



## **ACCT613: Introduction to Financial & Managerial Accounting Spring 2016 - Syllabus**

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| Instructor:          | <b>Professor (Radha) B. Radhakrishna</b><br>1355, Steinberg Hall Dietrich Hall   |
| Email:               | <a href="mailto:raradha@wharton.upenn.edu">raradha@wharton.upenn.edu</a>   |
| Office Hours:        | Tuesday/ Thursday – 3:15 to 4:15 p.m. or by<br>appointment.  |
| Teaching Assistants: | Jay Dash, <a href="mailto:jaydash@wharton.upenn.edu">jaydash@wharton.upenn.edu</a><br>Lesley Do Duong, <a href="mailto:duongdo@wharton.upenn.edu">duongdo@wharton.upenn.edu</a><br>Shuyang Bai, <a href="mailto:Shubai@wharton.upenn.edu">Shubai@wharton.upenn.edu</a> |
| Office Hours:        | TBA  |

### **Course Objectives**

The accounting system provides much of the data needed to make business decisions. Whether you are a manager or an investor, this information is an essential building block. The aim of this course is to help you build a strong base at the outset of your business education.

The purpose of this course is to provide a comprehensive, graduate level introduction to accounting. It is designed to provide managerial users of accounting with the foundations of accounting concepts and mechanics; and to help develop a perspective for the intelligent use of accounting information. You will learn about the accounting system used by firms to measure and report their economic performance and financial position to external constituents such as stockholders, debt holders and potential investors. By the end of the course you should be able to read and interpret financial accounting reports (balance sheet, income statement, cash flows, and owners' equity) and draw conclusions about a firm's performance. Additionally, you should get a basic knowledge of the cost systems and performance measurements used for managerial decisions.

The course has two distinct parts – Financial Accounting and Managerial Accounting. Financial accounting is taught in the first 9 weeks of the course. Managerial accounting is taught in the last part of the course.

Financial accounting is organized in two related modules. In the first module you will be taught the basics of how the accounting is done – that is, how the information is recorded, organized and collated to produce the most important reports. You will learn to create various accounting reports that companies produce. The first module of the course is the foundation, and I would urge you to be specially attentive and industrious at this stage to ensure that you build a solid foundation for the future. There will be a midterm exam at the end of the first module. In the second module you will review the balance sheet in greater detail. In the process, you will learn to understand the relevance of the information provided, and how to use it in evaluating company performance.

Managerial accounting provides an overview of information that is internal to the organization (in contrast, financial accounting information is reported publicly by companies). In this portion of the course, you will review cost concepts and learn about the use of the cost accounting system and other performance evaluation metrics for managerial decision-making. The final exam of the course will cover the second module of financial accounting and all of managerial accounting.

### **Course Materials**

The course will be taught entirely from my notes. I will use a number of case studies. The class notes and cases for each week will be posted on *Canvas* well in advance, so that you have enough time to skim through the material before we meet in class. **THERE IS NO REQUIRED BOOK FOR THIS COURSE.** The recommended textbook for this course is *Financial & Managerial Accounting for MBAs*, by Dyckman, Magee, Pfeiffer, Hargraves and Morse, Wharton Custom Edition, 2014, Cambridge Business Publishers. Note that this book is recommended but NOT required. It is recommended for those of you that would like to have additional problems for practice. Solutions to the problems in the book will be made available for this purpose. Note that what is taught in class will not necessarily follow the material in the book. Therefore following the book is not a substitute for attending the class.

Please note that class notes are written with the aim of promoting class discussions. Therefore, by design, they have gaps that are filled during class discussions – this promotes the process of discovery. Consequently, the class notes are not a substitute for a book. Attending classes therefore becomes very important - to ensure that you fill in the gaps and learn what is taught in the course. It is highly recommended that you attend all classes or make arrangements to make up for what you missed.

We will closely follow the financial reporting of several companies. The financial statements of these companies will be made available on *Canvas*. One of the aims of this course is to get you comfortable in reading through financial statements and drawing conclusions. In fact, during the final exam you will be asked to answer questions that will require you to read a financial statement to answer the questions.

We will work through several cases during the course. All the cases used in the course will be posted on *Canvas*. Cases are intended for class discussion and solutions will be posted following the discussion.

Sharing of course materials with anyone who is not currently enrolled in the course or someone who is not in your section is not allowed (both giving and receiving). It would be considered a violation of the honor code (and potentially of the copyrights).

### **Grading**

Grades will be assessed based on your scores from case and problem set submissions, and from two exams (as described below). Please review the information below on the different components that will make up your grade.

**(1) Problem Sets:** There are four problem sets (homework) to be submitted during the semester. The due date (and time) for the submissions is given in the schedule provided at the end of this syllabus. You may work in groups or seek help from others to solve the problem sets. But the final submission must be your work. Problem sets will be graded for completeness and correctness (not just effort). If you miss a submission there is no way to make-up.

**(2) Cases:** There are 10 cases for discussion during the course. Of these, four (4) cases must be submitted for grading during the semester as per instructions below. The remaining six (6) – labeled “in-class cases” in the schedule – do not have to be submitted (and will not be graded). You are required to work in groups to solve all the cases. Each “submission” case requires two submissions (by each group). The first of the two submissions (one per group) is required before the start of class on the day the case is discussed. A second revised submission (one per group) for the same case should be submitted before the end of Friday of the week the case is discussed in class. If you miss a submission there is no way to make-up.

(3) **Exams:** There are two exams in this course.

1. **\*Midterm Exam:** This exam will be held on February 18, during class hours. You will be tested on all material covered in class till the end of the previous class. This exam will be 80 minutes long. There will be no exam during the 3/1 to 3/4 exam period.
2. **Final Exam:** This exam will be held on May 5, from 3:00 p.m. to 5:00 p.m. It will cover all the remaining financial accounting material not covered in the midterm, and include materials from the managerial accounting segments of the course (see schedule at end for more details). This exam will be 2 hours long.

Exams are closed book, but you are allowed to bring to each exam one sheet of 8.5" x 11' paper with your own notes (It must be your own notes). The notes may be handwritten or typed (any font size). You may write on both sides of the sheet. You will need to submit your notes with the exam. If you bring notes and do not submit it with your exam, you will lose 10 points in the exam. You are allowed to use a regular calculator during the exams, but phones and computers will not be allowed.

The weight of each assignment that will determine your grade is given below:

|                                       |       |
|---------------------------------------|-------|
| Problem Sets (See schedule for dates) | 300   |
| Cases (See schedule for dates)        | 200   |
| Midterm Exam (Feb 18)                 | 200   |
| Final Exam (May 5)                    | 300   |
| Total                                 | 1,000 |

There is NO class participation grade. However, as mentioned earlier, class attendance and participation is highly encouraged. I will look for on-time arrival and professional behavior during class including but not limited to, not leaving while the class is in session, no private conversations, no use of unauthorized electronics, preparedness to participate in class, responses to questions asked during class, and sharing your professional experience and similar demonstrations of positive engagement.

I reserve the right to improve any student's course grade based on my subjective assessment of the student's contribution to the learning of the class. On the other hand, consistent

demonstration of unprofessional behavior might negatively impact a student's course grade. The final grades will be based on the school's mandated grade distribution. Note that this allows for up to 5% failing grades. Historically this course does give some failing grades each year.

It is the student's responsibility to attend examinations at the times and places specified. If a student cannot attend an exam, 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 student authorization to be absent from an exam; there are no exceptions to this rule. In the event of an authorized absence from any exam, a make-up exam is given at the beginning of the following term during the official make-up exam period set by the Registrar. You will receive a final grade of "Incomplete" pending the completion of the make-up exam. An unauthorized absence from an examination will result in score of zero for that exam.

Exam scores will be posted online. A student who feels that an exam has been incorrectly graded may request to see the exam from the professor (not the TA). They may then request a grade review. The request must be done within a specified date that will be announced on *Canvas* – no requests will be considered after that period. When a request is received, the entire exam will be regarded. This may cause the course grade to go up or down.

### **Pedagogy**

The class format is lectures interspersed with several in-class problem solving opportunities and case discussions throughout the course. The students in the class will be divided into a number of groups (approximately 4 to 5 persons per group). Class activities such as problem solving, and case analysis will be done in groups.

It is highly recommended that students who have never done any accounting before should complete the online course ACCT603 before taking this course. This will be helpful and enable you to easily catch up with those who have previously done accounting.

A tentative course and assignment schedule is attached at the end of this syllabus.

### **Teaching Assistants**

There are three teaching assistants for the course. Your TAs are second year MBA students who performed extremely well in the introductory financial accounting course last year. The TAs will hold office hours throughout the term – the time and location will be posted on *Canvas*.

During office hours, the TA will be present and assist with questions about concepts, and help with assigned cases and homework problems. But, they will not solve the assignment questions.

## **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<br>Financial & Managerial<br>Accounting  | Approved calculator                               | Laptop / other electronics | Summary sheet of notes | Current book / class notes | Past notes / summaries | Past exams / assignments | Internet content / other<br>outside materials | Learning team / approved<br>work team   | Other student(s) in same<br>section | Student(s) in other sections<br>(same term) | Wharton student not taking<br>the class this term | Person outside of Wharton |
| In-Class Readings &<br>Cases  | A   | A                          |                        | A                          |                        |                          | A   | W   | W                                   | W   |   |                           |
| Homework Problem<br>Sets  | A   | A                          |                        | A                          |                        |                          | A   | D   | D                                   | D   |   |                           |
| Cases   | A   | A                          |                        | A                          |                        |                          |   | A   |                                     |   |   |                           |
| Midterm &<br>Final Exams  | A   |                            | A                      |                            |                        |                          |   |   |                                     |   |   |                           |
|   | A = Allowed material<br>Shaded Cell = Not allowed |                            |                        |                            |                        |                          |   | W = Allowed to work together<br>D = Discussion of general concepts and<br>procedures is allowed but no sharing of<br>specific answers.<br>Shaded Cell = Not allowed |                                     |   |   |                           |
| <b><u>Other comments:</u></b>   |   |                            |                        |                            |                        |                          |   |   |                                     |   |   |                           |
| <p>The information above covers many common situations but will not cover every circumstance. Remember:<br/>The <a href="#">Wharton MBA Code of Ethics</a> that you accepted requires, among other things, that you represent yourself and your work honestly,<br/>don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and<br/>the work of others.</p> <p>Should you have questions, please contact your ethics liaison or professor.</p> |   |                            |                        |                            |                        |                          |   |   |                                     |   |   |                           |

## Schedule / Assignments

|    | <i>Date</i>    | <i>Readings;</i><br><i>Graded Assignments</i>  |
|----|----------------|--|
| 0  | Pre-Course     | <ul style="list-style-type: none"> <li>• <b>Recommended:</b> Complete the “Basics of Financial Accounting” ACCT603: Online course in the three weeks before start of class.</li> <li>• Acquire basic understanding of “Time value of money” concepts.</li> </ul> |
| 1  | Jan 12         | Introduction and overview; Review of the outline of financial statements. Introduction to the accounting process.<br>[FA: Handout 1]   |
| 2  | Jan 14         | Recording transactions, Constructing Financial Statements - Income Statement.<br>[FA: Handout 1]   |
| 3  | Jan 19         | Closing entries; Balance Sheet; Revenue and Expense recognition.<br>[FA: Handout 1]  |
| 4  | Feb 2          | Adjusting entries; Books of Accounts – Journal, Ledger, Debits/Credits;<br>[FA: Handout 1]<br><i>In-Class Case: Frequent Flyer</i>   |
| 5  | Feb 4          | Adjusting entries review; Understanding flows in the accounts<br>[FA: Handout 1]   |
| 6  | Feb 9          | The Cash Flow Statement;<br>[FA: Handout 2]<br><i>In-Class Case: Super Company</i>   |
| 7  | Feb 11         | The Cash Flow Statement [FA: Handout 2];<br>Introduction to Financial Statement Analysis [FA: Handout 3]   |
| 8  | Feb 16         | Introduction to Financial Statement Analysis [FA: Handout 3];<br>Midterm Review<br><b>Problem Set 1 Due @ 9:00 a.m.</b>  |
| 9  | <b>*Feb 18</b> | <b>*Midterm Exam - Topics covered Session 1 – 8 (inclusive)</b>  |
| 10 | Feb 23         | Accounts Receivable [FA: Handout 4]  |
| 11 | Feb 25         | Accounts Receivable; Inventory [FA: Handout 4]<br><i>In-Class Case: Tootsie</i>  |
| 12 | Mar 1          | Inventory, Accounts Payable, Working Capital Analysis<br>[FA: Handout 4]   |
| 13 | Mar 15         | Long Term Assets [FA: Handout 5]   |



|    |                                  |  |
|----|----------------------------------|--|
| 14 | Mar 17                           | Long Term Assets [FA: Handout 5]<br><i>In-Class Case: Snap-On Tools</i>  |
| 15 | Mar 22                           | Liabilities – Liabilities, Debt, Leases; [FA: Handout 6]<br><b>Problem Set 2 Due @ 9:00 a.m.</b>   |
| 16 | Mar 24                           | Liabilities – Liabilities, Debt, Leases; [FA: Handout 6]<br><i>In-Class Case: Starbucks</i>  |
| 17 | Mar 29                           | Liabilities – Liabilities, Debt, Leases; Owners' Equity & other topics [FA: Handout 6; FA: Handout 7]<br><i>In-Class Case: United Airlines</i> |
| 18 | Mar 31                           | Owners' Equity & other topics; Review [FA: Handout 7]  |
| 19 | Apr 5                            | Managerial Accounting & Cost Concepts; [MA: Handout 1]<br><b>Problem Set 3 Due @ 9:00 a.m.</b><br><i>Case (to be submitted): Jason Anson</i>   |
| 20 | Apr 7                            | Relevant costs, Cost allocation [MA: Handout 2]  |
| 21 | Apr 12                           | Cost Volume Profit; Break-Even Analysis [MA: Handout 3]<br><i>Case (to be submitted): New England Hospital</i>                                 |
| 22 | Apr 14                           | Cost Allocation and Activity Based Costing; [MA: Handout 4]  |
| 23 | Apr 19                           | Decentralization and Transfer Pricing; [MA: Handout 5]<br><i>Case (to be submitted): Wilkerson Company</i>                                     |
| 24 | Apr 21                           | Review;<br><i>Case (to be submitted): Birch Paper</i>  |
|    | Apr 24                           | <b>Problem Set 4 Due @ 9:00 a.m.</b>   |
|    | <b>May 5 (3:00 to 5:00 p.m.)</b> | <b>Final Exam: (2 hours)</b><br><b>Topics covered Session 9 – 24 (inclusive)</b>   |

**\* There will be no exam during the 3/1 to 3/4 period.**