

**INTRODUCTION TO FINANCIAL &
MANAGERIAL ACCOUNTING
ACCT 613
SPRING 2013**



(VERSION 1/4/13)

Instructor

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Office Hours:

Monday/Wednesday 1:30 pm – 2:30 pm or 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: <https://wharton.instructure.com/courses/931096>

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 posted on the course 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, and Rajan, [*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 ‘HDR’ 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:** the lecture slides will be made available in advance of class (at least one week before the scheduled date).
- **Homework assignments and Cases**
- **Exam Practice Problems and Solutions** (from old exams)
- **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 Wednesday, February 27 (during regular class hours and in the regular class rooms), 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 #24, inclusive. The final exam has been scheduled for Wednesday, May 1st from 3 pm – 5 pm. **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. You are allowed to use a regular calculator during the exams.

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 **September 2013** 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 until the first week of fall 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:	Wednesday, January 23 rd
Quiz 2:	Monday, February 11 th
Quiz 3:	Monday, March 25 th
Quiz 4:	Wednesday, April 3 rd
Quiz 5:	Monday, April 15 th

Homework Assignments:

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 the due date and time listed below. We strongly suggest that you submit your homework answers well in advance of the deadline. Please do not hand in a hard-copy to me or the TAs. It will not be accepted.** Homework scores and solutions will be posted online on the course website within a day or so of the homework being due.

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

Homework 1:	Tuesday, February 19 th (6 pm)
Homework 2:	Tuesday, February 26 th (6 pm)
Homework 3:	Tuesday, April 23 rd (6 pm)

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/tablets. Use of computers/tablets, however, must be strictly for the purpose of this class.
- Please do not carry on private conversations during class.

Student Preparation:

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 two 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. The TAs will hold regular office hours every week (except during breaks or for holidays) based on the schedule posted on the course website. Typically, there is a weekly TA office hour on Tuesday from 12:00 pm to 1:30 pm (room tba). Closer to the midterm and final exams, we will offer additional TA office hours at different times.

During office hours the TAs will assist with questions about concepts, assigned problems/cases, or homework problems (however, they will not give you the solution to the homework assignments).

The two TAs for the course are as follows:

Jalaj Garg
Oren Isacoff

jalaj@wharton.upenn.edu
oki@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 this course. If you have any questions about the matrix, please feel free to ask me.

ACCT 613 Financial & Managerial Accounting	Materials							People				
	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); x-y means problem y in chapter x of the textbook
- HDR refers to the Horngren et al. textbook (14th edition)

1	Mon 1/7	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	Wed 1/9	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	Mon 1/14	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	Wed 1/16	Revenue Recognition; Accrual Accounting and the Matching Principle
		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	Wed	1/23	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 Sessions #1 - #4

6	Mon	2/4	Statement of Cash Flows (continued)
			Slides: Session 6
			Case #3: Callaway Golf
			Add. Reading: Quick Cash Via Receivables Deals

7	Wed	2/6	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	Mon	2/11	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 Sessions #5 - #7

9 Wed 2/13 **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

10 Mon 2/18 **Inventory, Product Costing, and Cost of Goods Sold (continued)**

Slides: Sessions 9 & 10
HDR Reading: Chapter 4
Add. Reading: To be determined

Tue 2/19 **Homework #1 (due at 6 pm)**
(Topics covered: Accounts Receivable and Inventory)

11 Wed 2/20 **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 Mon 2/25 **Long-Lived Assets (continued)**

Slides: Sessions 11 & 12
Case #6: Snap-On Tools
Add. Reading: Demystify the Lehman Shell Game
Wachovia Reports Loss

Tue 2/26 **Homework #2 (due at 6 pm)**
(Topics covered: Long-Lived Assets)

Wed 2/27 **Midterm Exam (during regular class hours and in regular rooms)**

(Topics covered: Sessions #1 - #12, inclusive)

13 Wed 3/13 **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: Citigroup Finds a Profit

14 Mon 3/18 **Long-Term Debt (continued) and Leases (begin)**

Slides: Sessions 14 & 15
 Case #7: Starbucks
 Add. Reading: Morgan Stanley To Post a Loss From Volatile, Complex Bonds

15 Wed 3/20 **Leases (continued)**

Slides: Sessions 14 & 15
 SWSF Reading: Chapter 10, p.482-493
 SWSF Problems: E10.25, E10.28, P10.34, P10.35
 Add. Reading: New Accounting Rules Ruffle the Leasing Market
 Northeast Airlines Financials

16 Mon 3/25 **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: SEC Challenging Multinationals on Plans for Foreign Earnings
 Motorola Deal Offers Google Tax, Patent Benefits
 Lifting the Veil on Tax Risk

Quiz #3: 10-20 minute quiz, covering Sessions #13 - #15

17 Wed 3/27 Owners' Equity

Slides: Session 17
 Case #8: Pepsico
 SWSF Reading: Chapter 14
 SWSF Problems: E14.16, E14.23, E14.24, P14.31, P14.36
 Add. Reading: As Layoffs Rise, Stock Buybacks Consume Cash
 When Friending Becomes a Source of Start-Up Funds

18 Mon 4/1 Marketable Securities

Slides: Session 18
 Case #9: 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 Wed 4/3 Managerial Accounting & Cost Concepts

Slides: Session 19
 HDR Reading: Chapters 2, 3, and 10
 Add. Reading: Cost Concepts, Terms, and Classifications

Quiz #4: 10-20 minute quiz, covering Sessions #16 - #18

20 Mon 4/8 Cost Concepts (continued)

Slides: Session 20
 Case #10: Forest Gump
 HDR Reading: Chapters 11 and 12
 Add. Reading: Relevant Costs in Nonroutine Decisions

21 Wed 4/10 Cost Allocation and Activity-Based Costing

Slides: Session 21
 Case #11: Wilkerson Company
 HDR Reading: Chapter 5
 Add. Reading: Activity-Based Cost Systems for Manufacturing Expenses

22 Mon 4/15 Customer Profitability Analysis

Slides: Session 22
Case #12: Infinity Bank
HDR Reading: To be determined
Add. Reading: Customer-Driven Costs Using Activity-Based Costing

Quiz #5: 10-20 minute quiz, covering Sessions #19 - #21

23 Wed 4/17 Transfer Pricing and Performance Evaluation

Class Notes: Session 23
Case #13: Caribbean Brewers
HDR Reading: To be determined
Add. Reading: Tax Court Rules Against IRS
Transfer Pricing

24 Mon 4/22 “Capstone” Case and Review

Case #14: Target Corp. Comprehensive Case

Tue 4/23 Homework #3 (due at 6 pm)

(Topics covered: Managerial Accounting, Cost Concepts, Cost Allocation)

Wed 5/1 Final Exam (3 pm – 5 pm; rooms tba)

(Topics covered: Sessions #13 - #24, inclusive)
