

Accounting 742

Problems in Financial Reporting

Course Objectives

Accounting 742 is designed to increase your ability to extract and interpret information in financial statements. We will focus on developing your accounting analysis skills, as well as your ability to utilize those skills in assessing a firm's underlying business strategy and underlying economic performance. For example, after taking this course, you should be able to use the disclosures in a firm's financial report to determine its accounting policy for a particular type of transaction and be able to determine how that policy choice affects its primary financial statements. Given your understanding of the drivers of the statements, you should be able to assess what, if anything, those statements communicate about the firm's strategy and economic performance.

In order to satisfy the course objective you will often be asked to struggle with real financial statement disclosures. Such activities are hard because accountants are not inherently gifted at communication, which is why they are accountants as opposed to journalists, speechwriters, novelists, or screenwriters. Furthermore, accountants must write with legal concerns in mind, which generally does not favor compelling, concise, and explicit narratives. By engaging in these difficult accounting analysis "workouts," however, you will develop valuable accounting research and reasoning capabilities.

Class Materials

Canvas

In advance of each class you should work through the material required for the pre class quiz associated with that class. The quiz can be found in the assignments tab of the Canvas site. The files associated with each class can be found in the files tab, and there will be a folder for each class. Within each folder will be three subfolders. The subfolder labeled Pre Class Materials will include cases, problems, or teaching notes that should be read prior to class. These items can be linked from the quiz page as well. The subfolder labeled In Class Materials will contain class slides as well as any other material we will cover in class that is not included in the Pre Class Materials. The class slides will be available at 6:00 PM the evening before class. The Post Class Material Subfolder contains material distributed during class, brief technical notes for the cases or problems discussed, and optional readings related to what was covered in class. This material will be made available at the end of the day that the class session is held.

In addition to the class session materials, there will be folders with practice problems labeled Exam 1 Practice Problems and Exam 2 Incremental Practice Problems. Within each of these folders will be practice problems related to the material covered on each exam. Note that Exam 2 will cover material associated with both sets of practice problems.

There will also be practice exams available for each exam. These practice exams can be accessed via the assignments tab on Canvas. The files for the practice exams can be found in the Practice Exams folder, and can be linked from the quiz itself.

Finally, each exam will be based upon a single set of financial statements, and those financial statements will be made available at the beginning of the fourth week of class. They will be found in the folders on Canvas labeled Exam 1 Materials and Exam 2 Materials.

FASB Accounting Standards Codification (ASC)

You will also have access to the Financial Accounting Standards Board's (FASB's) searchable accounting standards codification (ASC). The ASC is a great reference for technical accounting, although it is not necessarily the most user friendly. (It becomes friendlier with use.) To access the FASB site go to the syllabus posted on Canvas.

*Your Introductory Text or a GAAP Guide (**Optional** Reference Book)*

Your introductory text can provide a useful reference for some of the material we will cover.

You also might find a GAAP guide useful for reference purposes. More than one publisher offers a GAAP Guide (e.g., CCH and Wiley). In general, a GAAP Guide provides a good overview of technical accounting by topic area as well as references to the Accounting Standards Codification (ASC).

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Grading

A two-tiered grading system is employed in this course. The first tier is for students who wish to focus solely on learning some technical accounting, but who do not want to complete an accounting analysis project. The maximum grade attainable for students who do not complete the accounting analysis project is a B. The second tier is for students who decide to extend themselves a bit more and prepare an accounting analysis project, which requires the application of technical accounting skills, critical reasoning, and, dare we say, a bit of creativity. The maximum possible grade attainable for students who complete the project is an A. If a student completes the project and does not do well enough to exceed a B or better in the course, that student's final grade will be determined by the maximum of their Tier 1 and Tier 2 grades. ***Finally, LT grade designations will be determined solely by the Tier 1 grades. Hence, do not blow off the course with the expectation that you can survive by executing a good project (or finding a good group to work with on the project).***

Tier 1 Grade. To obtain a grade up to a maximum of a B, you must obtain at least that grade based upon the following weighting scheme:

Class Preparation and Performance	30%
Exam 1	30%
Exam 2	40%

Tier 2 Grade. To obtain a B+ or better, you must obtain that grade based upon the following weighting scheme:

Class Preparation and Performance	15%
Exam 1	25%
Exam 2	35%
Accounting Analysis Project	25%

Preparation and Performance, Exams, and Optional Project

Class Preparation

Prior to each class, you will complete some class preparation questions on Canvas, which will require you to answer some questions via a web interface. With the exception of Session 1, these materials are due by 8:00 AM the day of class. The goal of the class preparation questions is simple – to induce you to prepare for class. Note that the class discussion in most cases will build off of the class preparation questions (many of which are very simple), as opposed to just going over the answers to the class preparation questions. To obtain credit for engaging in class preparation, you must complete the preparation materials when they are due. No exceptions.

Exams

There will be two exams during the semester. Each exam will be taken online during an exam window. The windows are as follows:

Exam 1: Tuesday, 10/27, 7:00 PM to 9:00 PM

Exam 2: TBA (some 3-hour window during the scheduled final exam period)

Each exam will be cumulative in the sense that you are responsible for all topic areas covered up to and including the exam. In addition, you may be asked about material that relates conceptually to what we have covered, even if we did not directly cover that material. You may not discuss (very broadly defined) the exam with any other individuals except for me during an entire exam window – no exceptions. You can use any written reference resources including your notes, GAAP guides, textbooks, and material on the web. Each exam will be based upon a single set of financial statements. Those financial statements will be made available on September 21 and can be found in the folders on Canvas labeled Exam 1 Materials and Exam 2 Materials.

Project

If you decided to do an accounting analysis project, you will do the project with a group of 2 to 4 fellow students (each group can have no less than 2 and no more than 4 students – no exceptions). Details regarding the Accounting Analysis Project are provided in the Accounting Analysis Project assignment on Canvas.

Instructor Availability

My office is in 1321 SHDH, my phone number is (215) 573-7533, and my email address is pef@wharton.upenn.edu. Office hours are by appointment. Please contact me in advance to make an appointment. You are also welcome to stop by to see me at any time. If you stop by and I have other commitments, I will be happy to make an appointment with you for later in the day.

In addition, I would be happy to host groups of 3 to 5 students for lunch on Tuesdays and Thursdays of each week. If you would like to sign up a *group* for a lunch, please let me know via email, telephone or just after class. We will work out a mutually agreeable date and you will select the location for the lunch.

Optional Review Sessions

I will be hosting optional review sessions during the term. These sessions are targeted towards students who are struggling with the subject matter. Typically, such students found their introductory accounting course quite challenging and are still uncomfortable dealing with financial accounting mechanics. The sessions will have a question and answer format in which the students will ask the questions and I will attempt to provide coherent answers. In addition, we will work through practice problems.

Review sessions will be held from 4:30 PM to 6:00 PM on the following dates: 9/10 (TH), 9/15 (T), 9/22 (T), 9/29 (T), 10/13 (T), 10/20 (T), 11/3 (T), 11/10 (T), 11/17 (T), 12/8 (T). The location will be announced at a later date.

Accounting 742: Problems in Financial Reporting
Fall 2015
Summary Class Schedule

Session	Day	Date	Topics
1	Wednesday	8/26	Earnings Quality Audit Report Income Statement Format
2	Wednesday	8/31	Cash Flows and Ratio Analysis
3	Monday	9/2	Revenue Recognition
4	Wednesday	9/9	Reverse Engineering Revenues (And Brief Review: Deferred Income Taxes Timing Differences)
5	Monday	9/14	Revenue Recognition: Accounting Changes
6	Wednesday	9/16	Revenue Recognition: Change in Business Model
7	Monday	9/21	Revenue Recognition: Franchises
8	Wednesday	9/23	Revenue Recognition: Receivables/Provision for Loan Losses
9	Monday	9/28	Revenue Recognition: Deferrals
10	Wednesday	9/30	Revenue Recognition: Sources and Segments
11	Monday	10/5	Expense Recognition
12	Wednesday	10/7	Expense Recognition: Inventory and Cost of Goods Sold
13	Monday	10/12	Expense Recognition: Capitalization vs. Expensing
14	Wednesday	10/14	Expense Recognition: When?
15	Monday	10/19	Accounting for Taxes I
16	Wednesday	10/21	Accounting for Taxes II
17	Monday	10/26	Contracts, Commitments, and Contingencies/Leases
18	Tuesday	10/27	Exam 1: 7:00 PM to 9:00 PM
19	Wednesday	10/28	Long-Term Debt and Fair Value Accounting
20	Monday	11/2	Pensions and Other Post Employment Benefits
21	Wednesday	11/4	Earnings per Share Contingent Compensation
22	Monday	11/9	Derivatives and Hedging
23	Wednesday	11/11	Guest Speaker
24	Monday	11/16	Introduction to (Review of) Active Corporate Investments
25	Wednesday	11/18	Active Investments: Control and Significant Influence
26	Monday	11/23	No Class
	Monday	11/29	Projects Due by Midnight
27	Monday	11/30	Accounting and Organizational Form
28	Wednesday	12/2	Intangibles
29	Monday	12/7	Summary and Conclusion
	TBA	TBA	Exam 2: TBA (a 3-hour window during the final exam period)