

# 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.

## **Preparation and Performance, Homework, Exam, and Optional Project**

### *Class Preparation*

Prior to each class, you will complete some class preparation questions on Canvas via a web interface. With the exception of Session 1, these questions must be completed 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.

### *Homework*

There will be three homework sets during the semester. The homework sets will be cumulative in the sense that you are responsible for all topic areas covered up to and including that set, although each set will be heavily skewed towards the topics covered since the prior set. The third homework set will be quite short. Note that 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 discuss the homework with other individuals. If you allow others to do your homework for you, however, you will forego the opportunity to learn and to prepare for the final exam.

### *Final Exam*

There will be a final exam during the exam period. The exam will be delivered in a four-hour window via Canvas and you can take it from any location where you can access the Internet. You may not discuss (very broadly defined) the exam with any other individuals except for me during the entire exam window – no exceptions. You can use any written reference resources including your notes, GAAP guides, textbooks, and material on the web. The final exam will be based upon a single set of financial statements.

### *Project*

If you decided to complete the optional 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.

## **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	19%
Homework 1	17%
Homework 2	17%
Homework 3	7%
Final Exam	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%
Homework 1	13%
Homework 2	13%
Homework 3	4%
Final Exam	30%
Accounting Analysis Project	25%

## **Class Materials**

### ***Canvas***

#### ***Class Preparation Materials***

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.

### *Homework Materials*

There will be three homework sets that will be due during the course. The materials will be accessible in the folders titled Homework 1, Homework 2, and Homework 3. The homework answers will be submitted online as a Canvas quiz (but its homework nonetheless). The material for the first homework will be made available on September 12, the material for the second homework will be made available on November 9, and the material for the third homework will be made available on November 22.

### *Exam Materials*

There will be a final exam during the exam period, which will also be delivered via Canvas. The exam will be delivered via Canvas as a Canvas quiz (but it is a final exam nonetheless) and will be accessed via the assignments tab. The exam will be based upon a single set of financial statements. Those statements will be made available on November 22.

### ***Your Introductory Text or a GAAP Guide***

There is no text for the class. 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). Note that most students, however, survive just fine on the class materials and the occasional web search.

### ***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 user-friendly. (It becomes friendlier with use.) To access the FASB site go to

<http://www2.aaahq.org/ascLogin.cfm>

The user name is XXXXXX and the password is XXXXXX.

### **Instructor Availability**

My office is in 1321 SHDH, my phone number is (215) 573-7533, and my email address is [pef@wharton.upenn.edu](mailto: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.

Accounting 742: Problems in Financial Reporting  
Fall 2016  
Summary Class Schedule

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