cost of Goods Sold
		Slides:	Sessions 9 & 10
		HDFRI Reading:	Chapter 4
		Objective:	Mechanics of cost accounting systems. Define cost allocation and overhead rates. Understand costing methods using actual, normal, and standard costing.

10	Tu	10/9	Inventory, Product Costing, and Cost of Goods Sold
		Slides:	Sessions 9 & 10
		Case # 5:	Research in Motion
		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

Wed 10/10 **Homework #1, due at 5pm**
(Topics covered: Accounts Receivable and Inventory)

11	Th	10/11	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	Tu	10/16	Long-Lived Assets (continued)
		Slides:	Sessions 11 & 12
		Case # 7:	Snap-On Tools
		Add. Reading:	Demystify the Lehman Shell Game Wachovia Reports Loss

Wed 10/17 **Homework #2, due at 5pm**
(Topics covered: Long-Lived Assets)

Th 10/18 **Midterm Exam (6pm-8pm)**
(Topics covered: Material through Long-Lived Assets, Lectures #1 - #12)

13	Tu	10/30	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 Th 11/1 Long-Term Debt (continued) and Leases

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

15 Tu 11/6 Leases (continued)

Slides: Sessions 14 & 15
 Case # 9: Safeway Inc.
 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 Lectures #13 - #14

16 Th 11/8 Deferred Taxes

Slides: Session 16
 SWSF Reading: Ch. 11, p. 536-545
 SWSF Problems: E11.25, E11.26, E11.28, P11.33, P11.36
 Add. Reading: Lifting the Veil on Tax Risk; Unisys News Release
 Motorola Deal Offers Google Tax, Patent Benefits

17 Tu 11/13 Stockholders' Equity

Slides: Session 17
 Case #11: Pepsico
 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

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

18 Th 11/15 Marketable Securities

Slides: Session 18
 Case # 12: Peet's Coffee
 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
 Accountants Misled Us Into Crisis

19 Tu 11/20 Managerial Accounting & Cost Concepts

Slides: Session 19
 HDFRI Reading: Chapters 2, 3, and 10
 Objective: Define and illustrate cost objects, direct costs, and indirect/overhead costs. Understand associations between cost drivers, variable costs, and fixed costs, and major assumptions underlying the definitions of variable and fixed costs. Review the concepts of contribution margin and cost-volume-profit analysis.
 Add. Reading: Cost Concepts, Terms, and Classifications

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

20 Tu 11/27 Cost Concepts (continued)

Slides: Session 20
 Case # 13: Forest Gump
 HDFRI Reading: Chapters 11 and 12
 Objective: Understand the computation of breakeven point and the notion of relevant costs. Apply these concepts to a legal dispute between two contractual parties.
 Add. Reading: Relevant Costs in Nonroutine Decisions

21	Th	11/29	Burden Rates, Cost Behavior, and Outsourcing Decisions
		Slides:	Session 21
		Case # 14:	Bridgeton Industries
		Objective:	Apply the concepts covered in the first three sessions to an actual decision. Refine understanding of cost behavior, relevant costs, and cost accounting system output. Understand the limitations of "full costs" and traditional cost accounting systems in decision-making.

22	Tu	12/4	Cost Allocation and Activity-Based Costing
		Slides:	Session 22
		Case # 14:	Destin Brass
		HDFRI Reading:	Chapter 5
		Objective:	Review the purposes and process of overhead cost allocation. Understand differences between traditional cost systems and Activity-Based Costing (ABC). Apply ABC concepts in an actual decision-making context to understand the effect of cost accounting methods on perceived product profitability, and the use of ABC data in operational and marketing decisions.
		Add. Reading:	Activity-Based Costing example Activity-Based Cost Systems for Manu. Expenses

Wed	12/5	Homework #3, due at 5pm
		(Topics covered: Managerial Accounting)

23	Th	12/6	Performance Evaluation Using Accounting Measures
		Class Notes:	Class Notes #25
		Case # 14:	Barrows
		HDFRI Reading:	Chapter 23
		Objective:	Understand the advantages and disadvantages of various types of accounting-based performance measures. Discuss how and when these measures lead to dysfunctional outcomes for the firm. Introduce the concept of economic-valued added (EVA) measures.
		Add. Reading:	Dierks and Patel, "What is EVA ..." Andersen et al. "EVA Adjustments ..." Performance Measurement (B)

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