WHARTON
UNIVERSITY of PENNSYLVANIA

ACCT 742

Course Syllabus: Problems in Financial Reporting

Professor Brian Bushee   Spring 2013

Course Overview

This course is designed to increase your ability to extract and interpret information in financial statements. We will focus on using the disclosures in a firm's annual or quarterly report to determine its accounting policy for a particular type of transaction and to determine how that policy choice both affects its primary financial statements and reflects the underlying economics of the firm. This course should also improve your ability to use financial statements as part of an overall assessment of the firm's strategy and the potential rewards and risks of dealing with the firm (as an investor, creditor, supplier, employee, etc.).

An important objective of the course is to provide experience in doing research to solve problems in real financial statements. Much like the real world, you will be expected to solve problems with minimal guidance on exactly how to proceed. Rather, you will be expected to use resources such as the on-line GAAP standards, notes from your intro class, and examples on Canvas to learn the fundamental mechanics so that you can apply them to the problem at hand. Thus, this course assumes a solid understanding of core financial accounting.

Course Materials

Canvas: This site includes all cases (except HBS cases), practice problems, lecture slides, exam material, and any optional notes and articles on each topic. Note that no material will be distributed in class. Please download anything you need prior to class.

Study.Net: The two HBS cases used in the course are available on Study.Net.

On-line GAAP Access: A complete codification of GAAP can be found on this website: http://acct.wharton.upenn.edu/aaa. User name: student, Password: M0nks@Pumpk1ns#

Textbook (optional): GAAP 2013: Handbook of Policies and Procedures by Siegel, Levine, Quershi, and Shim. This is not a traditional textbook, but rather an excellent summary of accounting rules and procedures grouped by topic. It is much easier to use than the on-line GAAP codification.

Preparation for class: Class sessions will focus on case discussions in which we will address both mechanical accounting issues and important analytical and strategic issues. I expect you to read the cases and attempt to answer the questions prior to class. If you do not adequately prepare for class, you will have trouble following the discussion.

Course Registration Policies
Due to the historically heavy demand for the course, I have instituted the following course registration policies:
- After the auction ends, only students registered for the course will be allowed to attend class. No auditing or "sitting-in" will be permitted.
- I will not approve any drop requests after January 23. If you hold a seat on this date, you must take the course for a grade.
- I will only approve out-of-auction section swaps if someone is willing to counterswap into the section. Both parties will receive the out-of-auction penalties noted on the **Grad Division website**. Otherwise, section swaps must be resolved through the auction. Note that the registrar will not allow students to be registered for multiple courses at the same time.
- During the semester, international students often seek a letter stating that they will pass the course in order to expedite their application for an H-1B visa. Please note that I will not be able to provide such a letter until after the take-home exam (April 17).

Grading
Your course grade will be determined as follows:

Class Participation (Individual)	15%
Cases (5 out of 8) (Group)	15%
Group Project (Group)	30%
Take-home Exam (Individual)	40%
Total	100%

Class participation: I expect you to come to class prepared to discuss the cases for that day. I will call on students that volunteer to participate and try to avoid cold calling. After each class, I award each student up to three points based on the quality on their class participation that day. I give points for anything that positively contributes to the class discussion, such as an attempt to reason through a problem (including "wrong" answers), a pertinent question, or a relevant fact from the case. There is no bonus for quantity of comments in a class.

Group formation: Please form groups of 4 to 6 students before the 3rd day of class. Students who have trouble finding a group will be assigned to one by me. Members of the group can be registered in any of the three sections of my course. Once your group is finalized, please sign up on Canvas as an "A", "B", or "C" group, which determines your case assignments.

Cases: Please submit answers to 5 of the 8 cases marked with your group's letter in the schedule that follows. I will award each submission up to three points based on effort and completeness, rather than on accuracy, so make sure you attempt to answer all questions. Your grade will be based on your 5 highest case grades: you can submit more than 5 of the required cases, and have the lowest grades dropped, or you can choose which 5 cases to submit.

*Cases must be submitted to Canvas **prior to 9:00 am on the day of the class**. Late assignments will receive a grade reduction. Submit only one write-up per group, and include the names of all group members and the sections of the course in which each member is registered. *Making use of suggested case solutions from prior years or copying the case write-up of anyone outside your*

group will constitute cheating and could result in all group members receiving a grade of F for the course.

Group project: Please submit the group project to Canvas **by 11:00 pm on Monday, March 25**. The project assignment can be found on Canvas.

Take-home exam: A take-home exam will be posted to Canvas by **5:00 pm on Wednesday, April 10**. You will have up to seven days to work on the exam, which must be handed in **by 4:00 pm on Wednesday, April 17**. You must submit the exam electronically.

You must work on the take-home exam individually. You are not permitted to discuss the exam with anyone else, including other students, former students, and people in the real world. However, you are permitted to use any written resource, such as your notes, textbooks, information on the company you find on the web, etc. More details on his exam will be provided as the time gets closer.

F policy: In the past, students have received failing grades for the course. If you score below 50% of the total points for either the entire course or the final exam, I am likely to give you a grade of F. There are two types of students that have failed the class in the past: (1) those who did poorly in their intro Accounting course and (2) those who do not put any time in the course. If you are or will be in either category, I strongly recommend that you do not take this class.

In addition, I have failed students in the past for cheating on the take-home exam. I reserve the right to fail students for any actions I consider to be cheating, as I discussed above. Please read these sections carefully and let me know if you have any questions.

Grading disputes: All grading disputes must be appealed within one week following the return of the assignment or exam. To have a case or exam re-graded, please submit the original case or exam (with no modifications) and a written description of your disagreement with the initial grade. I reserve the right to review the entire case or exam; thus your grade could go up *or* down. For group work, every member of the group must agree to the request for regrade.

Office Hours (1317 SH-DH): By appointment. Please contact me via e-mail (bushee@wharton.upenn.edu) to schedule office visits.

ACCT 742: Case Summary and Hand-in Schedule
Spring 2013

Date		Topic	Case	Groups Hand-in
W	1/9	Course Introduction	Enron	
M	1/14	Ratio Analysis	Blue Earth Technology	
W	1/16	Earnings Quality: Nonrecurring Items	FenceAlign	
M	1/21	**No class: MLK Day**		
W	1/23	Earnings Quality: EPS, Pro Forma	Intuit	**A**
M	1/28	Cash Flow Quality	Upsilon Capital Partners	**B**
W	1/30	Revenue Recognition: Gross vs. Net	Merck	**C**
M	2/4	Expense Recognition: Matching	Pre-Paid Legal	**A**
W	2/6	Deferred Taxes	General Motors	**B**
M	2/11	Intangibles and Goodwill	The Shaw Group	**C**
W	2/13	Long-Lived Assets: International	Land Securities Group	**A**
M	2/18	Fair Value	Morgan Stanley	**B**
W	2/20	Long-term Debt: Market vs. Book	Royal Bank of Scotland	**C**
M	2/25	Repos and Leverage	Lehman Brothers	**A**
W	2/27	Contingent Liabilities	Intel	**B**
M	3/4	**No class: Spring Break**		
W	3/6	**No class: Spring Break**		
M	3/11	Pensions and OPEB	CBS	**C**
W	3/13	Asset Securitization	Oakwood Homes	**A**
M	3/18	*Guest speaker*	*Marc Siegel, FASB*	
W	3/20	Subprime Issues	New Century Financial	**B**
M	3/25	**No class: Group projects due**	**Submit by 11:00 PM**	
W	3/27	Variable Interest Entities	Citigroup	**C**
M	4/1	Intercorporate Investments	Coca-cola	**ABC**
W	4/3	Foreign Currency Translation	Eye Pass Worldwide	**ABC**
M	4/8	Derivatives	Ford	**ABC**
W	4/10	Interim Reporting	Fairmont Global	
W	4/10	**Take-home exam begins**	**Posted on Canvas**	
M	4/15	**No class: Take-home exam**		
W	4/17	**No class: Take-home exam due**	**Submit by 4:00 PM**	
M	4/22	Go over take-home exam		

ACCT 742: Topic and Assignment Schedule
Spring 2013

Note: GAAP = GAAP 2013 Handbook

| **1** | **W** | **1/9** | **Course Introduction** |
| | | | "Enron, intelligence, and the perils of too much information," by M. Gladwell |

| **2** | **M** | **1/14** | **Ratio Analysis** |
| | | | Case: Blue Earth Technology |

3	**W**	**1/16**	**Earnings Quality: Nonrecurring Items**
			Case: FenceAlign
			GAAP: Chapter 9; Chapter 8, p. 8,001; Chapter 1, p. 1,031

| | **M** | **1/21** | **No Class: MLK Day** |

4	**W**	**1/23**	**Earnings Quality: EPS, Pro Forma**
			Case: Intuit
			Practice Problem: Evanston Precision Systems
			GAAP: Chapter 1, pp. 1,042-1,050

5	**M**	**1/28**	**Cash Flow Quality**
			Case: Upsilon Capital Partners
			Practice Problem: Psilos Corp.
			GAAP: Chapter 6

| **6** | **W** | **1/30** | **Revenue Recognition: Gross vs. Net** |
| | | | Case: Merck |

7	**M**	**2/4**	**Expense Recognition: Matching**
			Case: Pre-paid Legal
			Practice Problem: Zeeland

8	**W**	**2/6**	**Deferred Taxes**
			Case: General Motors
			Practice Problems: Caterpillar, NOL
			GAAP: Chapter 15

9	**M**	**2/11**	**Intangibles and Goodwill**
			Case: The Shaw Group
			Practice Problem: Wieland Group
			GAAP: Chapter 11; Chapter 3, pp. 3,057-3,064; Chapter 2, pp. 2,010-2,016

10	W	2/13	**Long-Lived Assets: International Differences**
			Case: Land Securities Group
			Practice Problem: Riedl Realty
			GAAP: Chapter 3, pp. 3,065-3,066

11	M	2/18	**Fair Value**
			Case: Morgan Stanley
			Practice Problem: Essig Bancorp
			GAAP: Chapter 10; Chapter 4, pp. 4,007-4,013

12	W	2/20	**Long-term Debt: Market vs. Book**
			Case: Royal Bank of Scotland
			Practice Problem: Metro-Golden-Mayer
			GAAP: Chapter 4; Chapter 10

13	M	2/25	**Repos and Leverage**
			Case: Lehman Brothers
			Practice Problem: Three Banks
			GAAP: Chapter 17, pp. 17,017-17,019

	W	2/27	**Contingent Liabilities**
			Case: Intel
			Practice Problem: V.G. Miller Corp.
			GAAP: Chapter 4, pp. 4,017-4,020; Chapter 8, pp. 8009-8011

	M	3/4	**No class: Spring Break**

	W	3/6	**No class: Spring Break**

14	M	3/11	**Pensions and OPEB**
			Case: CBS
			Practice Problem: Smith Inc.
			GAAP: Chapter 14

15	W	3/13	**Asset Securitization**
			Case: Oakwood Homes
			Practice Problem: Berger Finance
			GAAP: Chapter 12, pp. 12,022-12,026

16	M	3/18	**Guest Speaker: Marc Siegel, FASB**

17	**W**	**3/20**	**Subprime Issues**
			Case: New Century Financial
			GAAP: Chapter 17, pp. 17,019-17,024
18	**M**	**3/25**	**No class: GROUP PROJECTS DUE by 11:00 PM**
19	**W**	**3/27**	**Variable Interest Entities**
			Case: Citigroup
			Practice Problem: Synthetic Ventures
			GAAP: Chapter 12, pp. 12,026-12,031
20	**M**	**4/1**	**Intercorporate Investments**
			Case: Coca-Cola
			Practice Problems: P & S, General Electric
			GAAP: Chapter 12, pp. 12,001-12,018
21	**W**	**4/3**	**Foreign Currency Translation**
			Case: Eye Pass Worldwide
			Practice Problem: Hyperaña Co.
			GAAP: Chapter 16
22	**M**	**4/8**	**Derivatives**
			Case: Ford
			Practice Problem: Klossner Candy
			GAAP: Chapter 17, pp. 17,001-17,016; Chapter 8, pp. 8013
23	**W**	**4/10**	**Interim Reporting / Course wrap-up**
			Case: Fairmont Global
			GAAP: Chapter 7, pp. 7001-7005
			Take-home exam begins, posted on Canvas by 5:00 pm
	M	**4/15**	**No class: Take-home exam**
	W	**4/17**	**No class: Take-home exam**
			TAKE-HOME EXAM DUE at 4:00 PM
24	**M**	**4/22**	**Go over Take-home Exam**