

ACCT 612
Introduction to Financial Accounting (Accelerated)
Fall Semester 2016

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/courses>.

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., M. Hanlon, R. Magee, and G. Pfeiffer, *Financial & Managerial Accounting for MBAs*, Wharton Custom Edition, 2017, Cambridge Business Publishers. This textbook has been customized 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).”

Grading

All students start the course with 250 pts. Points will be subtracted for incorrect/incomplete answers on the Midterm (Final) exam, up to a maximum of 120 pts. (130 pts.) There are also 8 cases: see the **Schedule of Assignments** for the specific dates that each case will be discussed in class. For each case I will randomly select in advance the names of 2-3 students, and call on these students 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 **3%**. *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 21 from 6-8 pm and will focus exclusively on the course material in Classes #1-6. The Final exam is scheduled for October 14 from 12 noon-2 pm and will focus primarily on the course material in Classes #7-12. Both exams will pose questions based on firms' financial disclosures (in most cases disclosure from the annual reports 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. Carefully review the lecture slides that accompany each class
2. Understand the questions and solutions to the cases that are covered in 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 annual reports (10-Ks) for three companies whose financial notes were used on last year's Midterm and Final exams are available on Canvas: Valero Energy Corporation, Tesla Motors Inc., and Bemis Company Inc.

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 some blank pages for 'scratch paper').

The MBA Office sets the times and dates for the Midterm and Final exams: I have no control over these times/dates. Students have a responsibility to attend exams at their scheduled times. If a student is unable to attend an exam, he or she has a responsibility to notify the MBA Office 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, 2017, during the official 'make-up' exam period whose date is set by the Registrar: a student will receive a grade of "Incomplete" 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 made available.

Teaching assistants (TAs)

ACCT 612 has been assigned three TAs:

- Kamika Jha kamika@wharton.upenn.edu
- Adam Lamm adamlamm@wharton.upenn.edu
- Chris Teng cte@wharton.upenn.edu

Information about the TAs and their office hours will be posted on Canvas. Office hours are held in SH-DH 420, which is in the basement/ground floor of SH-DH (depending upon which entrance one uses).

Schedule of Assignments

August 31 Class #1	GAAP vs. Tax Code (IRS) Slides: Class #1 TB Reading: Chapter 10, p. 484-491 TB Problems: M10-22, E10-32, P10-40, P10-41, P10-42, C10-47 Supp. Reading: Fuzzy-Math Accounting Chided by Buffett Gets Fresh SEC Scrutiny; SEC Challenging Multinationals; 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
September 7 Class #2	Revenue Recognition Slides: Class #2 TB Reading: Chapter 6, p. 270-281 TB Problems: M6-14, M6-24, E6-32, E6-40, E6-41 Case #1: Tesla Motors, Inc. (2015) Supp. Reading: Got'em, Gotham; Let's Quit the Chest-Beating about Car Sales; A Revenue Growth Crutch for com.Score; The Dozy Watchdogs; The 109,894-Word Annual Report; For New Revenue-Recognition Rules, It's Ready vs. Not; Microsoft Financials
September 12 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 (2014) Supp. Reading: At Nortel, Warning Signs Existed Months Ago; China Has a \$590 Billion Problem with Unpaid Bills; Accounting Issues at WorldCom
September 14 Class #4	Inventory and Cost of Goods Sold (COGS) Slides: Class 4 TB Reading: Chapter 7 TB Problems: M7-15, M7-19, M7-23, E7-26, E7-29, E7-31 Case #3: Research in Motion (2014) Supp. Reading: Fade to BlackBerry; Big Oil's Accounting Methods

September 19	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 21	Long-Lived Assets (continued)	
Class #6	Slides:	Classes #5 & 6
	TB Reading:	Chapter 8
	TB Problems:	M8-17, M8-21, E8-28, E8-31, P8-39
	Case #4:	Berwick Tools (2014)
	Supp. Reading:	Write-Downs Abound as Prices Keep Oil in the Ground; SEC Makes B&N Justify Goodwill

September 21	Extended Office Hours: 1:30-4:30 pm (SH-DH 1322)	
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September 21	Midterm Exam: 6-8 pm (SH-DH 350 and 351)	
	Topics Covered:	Classes #1-6

September 26	Long-Term Debt	
Class #7	Slides:	Class #7
	TB Reading:	Chapter 9
	TB Problems:	M9-22, M9-23, M9-31, E9-47, P9-53, P9-56
	Case #5:	Starbucks (2016)
	Supp. Reading:	Citigroup Finds a Profit; Morgan Stanley to Post a Loss from Bonds

September 28	Leases	
Class #8	Slides:	Class #8
	TB Reading:	Chapter 10, p. 460-472
	TB Problems:	M10-13, M10-15, E10-23, E10-26
	Case #6:	Southwest Airlines (2016)
	Supp. Reading:	New Accounting Rules Ruffle the Leasing Market; Leases Suffer Identity Crisis; Northeast Airlines Financials; Crowded Skies

October 3 Class #9	Marketable Securities and Intercorporate Investments Slides: Class #9 & 10 TB Reading: Chapter 12, p. 562-587 TB Problems: M12-11, M12-12, E12-24, E12-38, E12-39 Supp. Reading: Banks Face a Mark-to-Market Challenge; Bank Quandary: Valuing the Assets
October 5 Class #10	Marketable Securities and Intercorporate Investments (continued) Slides: Class #9 & 10 TB Reading: Chapter 12, p. 562-587 TB Problems: M12-14, M12-15, E12-28, E12-29, E12-34 Case #7: Peet's Coffee (2014) Supp. Reading: Forget Going Public, U.S. Companies Want to Get Bought; \$25.7B: Total value of goodwill write- downs in 2014; HP to Book \$8 Billion Charge; Buyers Beware: The Goodwill Games
October 10 Class #11	Statement of Cash Flows Slides: Class #11 & 12 TB Reading: Chapter 4 TB Problems: E4-35, E4-39, E4-42, E4-44 Problem: Animatronics (2015) Supp. Reading: Cash Never Flow Lies
October 12 Class #12	Statement of Cash Flows (continued) Slides: Class #11 & 12 TB Reading: Chapter 4 TB Problems: P4-51, P4-52, P4-54 Case #8: Callaway Golf (2016) Supp. Reading: Quick Cash via Receivables Deals
October 13	Review Session: 12 noon-1:20 pm (JMHH 360)
October 14	Final Exam: 12 noon-2 pm (SH-DH 350 and 351) Topics Covered: Primary emphasis Classes #7-12