

**INTRODUCTION TO FINANCIAL &
MANAGERIAL ACCOUNTING
ACCT 613
FALL 2016**



(VERSION 8/12/16)

Instructor

Luzi Hail
Office: 1319 SH-DH
Phone: 215-898-8205
Email: lhail@wharton.upenn.edu
Web: <https://accounting.wharton.upenn.edu/profile/407/>

Office Hours:

Monday/Wednesday 12:00 pm – 1:15 pm or by appointment

Course Objectives:

This course provides an introduction to both financial and managerial accounting, and emphasizes the analysis and evaluation of accounting information from the perspective of both investors as well as managers in the processes of planning, decision-making, and control. A large aspect of the course covers the fundamentals of financial accounting. The objective is to provide an overview of financial accounting and external reporting, including basic accounting concepts and principles, as well as the structure of the income statement, balance sheet, and statement of cash flows. The course also introduces elements of managerial accounting and emphasizes the development and use of accounting information for internal decisions. Topics include cost behavior and analysis, product and service costing and relevant costs for internal decision-making. This course is recommended for students who will be using accounting information for making strategic decisions in manufacturing and service operations, as well as those going into general consulting, thinking of starting their own businesses, or simply seeking a broad understanding of accounting and financial reporting as it relates to shareholders, creditors, managers and other users of financial information.

Course Website:

The website for this course is on Canvas (<https://canvas.upenn.edu/courses/1331890>)

Course Material:

- **Textbook (required):** Dyckman, T., M. Hanlon, R. Magee, G. Pfeiffer, A. Hartgraves, and W. Morse, *Financial & Managerial Accounting for MBAs*, 2. Ed., Wharton Custom Edition, 2016, Cambridge Business Publishers. This textbook is especially customized

for our course, covers all the chapters in the class, and is available only in the Penn Bookstore. In the detailed schedule below, practice problems from the textbook are assigned to reinforce the material covered for each topic (we refer to ‘TB’ for textbook in the syllabus). Solutions to the problems in the textbook are posted on the course website.

Material on Course Website:

- **Lecture Slides:** the lecture slides will be made available in advance of class (at least one week before the scheduled date).
- **Homework Assignments** (for submission on Canvas) **and Cases** (for in-class discussion)
- **Exam Practice Problems and Solutions** (from old exams)
- **Articles:** business press articles are sometimes referenced in the course syllabus and provide context for issues, which will be discussed in class.

Grading Policy:

Final grades will be determined using the following weights (**total: 100 points**):

Midterm Exam	35 pts.
Final Exam	35 pts.
In-Class Quizzes	15 pts.
Homework	10 pts.
Class Participation	5 pts.

The grading scheme will be re-weighted to take into consideration improvement in student performance over the semester. If a student’s mean-adjusted score on the Final Exam (i.e., adjusted for the mean class score) **improves** relative to the mean-adjusted score on the Midterm Exam, then the weight on the Midterm Exam is reduced by 5 pts. (from 35 pts. to 30 pts.) and the weight on the Final Exam is increased by 5 pts (from 35 pts. to 40 pts.).

Final course grades adhere to the school mandated grade guidelines. **Note that this allows for up to 5% failing grades. Historically this course does give some failing grades each year.**

Midterm & Final Exams:

The midterm exam is scheduled for **Friday, October 14, from 12 pm to 2 pm** (rooms tba), and covers the material in lectures #1 through #12, inclusive. The final exam is scheduled by the University Registrar and covers the material in lectures #13 through #24, inclusive. The final exam has been scheduled for **Friday, December 16, from 3 pm to 5 pm**. Although it is rare for this date and time to change, the University Registrar does reserve the right to do so.

Exams are closed-book, but you are allowed to bring to each exam one piece of 8 ½" x 11" paper with notes. This paper may contain handwritten or typed (any font and size) notes. You may write on both sides. You are allowed to use a regular calculator during the exams.

It is the student's responsibility to attend examinations at the times and places specified. If a student cannot attend an examination, **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 a student authorization to be absent from an examination; **there are no exceptions to this rule**. In the event of an *authorized* absence from any exam, a make-up exam is given in **January 2017** during the official make-up exam period set by the Registrar. You 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 a grade of zero for that examination.

The graded mid-term exam will be returned to the student mail folders. The graded final exam can be picked up at the reception area of the accounting suite (SH-DH 1300) until the first week of spring semester classes (you will need to bring your student ID to collect the exam). Exam scores will be posted online. If a student feels that an exam has been incorrectly graded, he/she should return the exam to the professor – *not a TA* – **within one week** of the return of the examination (requests made after that will not be considered). The student should submit the original copy of the completed examination together with a **written** note that carefully explains the point of contention. **The entire exam will be re-graded.**

In-Class Quizzes:

There are **five** in-class quizzes during the course of the semester, which will be held on the dates indicated below and in the class schedule. **Quizzes are given at the beginning of the class** (late arrivals will not be accommodated with extra time, so be punctual). Each quiz will take about 15 minutes, and will consist of 4-5 questions (primarily multiple choice). The quizzes will be closed-book and no notes will be allowed. The material covered in each quiz is set out in the syllabus below.

In computing a student's final grade, only the **four highest quiz scores** will be counted (i.e., the lowest quiz score will be dropped from the computation of your grade). If for some reason you are unable to attend class on one of the five quiz days, we will simply count the four quizzes that are completed. **No make-up quizzes will be given.** The quiz solutions and scores will be posted on the class web site within a day or so of taking the quiz. The dates for the five in-class quizzes are as follows:

Quiz 1:	Monday, September 19 th
Quiz 2:	Wednesday, September 28 th
Quiz 3:	Wednesday, November 2 nd
Quiz 4:	Monday, November 14 th
Quiz 5:	Wednesday, November 30 th

Homework Assignments:

There are four homework assignments with due dates indicated below and in the class schedule. The homework assignments may be discussed in groups. However, the solution submitted by each student must be his/her own individual work. It is not acceptable to copy another student's work and submit it as your own. Doing so will be considered an act of cheating. The homework assignments #1, #2, and #4 will be available on the course website. They must be submitted **via Canvas by the due date and time listed below. Please do not hand in a hard copy to me or the TAs. It will not be accepted.** Scores and solutions for homework assignments #1, #2, and #4 will be posted online on the course website within a day or so of the homework being due.

The homework assignment #3 consists of preparing a written solution for either Case #10, #11, or #12 as indicated in the class schedule below. This homework assignment must be submitted **as hard copy** (no more than 3 pages) at the beginning of class when the respective case is on the class schedule. Each student must only pick one of the three cases. Again, the case solutions may be discussed in groups, but the write-up submitted must be each student's own work.

The due dates and times for the four homework problem sets are as follows:

Homework 1:	Thursday, October 6 th (6 pm)
Homework 2:	Wednesday, October 12 th (6 pm)
Homework 3:	Choose and prepare solution for either Case #10, #11, or #12 (hand in at the beginning of class; see schedule below)
Homework 4:	Friday, December 9 th (6 pm)

Class Participation and Conduct:

Class participation grades are based on what you add to the learning experience of the entire class. Students who consistently make contributions that facilitate discussions, help to clarify technical points, or provide new insights will receive 5 points. No contribution or contributions that are obvious, confusing or peripheral will result in zero points. Consistently discourteous behavior (see below) will also result in zero class participation points. Contributions between the endpoints will receive between 1 and 4 points, accordingly. Please display name tents to make it easier for me to keep track of participation (I'm not great with names – sorry, and thank you!).

Both as a courtesy to your fellow students and the professor, and to ensure that everyone has the greatest opportunity to learn, please observe the following:

- Students should sit in the same seat each class session to help me keep track of where everyone is.
- Class starts and ends on time. If a unique situation arises such that you must come in late, please inform your professor ahead of time and sit in an open aisle seat close to the door you arrived through.

- Students should remain in attendance for the duration of class, except in an emergency. If a unique situation arises such that you must leave early, please inform your professor before class and sit in an open aisle seat near the exits of the classroom.
- All phones and other electronic devices should be turned off, with the exception of computers/tablets. Use of computers/tablets, however, must be strictly for the purpose of this class.
- Please do not carry on private conversations during class.

Student Preparation:

Students should come to class having reviewed the daily class slides and, on days with an assigned article or case study, having read these materials and worked through the case questions. It is also recommended that students read the suggested chapter sections from the textbook either before or immediately after the class, and work through at least some of the suggested practice problems from the textbook.

Teaching Assistants and Review Sessions:

There are seven teaching assistants for the course. Each of these TAs is a second-year MBA student who performed extremely well in the introductory financial accounting course last year. The TAs will hold regular office hours on four out of five days every week (except during breaks or for holidays) based on the schedule posted on the course website. The typical weekly office hour schedule is as follows (all office hours are held in **SH-DH 211**; for details see the schedule posted on the course website):

Monday	4:30 pm – 6:30 pm
Tuesday	4:30 pm – 6:30 pm
Wednesday	4:30 pm – 6:30 pm
Friday	10:00 am – noon

During office hours, one of the TAs will be present and will assist with questions about concepts, assigned problems/cases, or homework problems (however, they will not give you the solution to the homework assignments). Note that the TAs are jointly servicing both ACCT611 and ACCT613, so you may encounter students from both courses attending the same office hours.

The seven TAs for the course are as follows:

Michael Gamache	mgamache@wharton.upenn.edu
Collin Luft	cluft@wharton.upenn.edu
Francesca Marshall	fmarsh@wharton.upenn.edu
Shilpi Pathak	shilpip@wharton.upenn.edu
Travis Pfander	tpfander@wharton.upenn.edu
David Portnoy	iportnoy@wharton.upenn.edu
Gayatri Sehdev	gayatris@wharton.upenn.edu

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

Class Schedule (all of the topics listed below will be covered)

Key: TB refers to the Dyckman et al. textbook (Wharton custom edition); x-y means problem y in chapter x of the textbook.

1	Wed	8/31	Introduction	Slides: Session 1 TB Reading: Chapter 1 TB Problems: M1-24, E1-28, E1-29, P1-38, P1-40 Add. Reading: Basics of Accounting Are Vital to Survival; Tesla Loss Widens as Spending Jumps
---	-----	------	---------------------	---

2	Wed	9/7	Accounting Process; Mapping Business Activity into Financial Statements	Slides: Session 2 Case #1: Animatronics (Q1 – Q4) TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: M2-18, M2-19, M2-26, E2-35, E2-46 Chapter 3: M3-22, M3-24, E3-32, E3-38 Add. Reading: Apple Warns EU Investigation Could Result in Back Taxes; Driverless Car is Officially a Risk
---	-----	-----	--	--

3	Mon	9/12	Economics vs. Accounting; Balance Sheet Presentation; Introduction to Accrual Accounting	Slides: Session 3 TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: P2-60, P2-66 Chapter 3: P3-42, P3-49 Add. Reading: How Binge Viewing Could Rock Netflix Stock; How to Value Intangible Assets
---	-----	------	---	--

4	Wed	9/14	Revenue Recognition; Accrual Accounting and the Matching Principle	Slides: Session 4 Case #2: United Airlines TB Reading: Chapter 6, p. 270-281 TB Problems: M6-14, M6-24, E6-33, E6-40, E6-41 Add. Reading: Accounting Shift Would Lift Tech Profits; Zynga Explains Method for Recording Real Revenue; Boeing Hits a Milestone; SEC Investigating Smirnoff Maker; Tech Startups Woo Investors; Microsoft Financials
---	-----	------	---	--

5	Mon	9/19	Statement of Cash Flows
		Slides:	Sessions 5 & 6
		Case #1:	Animatronics (Q5)
		TB Reading:	Chapter 4
		TB Problems:	M4-23, M4-26, M4-31, E4-34, E4-38, E4-41, E4-44
		Add. Reading:	Cash Never Flow Lies; Chevron Needs to Boost Cash Flow to Cover Dividend

Quiz #1: **10-20 minute quiz, covering Sessions #1 - #4**

6	Wed	9/21	Statement of Cash Flows (continued)
		Slides:	Sessions 5 & 6
		Case #3:	Callaway Golf
		TB Reading:	Chapter 4
		TB Problems:	P4-51, P4-54
		Add. Reading:	Quick Cash Via Receivables Deals

7	Mon	9/26	Introduction to Financial Statement Analysis (FSA)
		Slides:	Session 7
		TB Reading:	Chapter 5
		TB Problems:	M5-14, M5-24, E5-27, E5-33, P5-45
		Add. Reading:	Decline of the P/E Ratio; The 109,894-Word Annual Report; Home Depot Working Capital; PepsiCo Financials

8	Wed	9/28	Accounts Receivable
		Slides:	Session 8
		Case #4:	Barnes & Noble
		TB Reading:	Chapter 6
		TB Problems:	M6-18, M6-20, E6-34, E6-35
		Add. Reading:	Accounting Issues at WorldCom; At Nortel, Warning Signs Existed Months Ago

Quiz #2: **10-20 minute quiz, covering Sessions #5 - #7**

9	Mon	10/3	Inventory, Product Costing, and Cost of Goods Sold
		Slides:	Session 9
		Case #5:	Research in Motion
		TB Reading:	Chapter 7
		TB Problems:	M7-15, M7-19, M7-22, E7-26, E7-29, E7-31
		Add. Reading:	Big Oil's Accounting; Unraveling Inventory's Riddle; Supplement to LIFO vs. FIFO

10	Wed	10/5	Inventory, Product Costing, and Cost of Goods Sold (continued)
		Slides:	Session 10
		TB Reading:	Chapter 17, p. 17-1 to 17-19
		TB Problems:	M17-14, M17-15, E17-21, E17-25, E17-26
		Add. Reading:	Boeing Hits a Milestone; Chesapeake's Obscure Costs

Thu	10/6	Homework #1 (due at 6 pm)
		(Topics covered: Accounts Receivable and Inventory)

11	Mon	10/10	Long-Lived Assets
		Slides:	Sessions 11 & 12
		TB Reading:	Chapter 8
		TB Problems:	M8-11, M8-14, E8-24, P8-36
		Add. Reading:	IFRS Spells Write-Downs; Moore's Law Meets GAAP Accounting; DirecTV Write-Downs

12	Wed	10/12	Long-Lived Assets (continued)
		Slides:	Sessions 11 & 12
		Case #6:	Berwick Tools
		TB Problems:	M8-17, M8-21, E8-29, E8-32, E8-35
		Add. Reading:	Sprint Takes Write-Down as Brand Value Loses Value; What is Big Data Really Worth?

Wed	10/12	Homework #2 (due at 6 pm)
		(Topics covered: Long-Lived Assets)

Fri	10/14	Midterm Exam (12 pm – 2 pm; rooms tba) (Topics covered: Sessions #1 - #12, inclusive)
-----	-------	---

13	Mon	10/24	Long-Term Debt
			Slides: Sessions 13 & 14
			TB Reading: Chapter 9, Appendix A (Time-Value of Money)
			TB Problems: M9-21, M9-22, M9-29, M9-31, M9-34, E9-39
			Add. Reading: Citigroup Finds a Profit

14	Wed	10/26	Long-Term Debt (continued) and Leases (begin)
			Slides: Sessions 13 & 14; Session 15
			Case #7: Starbucks
			TB Problems: M9-23, M9-26, E9-47, P9-53
			Add. Reading: Morgan Stanley to Post a Loss from Bonds; Demystify the Lehman Shell Game

15	Mon	10/31	Leases (continued)
			Slides: Session 15
			TB Reading: Chapter 10, p. 460-474
			TB Problems: M10-13, M10-15, E10-23, E10-26
			Add. Reading: Coming to a Balance Sheet Near You; Leases Suffer Identity Crisis; Northeast Airlines Financials

16	Wed	11/2	Deferred Taxes (begin)
			Slides: Session 16
			TB Reading: Chapter 10, p. 484-492
			TB Problems: M10-22, E10-33
			Add. Reading: Piles of Overseas Profits Investors Cannot Touch; Motorola Deal Offers Google Tax Benefits
			Quiz #3: 10-20 minute quiz, covering Sessions #13 - #15

17	Mon	11/7	Deferred Taxes (continued)/Owners' Equity (begin)
		Slides:	Session 16 & Session 17
		Case #8:	PepsiCo
		TB Reading:	Chapter 11
		TB Problems:	Chapter 10: P10-40, P10-41 Chapter 11: M11-20, M11-21
		Add. Reading:	Sony Profits Are Far Off with Write-Down; Friending Becomes a Source of Funds; Stock Options Debate Comes to Silicon Valley

18	Wed	11/9	Owners' Equity (continued)
		Slides:	Session 17
		Case #8:	PepsiCo (continued)
		TB Reading:	Chapter 11
		TB Problems:	M11-25, M11-35, E11-45, E11-54
		Add. Reading:	Boeing's Buyback Spending; Time for BofA to Bid Warren Buffett Adieu

19	Mon	11/14	Managerial Accounting & Cost Concepts
		Slides:	Sessions 19 & 20
		TB Reading:	Chapters 13 and 15
		TB Problems:	Chapter 13: M13-14, E13-22, E13-24 Chapter 15: M15-11, M15-12, M15-16, E15-25
		Add. Reading:	Lobster Glut Slams Prices; U.S. Postal Service Tries as Fishmonger
		Quiz #4:	10-20 minute quiz, covering Sessions #16 - #18

20	Wed	11/16	Cost Concepts (continued)
		Slides:	Sessions 19 & 20
		Case #9:	Forest Gump
		TB Reading:	Chapter 16
		TB Problems:	M16-12, M16-15, M16-17, E16-22, E16-26
		Add. Reading:	Paramount Pictures Resolves Lawsuit; Delta Air Lines Gains Altitude

21	Mon	11/28	Cost Allocation and Activity-Based Costing	Slides: Session 21 Case #10: Wilkerson Company (HW #3) TB Reading: Chapters 14 and 18, p. 18-1 to 18-15 TB Problems: Chapter 14: M14-11, M14-14, P14-27 Chapter 18: M18-10, M18-13, M18-16, E18-22 Add. Reading: Knee Replacements Boost Health Costs
22	Wed	11/30	Customer Profitability Analysis	Slides: Session 22 Case #11: Infinity Bank (HW #3) TB Reading: Chapters 18, p. 18-15 to 18-19, and 19, p. 19-1 to 19-9 TB Problems: Chapter 18: M18-18, E18-26, E18-27 Chapter 19: M19-17 Add. Reading: Free Checking Accounts Cost More; P&G's Brand Cull Quiz #5: 10-20 minute quiz, covering Sessions #19 - #21
23	Mon	12/5	Decentralization and Transfer Pricing	Slides: Session 23 Case #12: Caribbean Brewers (HW #3) TB Reading: Chapters 22, p. 22-1 to 22-9, and 23, p. 23-7 to 23-12 TB Problems: Chapter 22: MA22-42 Chapter 23: M23-19, E23-24, MA23-41 Add. Reading: Google's Parent Could Be Big Winner
24	Wed	12/7	Final Review and Course Wrap-Up	Slides: Session 24
Fri	12/9	Homework #4 (due at 6 pm) (Topics covered: Managerial Accounting, Cost Concepts, Cost Allocation)		
Fri	12/16	Final Exam (3 pm – 5 pm; rooms tba) (Topics covered: Sessions #13 - #24, inclusive)		