



## ACCT 742 – ACCT 242 Problems in Financial Reporting

### Spring 2015 SYLLABUS – Preliminary

Note: The syllabus will likely be updated as the semester goes along

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#### Course Overview

Financial statements are a primary means for firms to communicate information about their performance and strategy to investors and other groups. In the wake of numerous accounting scandals and the recent financial meltdown (which accounting both helped and hindered), it is more important than ever for managers and investors to understand (i) the financial reporting process, (ii) what financial statements do and do not contain, and (iii) the types of discretion managers have in presenting transactions they have undertaken. This course is designed to help you become a more informed user of accounting numbers by increasing your ability to extract, interpret, and analyze information in financial statements.

We will focus on many of the biggest problem areas of financial reporting: While this is not a course in equity valuation *per se*, equity valuation is one of the most common uses of financial statement data. Accordingly, we will examine the relation between stock prices and financial statement information. We will also study the use of financial ratios and forecasted financial statement data in models of distress prediction.

The course assumes a solid understanding of basic financial accounting (at the level of Acct 611 or A613).

#### Course Materials

Virtually all of the material will be available in the eRoom for Acct 742 on Canvas.

**Text:** Revsine, Collins, Johnson, Mittelstaedt, Soffer - *Financial Reporting and Analysis*, 6th ed., Prentice Hall, 2011. This text serves as a reference on accounting and disclosure topics. Note that the course is not a textbook-based course. The text readings provide supplementary information and information useful for preparing the problems and cases.

**Canvas** The course has a site on Canvas that you can log onto with your User name and Password.

The ASSIGNMENTS folder provides links to the notes, readings, cases, etc for each class session.

Within the FILES folder is all the Course Material. There is a sub-folder for each class session, as well as one for the syllabus and the exams. Inside the folder for a given class session, you will see three or four subfolders:

Notes and Readings: This includes notes, problems, cases, and readings that were included in the bulk pack.

Pre Class Material: New readings, problems, and cases (ones not included in the course pack) are contained here. This folder will also have any spreadsheets available to help work the problems and cases. Finally, this folder will contain power point slides that will be constitute the outline of what we'll cover in class that day. Many students find that printing out the slides before class helps them follow along better. Two to three slides per page is a good compromise between not using up too much paper and having room to jot down notes.

Solutions and Post Class Material: This is where I'll post solutions, corrections, etc

### **Office Hours**

Feel free to call with questions or contact me via email at the address above. E-mail is often an easier and quicker way to get your questions answered. Office Hours are by appointment.

### **Grading and Course Requirements**

Your grade for the course will be determined on the basis of :

Class Participation	15 %
Midterm Examination	25 %
Group Project	25 %
Final Exam*	<u>35 %</u>
Total	100 %

Anyone entering the final exam in the top half of the class on the basis of the first three items can choose to skip the final exam. If you skip the exam, you will get a grade of "B" for the course (and no LT). If you want a shot at a higher grade, you have to take the final. Anyone entering the final in the lower half of the class must take the final.

I'll let you know by the last week of classes if the option to skip the final applies to.

## **Class Participation**

The amount of learning that takes place in the course will depend on how active the class discussions are, which is dependent on the amount of preparation you do before class. Class participation will be based on your contribution to the class discussions and analyses, not simply on the amount of time you talk. If necessary, I will cold call students.

Because entering or leaving the classroom during class time is disruptive to the learning environment, your fellow classmates and I expect that you will not do so, except in an emergency.

Please bring to each class a Name Card, with your name printed in **LARGE DARK LETTERS**. This will facilitate my getting to know your names and my ability to reward you for class participation.

## **Midterm Exam:**

The Midterm Exam is scheduled to be available (through Canvas) no later than **Monday March 2 at noon (online)** and is to be handed in (to the Accounting Suite – SH-DH 1300) by **Thursday March 5 at 4:00 pm**. It is an open book-open notes exam. The Midterm Exam will cover material covered in class through Wednesday, February 25th.

More details on the exam will be provided as the time gets closer.

**You must work on the exam individually.** You are not permitted to discuss the exam with anyone else, including other students, former students, or people in the real world. However, you are permitted to use any written resource, such as your notes, the textbook, information on the company you find on the web, etc. Violations of these procedures will constitute cheating and could result in receiving an F for the course.

Questions and solutions from prior exams (both midterm and finals) will be available on Canvas. Please be aware that the sequence of topics is not always the same from semester to semester. Therefore, it is possible that there are topics we are covering in the first half of the course this year that were not on prior midterms (but may have been on prior final exams).

## **Group Project:**

There are two types of projects you can choose.

In the first, your group must identify a firm that has been the subject of an accounting controversy (alleged or real). Your report will describe the controversy, describe the relevant accounting rules, what the company actually did, and whether the company's accounting violates GAAP (either the letter of the law or the spirit). More details are contained below.

The second type of project is to report on a specialized financial reporting issue. Possibilities include

- Reporting on corporate social responsibility activities, including quantitative (both financial and nonfinancial) aspects
- Reporting by companies emerging from bankruptcy (fresh start accounting)
- Reporting by companies pre-IPO (e.g, at the venture capital stage)
- If you have something else in mind, we can discuss it

Groups can be composed of up to 4 students (no exceptions). Groups may contain a mixture of students from my different sections. Group composition and topic approval must be finalized by **March 23** (after we return from Spring Break). **I strongly encourage you to form your teams sooner than this and to get started on your project before this date as well.** The earlier you decide on a company, the more time you'll have to work on it, and the better your project is likely to be.

Group Projects must be turned in by **Wednesday April 15th at 4:00 pm.** A hard copy must be turned in to the accounting suite. In addition an electronic copy should also be sent to me (by that same time).

Once you have a tentative project, send me an email letting me know what you propose to work on. If it's the first type of project, include a brief statement identifying the firm and describing what you believe the accounting issues are for that firm are. An article from the financial press describing the controversy would probably work here. If I feel the firm/controversy is inappropriate, not complex enough, or too complex, I will veto it, or help you modify it.

### **Additional Guidelines for Projects:**

The second type of project is easier to describe. While there might be companies who have been criticized for their reporting practices here, this is less important for this type of project. Instead, the project should be a more comprehensive summary of the accounting rules (if any) and financial reporting practices on your chosen topic. You should compare the reporting and disclosure practices of several firms (perhaps within the same industry). You should also provide an evaluation of which firms or practices you think are better. To the extent you can provide any information on the financial impact of the reporting practices, that would also be a good addition.

For the first type of project, identifying a suitable company is key. You should identify a company that has been criticized or investigated for some questionable *accounting practice*.

- Good places to search include popular press articles, analysts' reports, or the SEC accounting enforcement page (<http://www.sec.gov/divisions/enforce/friactions.shtml>). In addition, short seller reports (or lists of companies with a lot of short sellers) can also be useful.
- Make sure that you choose a firm with questions about its accounting practices and/or judgments rather than a firm that has committed outright fraud. For example, a firm that ships empty boxes and books revenue is a fraud. A firm that ships actual product and books all of the revenue without any provision for bad debts has questionable accounting

practices. Many controversies may include elements of fraud, but they should not be exclusively fraud.

- Do *not* choose Enron, WorldCom, AOL, Sunbeam, or Microstrategy.
- Do not choose any firm whose accounting controversy will be covered in class. For example, it's perfectly OK to pick a firm that has been found to have derivative accounting controversies, but don't pick American Airlines – because that's the derivatives case we'll be doing in class.
- It's perfectly fine to pick a non-US company for your project. You might need to learn the local country (or IFRS) rules in more detail to do a non-US company. Financial statement details might also be harder to come by.
- Multiple groups can investigate the same company, but they *must* work *independently*!
- The degree of difficulty will be taken into account in grading your project. Thus, you are *encouraged* to investigate accounting issues that are difficult and that we haven't covered, or won't cover, in class.
- Companies with problems that have occurred within the past 5 years will be given more credit than problems that occurred longer ago.
- You will need to find financial statements for the company. Search for the company on the SEC Edgar system (which can be accessed through the Lippincott Library page) or check out the company's web site to ensure you have access to financial statements.
- If you have any questions, please feel free to talk to me about your choice of company to investigate.

Once you have chosen a company, write a report on the company that addresses the following issues:

1. Describe the economic transaction(s) underlying the questionable accounting. Discuss the transaction in the context of the company's business and strategy (you may need to look in the company's annual report for this material).
2. Describe the accounting procedure used by the company and the accounting procedure that "should" have been used according to the critics of the accounting practice. Journal entries may be helpful here in laying out the accounting. What is the basis or justification for the company's accounting practices and for the alternative accounting practices in terms of accounting rules and concepts? How detailed or forthcoming about the accounting procedure was the company in its annual report prior to the controversy?
3. What indications were there (if any) of the problem that an astute analyst might have seen in advance?
4. Do you agree with the critics that the company's accounting practices were wrong, given your answers to the above questions? Why or why not? Note that, just because a company gets criticized for its accounting, it is not necessarily doing the wrong thing. Microsoft has been investigated by the SEC numerous times for questionable accounting

practices and has been cleared every time. Are there changes to accounting or auditing standards you would recommend based on what happened?

5. If the company were to restate its financial statements using the accounting procedure that “should” have been used, what would be the effect on the a) income statement, b) balance sheet, and c) statement of cash flows? You do not have to replicate the entire statement; you just need to indicate changes (e.g., accounts receivable would increase, net income would decrease, etc.)
6. Why do you think the alleged problem occurred?
7. What were the consequences of the revelation / resolution of the problem? What happened to the firm’s stock price? Did anyone get prosecuted or sent to jail? Were any fines levied? Etc.
8. Does the revelation of the company’s alleged flawed accounting practices change your assessment of the company’s long-run value? If so, how? If not, why not? Here I want something more substantive than the statement “value is based on cash flow, not on accounting numbers.”

Hand in the following:

- A written report which addresses these issues. There is no page or word limit on your write up of this assignment, but please use 12 pt. font and at least a 1” margin on each side.
- The article, analyst report, or SEC enforcement bulletin that alerted you to the situation.
- Any other exhibits or material to support your analysis.
- The most relevant set of financial statements issued by the company (the ones to which the controversy pertains) should be made available electronically.

### **Final Exam**

The final exam will be a take-home exam. It will be open-book and open-notes. While it is “officially” cumulative, it will concentrate on material covered since the midterm exam.

The final exam is a take home that will be available via Canvas shortly after the last day of class – no later than **Monday May 4th**. It is due (in the accounting suite- 1300 SH-DH) on **Friday May 8<sup>th</sup> at 4 pm**. **This exam can be turned in electronically (email it to me), so you don’t have to be physically present in Philadelphia to turn in it.**

**As with the midterm exam, you must work on the exam individually.** You are not permitted to discuss the exam with anyone else, including other students, former students, or people in the real world. However, you are permitted to use any written resource, such as your notes, the textbook, information on the company you find on the web, etc. Violations of these procedures will constitute cheating and could result in receiving an F for the course.

Questions and solutions from prior exams will be available on Canvas.

## **Re-Grading Requests**

All re-grading requests must be made within *two calendar weeks* following the return of the assignment or exam (unless otherwise noted). *A request for a regrade will not be considered if it is submitted more than two weeks after the return of the assignment or exam (or after the specified deadline).* To have an assignment or exam re-graded, you must submit the original (with no modifications) and a written description of your disagreement with the initial grade.

## Preliminary Course Outline

<u>Session</u>	<u>Date</u>	<u>Topic</u>	<u>Problem/Case</u>
1	Wed Jan 14	Introduction	Enron and Cisco
	Mon Jan 19	<b>No Class – Martin Luther King Jr Day</b>	
2	Wed Jan 21	Accounting Earnings Quality	Corbomax
3	Mon Jan 26	<b>NO CLASS</b>	N/A
4	Wed Jan 28	Earnings and Cash Flow- Introduction	SCF - Alpha and Beta SCF - Epsilon and Omega
5	Mon Feb 2	Reconciling Revenues and Cash Flows	Revco and HP-Autonomy
6	Wed Feb 4	Projections of Earnings and Cash Flow	Financial Statement Projections; Accounting-Based Valuation
7	Mon Feb 9	Revenue Recognition	Revenue Recognition Vignettes Lehman Brothers
8	Wed Feb 11	Earnings Per Share and Dilution	Ciber Inc
9	Mon Feb 16	Employee Stock Options - Accounting	Google – Part 1
10	Wed Feb 18	Employee Stock Options - Valuation	Google – Part 2 Valuing a Stock Option
11	Mon Feb 23	Income Taxes	EBIX
12	Wed Feb 25	Fair Value and Unrealized Gains and Losses	TBA
13	Mon Mar 2	Long Term Assets - International	Land Securities
14	Wed Mar 4	<b>NO CLASS – MIDTERM IN PROGRESS</b>	
	Mar 9- 15	<b>NO CLASS – SPRING BREAK</b>	
15	Mon Mar 16	Intangible Assets	TBA
16	Wed Mar 18	Derivatives	American Airlines
17	Mon Mar 23	Risk Disclosures	Cisco Systems
18	Wed Mar 25	Long Term Debt – Market vs Book Values	Royal Bank of Scotland
19	Mon Mar 30	Leases, and Convertible Debt	CVS-Caremark
20	Wed Apr 1	Pensions and OPEB	American Airlines
21	Mon Apr 6	Consolidations	Coca-Cola
22	Wed Apr 8	SPE's and Variable Interest Entities	Alza
23	Mon Apr 13	Multinationals and Foreign Currency Translation	Eyepass Worldwide
24	<b>Wed Apr 15</b>	<b>NO CLASS - GROUP PROJECT DUE</b>	
25	Mon Apr 20	Segmental Reporting	Pepsi
26	Wed Apr 22	Compensation and Governance Disclosures	TBA
27	Mon Apr 27	Initial Public Offerings	TBA
28	Wed Apr 29	Course Summary	None

University Reading Days – April 30 – May 1  
 University Final Exam Week - May 4 – May 12

## **Preliminary Schedule of Assignments**

RCJMS refers to Revsine, Collins, Johnson, Mittelstaedt, and Soffer *Financial Reporting and Analysis*, 6th edition

### **Session 1    Wednesday January 14    Introduction**

Read:            RCJMS: Chapter 1 (skim)  
                      Notes on Audit Report  
                      Notes on Sarbanes Oxley Law – Sections 302 and 906

                      MD&A: Revealing the Soft Numbers

Skim these:

                      The Rise and Fall of Enron  
                      Timeline of the major Enron-related events  
                      Timeline of key events leading to Andersen demise  
                      An Enron Primer  
                      The New Breed of Fraudster

Prepare:        Cisco Systems

### **Session 2    Wednesday January 21    Accounting Earnings Quality**

Read:            RCJMS: Chapter 2 pp. 65-80;  
                      Chapter 3, pp. 144-157;  
                      Chapter 5, pp. 239-242,  
                      Chapter 6. pp. 329-330  
                      Chapter 7, pp. 390-392

                      Notes on Structure of the Income Statement  
                      Notes on Accounting Changes  
                      Comparison of Methods  
                      Changes in Accounting For Changes

Prepare:        Corbomax

## **Session 4 Wednesday January 28 Earnings and Cash Flow – Introduction**

Read: RCJMS: Chapter 2, pp. 54-59  
RCJMS: Chapter 17 (this should all be review, concentrate on pp. 1047-1059).  
RCJMS: Chapter 4, pp. 202-216

Class Notes on Cash Flow Statement

### Skim These:

Cash Flow Never Lies, Or Does It?  
How Comcast Does Its Counting – ‘Cash Flow’ Looks Better Using Non-GAAP Metric  
Cash Flow? It Isn't Always What it Seems  
Testimony of Richard Roach on Enron Prepays

Prepare: Alpha and Beta  
Omega and Epsilon

## **Session 5 Monday February 2 Reconciling Revenues and Cash Flow**

Read: RCJMS Chapter 8, pp. 417-427

Class Notes on Revenue Recognition and Cash Collected  
Installment Method – An Example

Skim These: RCJMS, Chapter 3, pp. 134-136  
Apple Now Sitting on \$10bn of Deferred Revenue  
Hewlett's Loss – A Folly Unfolds, By The Numbers  
How HP's Meg Whitman is Passing the Buck  
HP's Explanation Still Makes No Sense  
With Autonomy, HP Bought an Old Fashioned Accounting Scandal, Here's how it worked.

Prepare: Revco  
HP and Autonomy

## **Session 6 Wednesday February 4 Projecting Earnings and Cash Flow**

Read: RCJMS: Chapter 6, Appendix B  
RCJMS: Chapter 6, pp – 309-334  
RCJMS: Chapter 6, Appendix A (skim)

Class Notes on Accounting Based Valuation  
Class Notes on Valuation With Finite Horizon Models  
EVA and the Private Company

Skim These:

Practice Problems: Accounting-Based Valuation Practice Problem

Prepare: Accounting-Based Valuation  
Financial Statement Projections Problem

**Session 7 Monday February 9 Revenue Recognition**

Read: RCJMS Chapter 3, pp. 162-164  
RCJMS, Chapter 2, pp. 57-65 (skim)  
RCJMS, Chapter 3, pp. 141-143

Notes on Revenue Recognition  
Gross versus Net Presentation of Revenue

Skim These:

All Revenue is Not Created Equal  
Rulemakers Launch Revenue Recognition Makeover  
Revenue Recognition – Will a Single Model Fly  
New Revenue Recognition Rules – The Apple of Apple’s Eye  
Report Shows How, Collapsing, Lehman Hid Woes  
Subprime Mess Fueled by Crack Cocaine Accounting  
Once Upon a Time, in the Land of Subprime

Yahoo, Google, and Internet Math  
Accounting Change Cuts Groupon’s Revenue  
Xerox Settles SEC Enforcement Action

Prepare: Revenue Recognition Vignettes  
Merck  
Revco (start)

**Session 8    Wednesday February 11    Earnings Per Share and Dilution**

Read:                      RCJMS Chapter 15, pp. 904-911

Class Notes – Dilution and Earnings Per Share  
Dilution of Employee Stock Options  
Accounting for Accelerated Share Repurchase Programs

Skim These

New EITF Pronouncement Aims to Close CoCo Loophole  
Ciber Declares it will Settle at least 30% of its Convertible Debt in Cash  
    Helps Mitigate FASB Stance  
Ciber's Money Where Its Mouth Is  
Move Over CoCo's: Net Shares Will Do

Practice Problems:    Earnings Per Share Illustrations  
                                 Accelerated Share Repurchase (ASR) Illustration

Prepare:                 Ciber, Inc – Stock Options, Convertible Debt, and Dilution

## **Session 9 Monday February 16 Employee Stock Options**

Read: RCJMS: Chapter 15, pp. 911-924, Chapter 17, pp. 1057-1059

Class Notes on Employee Stock Options  
Accounting for Stock Options  
Stock Options – It's Back to the 90's

Skim These:

“From FASB and IASB to Managers: Don't Stop Feeding at the Option Trough”  
“Google's Optional Windfall”

Prepare: Google – Part 1

## **Session 10 Wednesday February 18 Valuation of Employee Stock Options**

Read: RCJMS: Chapter 15, pp. 911-924  
Class Notes on Valuation of Employee Stock Options  
The Best Way of Valuing Options,  
New Valuation Model could dampen the controversy over expensing employee stock options

Deciding Value of Stock Options May Be Tricky --- Lack of Universal Method  
For Determining Amount Poses Dilemma for Firms,  
Using the Black Scholes Model  
How To Excel at Option Valuation

Skim These

Google Creates Options Market  
Are TSO's A New Trend?  
Expected Life After SAB 107 and SAB 110”

Prepare: Google - Part 2  
Valuing an Employee Stock Option (see spreadsheet on Canvas)

**Session 11 Monday February 23**                      **Income Taxes**

Read:            RCJMS: Chapter 13 – esp. pp. 757-791  
                    Class Notes on Income Taxes  
                    Class Notes On Income Taxes – Advanced  
                    Reporting Uncertain Tax Positions

Skim:            Fin 48: Standing Naked Before the IRS  
                    Uncertainties Created by Fin 48  
                    Understanding Fin 48  
                    Lost in Translation: Detecting Tax Shelter Activity in Financial Statements  
                    How Apple Sidesteps Billions in Taxes  
                    Apple’s Response on its Tax Practices

Practice Problem:     Accounting for Taxes: Illustrative Example and Solution

Prepare:            EBIX

**Session 12 Wednesday February 25**                      **Fair Value – Unrealized Gains and Losses**

Read:            RCJMS: Chapter 6, pp. 321-323  
                    RCJMS: Chapter 16, pp. 953-961 and pp. 1004-1007  
                    RCJMS: Ch 8, p. 431-432.

                    Class Notes on Fair Value Accounting (Mark to Market)  
                    Fair Value Measurements

                    SEC – Fair Value Savior  
                    Fair Value Roundtable  
                    Fair Value Accounting is Alive and Well  
                    Financial Reporting and the Financial Crisis: The Case for Measuring Financial  
                                    Instruments at Fair Value in Financial Statements

Skim These:            It’s Time to Get Real About Realizations  
                                    FASB’s New Draft on Values: Good News and ...

Prepare:            TBA

**Session 13 Monday March 2 Long Term Assets – International**

Read: RCJMS: Chapter 10, pp. 576-580 (skim the rest of the chapter)  
Knight Frank Report - Land Securities Group

Practice Problem: Reidl Realty Trust

Prepare: Land Securities

**Session 14 Wednesday March 4 NO CLASS**

## **Session 15 Monday March 16 Intangible Assets**

Read: RCJMS: Chapter 10, pp. 555-562  
Valuing Intangibles: A Primer  
A Primer on Goodwill Impairment

Skim These:  
In-Process R&D in Business Acquisitions”  
Corporate writedowns may hit \$1 trillion  
Measuring the Intangible Assets of a Firm  
Brand Valuation – Interbrand  
The Top 100 Global Brands - 2013

Prepare: Pfizer

## **Session 16 Wednesday March 18 Derivatives**

Read: RCJMS: Chapter 11, pp. 633-651  
Class Notes On Hedging and Derivatives

Derivative Wars

Skim These:  
Southwest Hedges Curb Rising Fuel Cost  
Airlines Try To Hedge the Cost of Fuel They Buy Months in Advance  
Southwest Posts First Loss in 17 Years”  
Goldman Sachs’ Report on Porsche  
IASB and FASB issue common offsetting disclosure requirements

Practice Problem: Global Candy Company

## **Session 17 Monday March 23 Risk Disclosures**

Prepare: American Airlines

Read: RCJMS: Chapter 6, pp. 277-281; pp. 333-339  
Summary FAS 161  
SEC-Market Risk Disclosures: Enhancing Comparability (concentrate on pp. 62-67)

Skim These:  
Value at Risk  
Risk Mismanagement  
VAR – Point Counterpoint  
Lost in the Maze

Prepare: Cisco Systems and Microsoft

## **Session 18 Wednesday March 25 Long Term Debt – Market vs Book values**

Read: RCJMS: Chapter 11, esp. pp. 601-625  
RCJMS: Chapter 15, pp. 924-929

Practice Problem: Historical Cost vs Market Value of A Bond  
Practice Problem: Metro-Goldwyn-Mayer Inc

Prepare: Royal Bank of Scotland

## **Session 19 Monday March 30 Leases and Convertible Debt**

- Read: RCJMS: Chapter 12 and Appendix(skim); Chapter 15, pp. 924-930  
Class Notes on Accounting for Leases
- Skim: Hidden in Plain Sight  
Open Secrets: How Leases Play a Shadowy Role in Accounting  
Out of the Footnotes, Into the Spotlight  
IASB and FASB Announce Intention to Re-examine Leasing Proposal
- Read: Class Notes on Accounting for Convertible Debt
- Skim: Convertibles: Get Ready to Lever Up
- Practice Problem: Accounting for Convertible Debentures – An Example  
Accounting for Convertible Debentures – Solution  
MGM
- Prepare: CVS  
Intel

## **Session 20 Wednesday April 1 Pensions and OPEB**

- Read: RCJMS: Chapter 14  
Class Notes on Pensions
- Skim These: Pensionphobia Strikes Again  
Pension Accounting Change Could Make Company Profits Less Predictable  
Stock Options, Yes. Pension Coffers, No  
Public Pensions Cook the Books  
Detroit Ruling Reverberates Around Country
- Practice Problems: Pension Accounting - An Example and Solution
- Prepare: American Airlines

**Session 21 Monday April 6 Consolidations**

- Read: RCJMS: Chapter 16, pp. 961-975  
Class Notes on Business Combinations - New Rules  
Class Notes on Accounting For and Presentation of Noncontrolling Interests
- Skim These: Mishmash Accounting  
Coke Acquires North American Unit of Bottler
- Practice Problem: Goodwill and Noncontrolling Interests in Acquisitions Examples  
Consolidation and Equity Method Illustration
- Prepare: Coca-Cola (see spreadsheet)

**Session 22 Wednesday April 8 Organizational Structure – SPE’s and VIE’s**

- Read: RCJMS: Chapter 11, pp. 631-633  
RCJMS: Chapter 16, pp. 985-1002  
Update on Consolidation of Variable Interest Entities: Changes to criteria for Primary Beneficiaries, definition of variable Interest entity, disclosures  
Summary of FAS 167
- Skim These: Enron and the Raptors (SKIM)
- Practice Problems: Expected Losses Residual Returns Example  
Find the Primary Beneficiary Example
- Prepare: Alza

**Session 23 Monday April 13 Multinationals and Foreign Currency Translation**

Read: RCJMS: Chapter 16, pp. 987-995  
Class Notes on Foreign Currency

Skim These: As Exchange Rates Swing Carmakers Duck  
Natural Performers

Practice Problem: Hyperana

Prepare: Eyepass Worldwide

**Session 24 Wednesday April 15 NO CLASS – PROJECTS DUE**

**Session 25 Monday April 20 Segmental Reporting**

Read: RCJMS: Chapter 5 Appendix  
Class Notes on Segmental Reporting  
Class Notes on EVA as a Performance Measure

Skim These:  
At last! The light at the end of the corporate performance tunnel  
Accounting Standard for Segment Reporting Mostly Working

Prepare: Pepsico and EVA

**Session 26 Wednesday April 22 Compensation and Governance  
Disclosures**

Read: RCJMS: Chapter 7 (skim only)

Prepare: TBA

**Session 27 Monday April 27 IPO'S**

Read: TBA

Prepare: TBA

**Session 28 Wednesday April 29 Summary**

Read: RCJMS: Chapter 1 (skim)  
  
Brief Summary of SOX  
International Financial Reporting Standards  
FASB and IASB's Irreconcilable Differences  
The Future of Financial Reporting: A Market Perspective  
Standing on Principles  
The Top 10 Reasons to Fix the FASB's Conceptual Framework

Prepare: None