

ACCT 612
Introduction to Financial Accounting (Accelerated)
Fall Semester 2015

Instructor

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Office Hours: 1:30-2:50pm Monday and Wednesday or by appointment (contact via e-mail)

Course Objectives

The goal of ACCT 612 is to improve our understanding of the disclosure firms provide in their financial reports about their results of operations. Please review the **Schedule of Assignments** below for a list of specific topics covered.

Course website

The website for ACCT 612 can be found on Canvas: <https://canvas.upenn.edu/>.

Course material that can be found on Canvas includes:

- Lecture slides in PDF format (available in advance of the scheduled class date)
- Solutions to the assigned textbook exercises and problems
- Cases for in-class discussion (along with solutions *after* the case is discussed)
- Supplementary reading

Textbook

Dyckman, T., R. Magee, G. Pfeiffer, A. Hartgraves, and W. Morse, *Financial & Managerial Accounting for MBAs*, Wharton Custom Edition, 2014, Cambridge Business Publishers. Cambridge Business Publishers customized this textbook for use in ACCT 611, 612, and 613 (in conjunction with offering a substantial discount to students); this textbook is only from the Penn Bookstore. In the **Schedule of Assignments** below, “TB” is an abbreviation for the “T(ext)B(ook)”: specifically, Dyckman, Magee, Pfeiffer, Hartgraves, and Morse (2014).

Grading

All students start the course with 250 pts. Points will be subtracted for incorrect/incomplete answers on the midterm exam, up to a maximum of 120 pts. Points will be subtracted for incorrect/incomplete answers on the final exam, up to a maximum of 130 pts. 8 cases are also covered: see the **Schedule of Assignments** for specific dates. Before class the names of 2-3 students will be selected randomly; these students will be called on to discuss their answers to the case. If a student selected in advance is not in attendance – or is in attendance but not adequately prepared to discuss the case – an additional 25 pts. will be subtracted (per case) from the 250 pts. a student is initially assigned.

Last year the MBA Office assigned ACCT 612 a grade point average of **3.4** and a LT percentage of **8%**. *Both these numbers are at the discretion of the MBA Office (!)*, and involve a variety of factors that cannot be predicted in advance (e.g., the number of students who drop the course).

Midterm and final exams

The midterm exam is scheduled for September 16 from 6-8 pm and will focus on the course material in Classes #1-6. The final exam is scheduled for October 12 from 6-8 pm and will focus on the course material in Classes #7-12. Both exams will pose questions that involve firms' financial disclosures (in most cases the disclosure of real companies). In preparing for the midterm and final exams, the following hierarchy might prove useful, with the most important items listed first.

1. Thoroughly understand the questions and solutions to the 8 cases that are covered in class
2. Carefully review the lecture slides that accompany each class
3. Do assigned exercises and problems in the textbook
4. Read the assigned material in the textbook
5. Review the disclosure of companies other than those discussed in class

With regard to the latter, the 10-Ks for two companies whose financial notes were used on last year's midterm and final are available on Canvas: Easton-Bell-Sports and Southwest Airlines.

Both the midterm and final exams will be closed book, closed notes, no electronic devices, etc.: in effect, the only items a student can take with him or her to the exam are writing materials and calculators (the exam will include 2 blank pages of 'scratch paper').

The MBA Office sets the times and dates for the midterm and final exams in ACCT 612; students have a responsibility to attend examinations at their scheduled times. If a student is unable to attend an examination, it is his/her responsibility to notify the MBA Office (and me) prior to the exam. The MBA Office has exclusive purview over whether to grant a student authorization to be absent from an examination. In the event of an *authorized* absence from any exam, a make-up exam will be administered in January, 2016, during the official make-up exam period that is set by the Registrar: a student 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 subtracting the maximum number of points associated with the exam.

After each exam, suggested solutions will be posted on Canvas. *Requests to re-grade exams are strongly discouraged!* Exams are a collaborative process between an instructor and students; if a student has a valid inquiry about how a specific question was graded, he or she must submit: 1) the original copy of the exam; and 2) a *detailed* explanation of the issue/controversy/error. Re-grading requests will only be honored up to 72 hours after exams have been distributed to students' mail folders.

Teaching assistants (TAs)

The three TAs for ACCT 612 are:

- Stephanie Daub sdaub@wharton.upenn.edu
- Victoria Ma vicma@wharton.upenn.edu
- Jordan Bennett jordanbe@wharton.upenn.edu

Information about the TAs, their offices, and their office hours will be posted on Canvas.

Schedule of Assignments

August 26 Class #1	GAAP vs. Tax Code (IRS) Slides: Class #1 TB Reading: Chapter 10, p. 476-483 TB Problems: M10-22, E10-32, P10-40, P10-41, P10-42, C10-47 Supp. Reading: SEC Challenging Multinationals on Plans for Foreign Earnings; Sony Profits Are Far Off with Write-Down; Motorola Deal Offers Google Tax Benefits; Tax Twist: At Some Firms, Cutting Corporate Tax Rates May Cost Billions
August 31 Class #2	Revenue Recognition Slides: Class #2 TB Reading: Chapter 6, p. 267-277 TB Problems: M6-14, M6-24, E6-32, E6-39, E6-40 Case #1: Tesla Motors, Inc. Supp. Reading: The 109,894-Word Annual Report; The Dozy Watchdogs; Got'em, Gotham; For New Revenue-Recognition Rules, It's Ready vs. Not; Microsoft Financials
September 2 Class #3	Accounts Receivable Slides: Class #3 TB Reading: Chapter 6 TB Problems: M6-18, M6-20, E6-33, E6-34 Case #2: Barnes & Noble Supp. Reading: Freedom to fudge; Accounting Issues at WorldCom; At Nortel, Warning Signs Existed Months Ago
September 9 Class #4	Inventory and Cost of Goods Sold (COGS) Slides: Class 4 TB Reading: Chapter 7 TB Problems: M7-15, M7-19, M7-22, E7-26, E7-29, E7-31 Case #3: Research in Motion (RIM) Supp. Reading: Big Oil's Accounting; Unraveling Inventory's Riddle; Fade to BlackBerry; Boeing Hits a Milestone; Chesapeake's Obscure Costs

September 14	Long-Lived Assets	
Class #5	Slides:	Classes #5 & 6
	TB Reading:	Chapter 8
	TB Problems:	M8-11, M8-14, E8-24, P8-36
	Supp. Reading:	IFRS Spells Write-Downs; DirecTV Write-Downs

September 16	Long-Lived Assets (continued)	
Class #6	Slides:	Classes #5 & 6
	TB Problems:	M8-17, M8-21, E8-28, E8-32, P8-39
	Case #4:	Berwick Tools
	Supp. Reading:	Demystify the Lehman Shell Game; HP to Book 8 bn Charge; SEC Makes B&N Justify Goodwill

September 16	Extended Office Hours: 1:30-4:30 pm
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September 16	Midterm Exam: 6-8 pm (location TBA)
	Topics Covered: Classes #1-6

September 21	Long-Term Debt	
Class #7	Slides:	Class #7
	TB Reading:	Chapter 9, Appendix A (Time-Value of Money)
	TB Problems:	M9-22, M9-23, M9-31, M9-34, E9-47, P9-53, 9-55
	Case #5:	Starbucks
	Supp. Reading:	Citigroup Finds a Profit; Morgan Stanley to Post a Loss from Bonds

September 23	Leases	
Class #8	Slides:	Class #8
	TB Reading:	Chapter 10, p. 453-466
	TB Problems:	M10-13, M10-15, E10-23, E10-26
	Case #6:	Safeway
	Supp. Reading:	New Accounting Rules Ruffle the Leasing Market; Leases Suffer Identity Crisis; Northeast Airlines Financials

September 28 Class #9	Marketable Securities and Intercorporate Investments Slides: Class #9 & 10 TB Reading: Chapter 12, p. 555-581 TB Problems: M12-11, M12-12, E12-24, E12-26, E12-38 Supp. Reading: Bank Quandary - Valuing the Assets; Distortions in Baffling Financial Statements
September 30 Class #10	Marketable Securities and Intercorporate Investments (continued) Slides: Class #9 & 10 TB Reading: Chapter 12, p. 555-581 TB Problems: M12-14, M12-15, E12-28, E12-29, E12-34 Case #7: Peet's Coffee Supp. Reading: Buyers Beware: The Goodwill Games
October 5 Class#11	Statement of Cash Flows Slides: Class #11 & 12 TB Reading: Chapter 4 TB Problems: E4-34, E4-38, E4-41, E4-44 Problem: Animatronics Supp. Reading: Cash Never Flow Lies; PepsiCo Statement of Cash Flows
October 7 Class#12	Statement of Cash Flows (continued) Slides: Class #11 & 12 TB Reading: Chapter 4 TB Problems: P4-50, P4-51, P4-54 Case #8: Callaway Golf Supp. Reading: Quick Cash via Receivables Deals
October 12	Extended Office Hours: 1:30-4:30 pm
October 12	Final Exam: 6-8 pm (location TBA) Topics Covered: Classes #7-12