

University of Pennsylvania
The Wharton School
Financial Accounting: ACCT 612
Fall 2013

Instructor: Peggy Bishop Lane
G21 Jon M. Huntsman Hall
phone: 215-898-8601 fax: 215-898-2598
e-mail: pblane@wharton.upenn.edu

Office hours: 4:30-6:00pm Mon/Wed, or by appointment, in G21 JMHH (the WEMBA Office)

Course objectives: Learn to read, understand, and analyze financial statements. The course adopts a decision-maker perspective of accounting and emphasizes the relation between accounting data and the underlying economic events that generate them. To achieve the objective of helping students become effective financial statement users, the course strikes a balance between the teaching of accounting mechanics and the analysis of financial statements. After a review of the construction and analysis of the Statement of Cash Flows, the course turns to an in-depth examination of the major asset, long-term liability, and shareholders' equity accounts. After completing this intensive introduction to financial accounting, students should be able to read, understand and recreate transactions from the financial statements.

Intended Audience: This course is intended for students with strong command of the material covered in the ACCT 604 pre-term class. Specifically, students entering ACCT 612 are expected to already understand:

- (1) The recording of economic transactions in the accounting records (i.e., bookkeeping);
- (2) The basic financial statements that summarize a firm's economic transactions (balance sheet, income statement and statement of cash flows);
- (3) The fundamental concepts needed to prepare or understand published financial statements (e.g., use of accrual accounting);
- (4) How to construct the basic financial statements from transactions information and how to recreate the transactions by looking at the financial statements;
- (5) How to use the indirect method to construct the cash flow statement from balance sheet, income statement, cash receipt and disbursement, and supplemental information; and
- (6) How to use accounting statements and disclosures to reconstruct the underlying economic events in which the firm participated.

Recommended/Optional Textbooks (Choose at most one):

Weil, R., Schipper, K., and Francis, J., Financial Accounting: An Introduction to Concepts, Methods, and Uses, 13th Edition, South-Western Cengage Learning 2010 (WSF).

Custom Text Part I: Dyckman, Magee, Pfeiffer, Financial Accounting, 4th Edition, Cambridge Business Publishers, 2014 (Custom)

Course packet: There are two sections of the Course Pack. Both are available on the Canvas site (in part) and Study.net. Note that any copyrighted materials will only be available on Study.net. (CP)

- Problems section (Required): This section includes problems to be discussed in class, additional practice problems, cases to be prepared outside of class, and especially relevant articles.
- Notes section (Optional/Recommended): This section includes an outline, condensed notes, and additional readings for each topic.

Course handouts: Consist of supplemental lecture material. This material will also be available on the course Canvas site.

Courseware Sites: There are two locations where you will find information related to the course. The Canvas site (<https://wharton.instructure.com/courses/1131023>) includes lecture slides, course handouts, course information, important announcements, on-line homework, a discussion board and chat room, and a gradebook. Log in to the Canvas site with your Wharton username and password. The Study.net site, which you can link to from Canvas, includes copyrighted cases.

Grading: Your course grade will be determined as follows:

Class Participation	10%
On-line homework questions (4)	8%
Cases (2)	12%
Midterm Exam	30%
Final Exam	<u>40%</u>
Total	100%

Class participation: Of your 10% total, 5% will be based on **cold calls**. **If you are not present when cold-called, you automatically receive a grade of zero for that cold-call.** I may cold call at any time, but will certainly do so regarding the case discussions. I will try to cold-call as many people as possible. Since most people will only get cold-called once, **a very poorly prepared answer to a cold call could decrease your course grade by as much as 5%.** In the event you are not cold-called, your class participation grade will be based entirely on your general in-class comments (see below).

The remaining 5% points of the class participation grade is awarded for general in-class comments. Students will gain points by constructively participating in class through such activities as answering questions posed during class, commenting on classmates' contributions and asking questions that generate thoughtful class discussion. Reward is **not** given for quantity of comments. Furthermore, there are no penalties for "wrong" answers; it is the attempt to thoughtfully reason through a problem that is valued and adds to the classroom experience for everyone. Students will lose points in this category for: being frequently absent, coming late to

class or leaving class early, or exhibiting any behavior that I consider obstructive to the general learning environment (see Concert Rules).

On-line Homework: In four of our six weeks of class, before each new topic is introduced, I will post questions on-line that you link to via Canvas. These questions will be based on readings and problems from the text and the course pack that will be covered in class in the **coming** week. These questions will be straightforward and are intended to help you keep up with the work. These should not take more than 10-15 minutes if you have done the reading in advance. **You are expected to answer these questions individually and before class on the day the assignment is due.**

Cases: You will need to turn in two case write-ups due during the quarter. There are a total of three cases that you can find on the course Study.net or Canvas site. You should choose two of the three cases to submit in writing. These cases are designed to reinforce your understanding of material covered in class (i.e., as review), to develop your understanding of new material not covered in class, and to give you an appreciation of the complexities involved in actual financial statements that is necessary if you want to be a “sophisticated” user of financial statements. In addition, the cases expose you to regulatory filings and other data sources that are useful for financial statement analysis.

You may work on and turn in the case assignments in groups of **no more than five** students. You may change your group during the quarter and group membership may span sections. Groups are **not permitted** to share information with other groups prior to the due date of the assignments. Cases are due by **9am**, regardless of the time you attend class, on the date listed in the Topics and Assignment Schedule; late cases will receive a grade reduction commensurate with the lateness of the assignment. Please note that you must have turned in the “Group Work Affidavit” to receive credit for your cases. We will discuss each case in class (usually on the due date); therefore, please bring a copy of your solution to class to facilitate discussion.

WARNING: These assignments are for your benefit. Relying on the work of your group-mates or the work of other groups is a dangerous strategy. This simply delays the inevitable - eventually you must learn the material. The assignments and cases are a useful tool to this end and, in addition, make the lectures more valuable and interesting. Finally, while relying on the work of your group-mates is not advisable as a learning technique, relying on the work of other groups is not only inadvisable, it is unethical. I reserve the right to give **a grade of F for the course** to anyone involved in a group that is caught either copying work from another group or supplying information to another group.

Exams: The mid-term and final exams are closed-book, but you may use a one-page 8 ½ x 11 summary sheet and bring in a copy of the financial statements on which the exam will be based (to be made available a few days prior to the exam). The final exam is not cumulative; however, the material is, in some sense, cumulative. *The time (and only time) for the midterm exam is 6:00pm on Tuesday, September 17. The time (and only time) for the final exam is 12:30pm on Thursday, October 18.* You must take the exams at the scheduled times and places. You will **not** be given authorization to take any exam at a different time to facilitate travel. If you cannot take an exam at the scheduled time and place, you must **notify me prior to the exam** (or as soon as possible in the case of unexpected medical emergencies). Only I may authorize you to be

absent from an exam. **An unauthorized absence from an exam will result in a grade of zero for that exam.** In the event of an authorized absence from the midterm or final exam, a make-up exam will be given **in January** during the official make-up exam period.

Grading disputes: Each student is encouraged to “audit” the graded cases and exams thoroughly. If you disagree with the point allocation on cases or exams, you should appeal the case or exam to me within one calendar week following the return of the assignment or exam (unless otherwise noted). A request for a re-grade will not be considered if it is submitted more than one week after the return of the case or exam (or after the specified deadline). To have a case or exam re-graded, you must 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 re-grade.

Teaching assistants and review sessions: The three teaching assistants (TAs) for the course, Mohaiman Altaf, Justin Goldberg and Chelsea Lecuyer, will each hold office hours for two hours per week. Information on the TAs, their offices, and their office hours will be on Canvas.

In addition, the TAs will conduct review sessions prior to the exams. See the “Topic and Assignment Schedule” on the following pages for the times and dates.

Preparation for class: Class sessions will follow a lecture/discussion format with student participation **strongly** encouraged. Financial accounting is a “learn-by-doing” subject; therefore, you should complete the assigned reading and text book problems **before** class. The assigned reading from the text and the course packet present basic material that must be mastered before one can become an effective financial analyst. The assigned problems from the text cover mechanics and relatively straightforward analysis. To supplement the basic treatment in the text, the course packet includes examples from published accounting disclosures that provide experience with actual financial statements and are generally more difficult than the problems found in the text. Focus your pre-class preparation on readings and text problems and your post-class preparation on course packet problems. This will ensure you get the most out of class and will make exam preparation manageable.

Ethics Matrix:

Having a hard time keeping the rules straight? Here is a matrix designed by students to help you with the rules for this course and to compare across other courses.

	Materials							People				
ACCT 612 Financial Accounting	Approved calculator	Laptop / other electronics	Summary sheet	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
Text and Course pack Problems	A	A	A	A	A	A ¹	A ¹	W	W	W	W	W
Online Homework	A	A	A	A	A	A	A					
Graded Cases	A	A	A	A			A ^{1,2}	W				
Midterm Exam Prep	A	A	A	A	A	A	A ¹	W	W	W		
Midterm Exam	A		A									
Final Exam Prep	A	A	A	A	A	A	A ¹	W	W	W		
Final Exam	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				
Other comments:												
(1) Allowed, but not recommended, for your own good.												
(2) Solutions of cases that might be posted from other universities or individuals are not permitted.												
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.												

ACCT 612: Topic and Assignment Schedule Fall 2013





KEY






WSF = Weil, Schipper & Francis, 13th edition

Custom = Custom Text Part I

CP = Course Packet, "Problems" Section

Case Discussions in bold are to be turned in for a grade.

1	M	08/26	Statement of Cash Flows	
			<u>WSF:</u>	Chapter 6; 6.10, 6.11, 6.21, 6.25, 6.26, 6.27, 6.30, 6.33, 6.35, 6.41, 6.44
			<u>Custom:</u>	Chapter 4; M4-28, E4-38, E4-42, P4-51, P4-52
			<u>CP Problems:</u>	ASK Corp., Hershey
	W	08/28	On-line Homework: submitted before class (Revenue Recognition & A/R)	
2	W	08/28	Revenue Recognition and Accounts Receivable	
			<u>WSF:</u>	Chapter 8; 8.13, 8.34, 8.36, 8.22, 8.23, 8.26, 8.30, 8.42, 8.4
			<u>Custom:</u>	Chapter 6; M6-17, E6-34, E6-36, C6-49
			<u>Articles:</u>	SAB 101
			<u>CP Problem(s):</u>	DHC Corp., Larcker Liquor
3	W	09/04	Revenue Recognition and Accounts Receivable	
			<u>CP Problem(s):</u>	Davita Healthcare
<input checked="" type="checkbox"/>			<u>Case Discussion:</u>	Accounting for the iPhone at Apple, Inc.
	M	09/09	On-line Homework: submitted before class (Inventory and Intangibles)	
4	M	09/09	Inventory Valuation (Guest Lecturer: Prof. Rick Lambert)	
			<u>WSF:</u>	Chapter 9 (until "Principal Current Liability Accounts"); Appendix 9.1; 9.15, 9.17, 9.18, 9.27, 9.28, 9.29, 9.30, 9.31, 9.39
			<u>Custom:</u>	Chapter 7; M7-15, E7-27, E7-29, P7-34
			<u>CP Problem(s):</u>	Famous Horse, ICF, Inc., Steelcase
			<u>Articles:</u>	Big Oil's Accounting
5	W	09/11	Intangible Assets (Guest Lecturer: Prof. Rick Lambert)	
			<u>WSF:</u>	Chapter 10, Appendix 10.1 (with focus on intangible assets); 10.29, 10.32, 10.35
			<u>Custom:</u>	Chapter 8, p. 380-397; E8-31, C8-42
			<u>CP Problem(s):</u>	MoneyGram, Zillow
	M	09/16	Midterm Review Session (4:30pm – 6:00pm; SHDH 350)	

6	M	09/16	Intangible Assets (continued) and Long-Term Debt <u>WSF:</u> Chapter 9 (“Principal Current Liability Accounts”); Chapter 11 (until “Accounting for Leases”); Appendix (Time Value of Cash Flows), p. 706-719; 9.35, 11.16, 11.18, 11.21, 11.29, BONUS: 11.32 <u>Custom:</u> Chapter 9, Appendix A; M9-31, M9-36, E9-45, E9-47, C9-60 <u>CP Problem(s):</u> Munson Grocery <input checked="" type="checkbox"/>  <u>Case Discussion:</u> Talbots, Inc.
	T	09/17	Midterm Exam (6:00pm – 8:00 pm, covers sessions 1-6, up to and including “Intangible Assets”, Rooms TBA)
7	W	09/18	Long-Term Debt (continued) <u>CP Problem(s):</u> LTD, Inc., B&G Foods Leases <u>WSF:</u> Chapter 11 (“Accounting for Leases”); 11.25, 11.28 <u>Custom:</u> Chapter 10, p. 453-466; M10-13, E10-23, E10-25 <u>CP Problem(s):</u> Bay State Delivery
	M	09/23	On-line Homework: submitted before class (Leases and Taxes)
8	M	09/23	Leases (continued) <u>CP Problem(s):</u> Wal-mart <input checked="" type="checkbox"/>  <u>Case Discussion:</u> Leasing Decision at Magnet Beauty
9	W	09/25	Accounting for Taxes <u>WSF:</u> Chapter 12 (“Income Taxes” only); 12.24, 12.25, 12.27 <u>Custom:</u> Chapter 10, p. 476-483; M10-22, E10-31, P10-40, C10-4 <u>CP Problem(s):</u> DT, Inc.
	M	09/30	On-line Homework: submitted before class (Stock Options & Mkt. Sec.)
10	M	09/30	Accounting for Taxes (continued) <u>CP Problem(s):</u> Caterpillar Stock Options <u>WSF:</u> Chapter 15; 15.15, 15.17, 15.19 <u>Custom:</u> Chapter 11; M11-35, E11-41 <u>CP Problem(s):</u> Cisco Systems

11	W	10/02	Marketable Securities and Investments	
			<u>WSF:</u>	Chapter 13, (until “Derivative Instruments” and then from “Fair Value Option...” to end); 13.11, 13.15, 13.18, 13.19, 13.24, 13.26
			<u>Custom:</u>	Chapter 12, p. 555-572; M12-21, M12-22, E12-25, E12-26, E12-31
			<u>CP Problem(s):</u>	Lincoln Park Bank
12	M	10/07	Marketable Securities and Investments (continued)	
			<u>WSF:</u>	Chapter 14 (until “Majority, Active Investments”); 14.17, 14.18, 14.31
			<u>CP Problem(s):</u>	The Buckle, P&S, Coca-Cola
13	W	10/09	Final Exam Review	(12:-1:30pm; SHDH 350)
14	R	10/10	Final Exam (Covers sessions 6-12, beginning with “Long-term Debt”, 12:30pm-2:30pm, Rooms TBA)	