

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

(VERSION 8/9/13)

**Instructor**

Wayne Guay

Office: 1329 SH-DH

Phone: 215-898-7775

Email: [guay@wharton.upenn.edu](mailto:guay@wharton.upenn.edu)Web: <https://accounting.wharton.upenn.edu/profile/406/>**Office Hours:**

Tuesday 1:00pm - 2:45pm, Thursday 2:00pm – 2:45pm, 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 (tba)

**Course Material:**

- **Textbook (required):** Dyckman, T., R. Magee, G. Pfeiffer, A. Hartgraves, and W. Morse, *Financial & Managerial Accounting for MBAs*, Wharton Custom Edition, 2014, Cambridge Business Publishers. This textbook is specifically customized for our course,

covers all the chapters in the class, and is available only in the Penn Bookstore. In the detailed schedule below, practice problems from the textbook are assigned to reinforce the material covered for each topic (we refer to ‘TB’ for textbook in the syllabus). Solutions to the problems in the textbook are posted on the course website.

### **Material on Course Website:**

- **Lecture Slides:** the lecture slides will be made available in advance of class (at least one week before the scheduled date).
- **Homework Assignments** (for submission on Canvas) **and Cases** (for in-class discussion)
- **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.**

### **Midterm & Final Exams:**

The midterm exam is scheduled for **Thursday, October 10, from 3 pm to 5 pm** (rooms tba), 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 **Monday, December 16, from 3 pm to 5 pm**. Although it is rare for this date and time to change, the University Registrar does reserve the right to do so.

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 **January 2014** 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 (SH-DH 1300) until the first 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.

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 quiz solutions and scores 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:	Tuesday, September 10 <sup>th</sup>
Quiz 2:	Thursday, September 19 <sup>th</sup>
Quiz 3:	Thursday, October 31 <sup>st</sup>
Quiz 4:	Tuesday, November 12 <sup>th</sup>
Quiz 5:	Thursday, November 21 <sup>st</sup>

**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 homework assignments must be submitted **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:	Monday, September 30 <sup>th</sup> (6 pm)
Homework 2:	Monday, October 7 <sup>th</sup> (6 pm)
Homework 3:	Friday, December 6 <sup>th</sup> (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 seven teaching assistants for the course. Each of these TAs is a second-year MBA student who performed extremely well in the introductory financial accounting course last year. The TAs will hold regular office hours on four out of five days every week (except during breaks or for holidays) based on the schedule posted on the course website. The typical weekly office hour schedule looks like follows (most office hours are held in **SH-DH 1206**; for exceptions on October 7, 11, 14, and 21 see the schedule posted on the course website):

Monday	4:30 pm – 6:30 pm
Tuesday	4:30 pm – 6:30 pm
Wednesday	4:30 pm – 6:30 pm
Friday	10:00 am – noon

During office hours, one of the TAs will be present and will assist with questions about concepts, assigned problems/cases, or homework problems (however, they will not give you the solution to the homework assignments). Note that the TAs are jointly servicing both ACCT611 and ACCT613, so you may encounter students from both courses attending the same office hours.

The seven TAs for the course are as follows:

Jonathan Banawa	<a href="mailto:jbanawa@wharton.upenn.edu">jbanawa@wharton.upenn.edu</a>
Brendan Mitchell	<a href="mailto:bmitch@wharton.upenn.edu">bmitch@wharton.upenn.edu</a>
Arjun Pant	<a href="mailto:apant@wharton.upenn.edu">apant@wharton.upenn.edu</a>
Kush Patel	<a href="mailto:kushp@wharton.upenn.edu">kushp@wharton.upenn.edu</a>
Helena Sarkanova	<a href="mailto:hels@wharton.upenn.edu">hels@wharton.upenn.edu</a>
Brooke Stoddard	<a href="mailto:brookest@wharton.upenn.edu">brookest@wharton.upenn.edu</a>
James Stone	<a href="mailto:jastone@wharton.upenn.edu">jastone@wharton.upenn.edu</a>

**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.

	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				
<b><u>Other comments:</u></b>												
The information above covers many common situations but will not cover every circumstance. Remember: The <a href="#">Wharton MBA Code of Ethics</a> 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:** TB refers to the Dyckman et al. textbook (Wharton custom edition); x-y means problem y in chapter x of the textbook.

---

1	Tues 8/27	<b>Introduction</b>	Slides: Session 1 TB Reading: Chapter 1 TB Problems: M1-24, E1-28, E1-29, P1-36, P1-37 Add. Reading: Basics of Accounting Are Vital to Survival
---	-----------	---------------------	--

---

2	Thur 8/29	<b>Accounting Process; Mapping Business Activity into Financial Statements</b>	Slides: Session 2 Case #1: Animatronics (Q1 – Q4) TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: M2-18, M2-19, M2-26, E2-33, E2-44 Chapter 3: M3-22, M3-24, E3-32, E3-38 Add. Reading: U.S. Firms Clash Over Accounting Rules
---	-----------	--	--

---

3	Tues 9/3	<b>Economics vs. Accounting; Balance Sheet Presentation; Introduction to Accrual Accounting</b>	Slides: Session 3 TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: P2-58, P2-64 Chapter 3: P3-42, P3-49 Add. Reading: When Balance Sheets Collide With the New Economy
---	----------	---	--

---

4	Thur 9/5	<b>Revenue Recognition; Accrual Accounting and the Matching Principle</b>	Slides: Session 4 Case #2: United Airlines TB Reading: Chapter 6, p. 267-277 TB Problems: M6-14, M6-24, E6-32, E6-39, E6-40 Add. Reading: Accounting Shift Would Lift Tech Profits; Zynga Explains Method for Recording Real Revenue; Boeing Hits a Milestone; Digging into Online Coupon Firm's Dealings; Microsoft Financials
---	----------	---	---

---

---

5    Tues   9/10    **Statement of Cash Flows**

Slides:                      Sessions 5 & 6  
Case #1                      Animatronics (Q5)  
TB Reading:                Chapter 4  
TB Problems:              M4-23, M4-26, M4-31, E4-34, E4-38, E4-41, E4-44  
Add. Reading:              Cash Never Flow Lies;  
   PepsiCo Statement of Cash Flows

**Quiz #1:**                      **10-20 minute quiz, covering Sessions #1 - #4**

---

6    Thur   9/12    **Statement of Cash Flows (continued)**

Slides:                      Sessions 5 & 6  
Case #3:                      Callaway Golf  
TB Reading:                Chapter 4  
TB Problems:              P4-51, P4-54  
Add. Reading:              Quick Cash Via Receivables Deals

---

7    Tues   9/17    **Introduction to Financial Statement Analysis (FSA)**

Slides:                      Session 7  
TB Reading:                Chapter 5  
TB Problems:              M5-14, M5-24, E5-27, E5-33, P5-46  
Add. Reading:              Decline of the P/E Ratio;  
   A Tower of Babel in Accounting;  
   Home Depot Working Capital;  
   PepsiCo Financials

---

8    Thur   9/19    **Accounts Receivable**

Slides:                      Session 8  
Case #4:                      Barnes & Noble  
TB Reading:                Chapter 6  
TB Problems:              M6-18, M6-20, E6-33, E6-34  
Add. Reading:              Accounting Issues at WorldCom;  
   At Nortel, Warning Signs Existed Months Ago

**Quiz #2:**                      **10-20 minute quiz, covering Sessions #5 - #7**

---

---

9    Tues   9/24    **Inventory, Product Costing, and Cost of Goods Sold**

Slides:                      Session 9  
Case #5:                      Research in Motion  
TB Reading:                  Chapter 7  
TB Problems:                M7-15, M7-19, M7-22, E7-26, E7-29, E7-31  
Add. Reading:                Big Oil’s Accounting; Unraveling Inventory’s Riddle;  
   Supplement to LIFO vs. FIFO

---

10    Thur   9/26    **Inventory, Product Costing, and Cost of Goods Sold (continued)**

Slides:                      Session 10  
TB Reading:                  Chapter 17, p. 17-1 to 17-19  
TB Problems:                M17-14, M17-15, E17-21, E17-25, E17-26  
Add. Reading:                Boeing Hits a Milestone; Chesapeake’s Obscure Costs

---

Mon   9/30    **Homework #1 (due at 6 pm)**  
(Topics covered: Accounts Receivable and Inventory)

---

11    Tues   10/1    **Long-Lived Assets**

Slides:                      Sessions 11 & 12  
TB Reading:                  Chapter 8  
TB Problems:                M8-11, M8-14, E8-24, P8-36  
Add. Reading:                IFRS Spells Write-Downs;  
   DirecTV Write-Downs

---

12    Thur   10/3    **Long-Lived Assets (continued)**

Slides:                      Sessions 11 & 12  
Case #6:                      Snap-On Tools  
TB Problems:                M8-17, M8-21, E8-29, E8-32, E8-35  
Add. Reading:                Demystify the Lehman Shell Game; HP to Book 8 bn  
   Charge; SEC Makes B&N Justify Goodwill

---

Mon   10/7    **Homework #2 (due at 6 pm)**  
(Topics covered: Long-Lived Assets)

---

---

Thu 10/10 **Midterm Exam (3 pm – 5 pm; rooms tba)**

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

---

13 Tues 10/22 **Long-Term Debt**

Slides: Sessions 13 & 14  
 TB Reading: Chapter 9, Appendix A (Time-Value of Money)  
 TB Problems: M9-21, M9-22, M9-29, M9-31, M9-34, E9-39  
 Add. Reading: Citigroup Finds a Profit

---

14 Thur 10/24 **Long-Term Debt (continued) and Leases (begin)**

Slides: Sessions 13 & 14; Session 15  
 Case #7: Starbucks  
 TB Problems: M9-23, M9-26, E9-47, P9-53  
 Add. Reading: Morgan Stanley to Post a Loss from Bonds

---

15 Tues 10/29 **Leases (continued)**

Slides: Session 15  
 TB Reading: Chapter 10, p. 453-466  
 TB Problems: M10-13, M10-15, E10-23, E10-26  
 Add. Reading: New Accounting Rules Ruffle the Leasing Market;  
 Leases Suffer Identity Crisis; Northeast Airlines  
 Financials

---

16 Thur 10/31 **Deferred Taxes**

Slides: Session 16  
 TB Reading: Chapter 10, p. 476-483  
 TB Problems: M10-22, E10-33, P10-40, P10-41  
 Add. Reading: SEC Challenging Multinationals on Plans for Foreign  
 Earnings; Motorola Deal Offers Google Tax Benefits;  
 Sony Profits Are Far Off with Write-Down

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

---

---

**17 Tues 11/5 Owners' Equity**

Slides: Session 17  
 Case #8: PepsiCo  
 TB Reading: Chapter 11  
 TB Problems: M11-20, M11-21, M11-25, M11-35, E11-45, E11-54  
 Add. Reading: Stock Buybacks Consume Cash; When Friending  
 Becomes a Source of Funds; Time for BofA to Bid  
 Warren Buffett Adieu

---

**18 Thur 11/7 Marketable Securities**

Slides: Session 18  
 Case #9: Peet's Coffee  
 TB Reading: Chapter 12, p. 555-567  
 TB Problems: M12-11, M12-12, E12-24, E12-26  
 Add. Reading: Bank Quandary - Valuing the Assets;  
 Distortions in Baffling Financial Statements

---

**19 Tues 11/12 Managerial Accounting & Cost Concepts**

Slides: Sessions 19 & 20  
 TB Reading: Chapters 13 and 15  
 TB Problems: Chapter 13: M13-14, E13-22, E13-24  
 Chapter 15: M15-11, M15-12, M15-16, E15-25  
 Add. Reading: Lobster Glut Slams Prices; Will Costs Drive U.S. Firms  
 Home?

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

---

**20 Thur 11/14 Cost Concepts (continued)**

Slides: Sessions 19 & 20  
 Case #10: Forest Gump  
 TB Reading: Chapter 16  
 TB Problems: M16-12, M16-15, M16-17, E16-22, E16-26  
 Add. Reading: Paramount Pictures Resolves Lawsuit

---

---

21 Tues 11/19 **Cost Allocation and Activity-Based Costing**

Slides: Session 21  
 Case #11: Wilkerson Company  
 TB Reading: Chapters 14 and 18, p. 18-1 to 18-13  
 TB Problems: Chapter 14: M14-11, M14-14, P14-27  
 Chapter 18: M18-10, M18-13, M18-16, E18-22  
 Add. Reading: Knee Replacements Boost Health Costs

---

22 Thur 11/21 **Customer Profitability Analysis**

Slides: Session 22  
 Case #12: Infinity Bank  
 TB Reading: Chapters 18, p. 18-14 to 18-17, and 19, p. 19-1 to 19-9  
 TB Problems: Chapter 18: M18-18, E18-26, E18-27  
 Chapter 19: M19-17  
 Add. Reading: Free Checking Accounts Cost More

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

---

23 Tues 12/3 **Decentralization and Transfer Pricing**

Class Notes: Session 23  
 Case #13: Caribbean Brewers  
 TB Reading: Chapters 22, p. 22-1 to 22-9, and 23, p. 23-7 to 23-10  
 TB Problems: Chapter 22: MA22-42  
 Chapter 23: M23-19, E23-24, MA23-41  
 Add. Reading: Tax Court Rules Against IRS

---

24 Thur 12/5 **“Capstone” Case and Review**

Case #14: Target Corp. Comprehensive Case

---

Fri 12/6 **Homework #3 (due at 6 pm)**

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

---

Mon 12/16 **Final Exam (3 pm – 5 pm; rooms tba)**

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

---