

**ACCOUNTING AND FINANCIAL
REPORTING
ACCT 101
FALL 2019**



(VERSION 8/27/19)

Instructor

Allison Nicoletti
Office: 1318 SH-DH
Phone: 215-898-2610
Email: anico@wharton.upenn.edu
Web: <https://accounting.wharton.upenn.edu/profile/anico/>

Office Hours:

Monday 12:15 pm – 1:45 pm or by appointment

Course Objectives:

This course provides an introduction to financial accounting as the “language of business.” It emphasizes the analysis and evaluation of accounting information from the perspective of both investors and managers in the processes of planning, decision-making, and control. The objective of the course is to provide an overview of financial accounting and external reporting, including the basic accounting concepts and principles, as well as the structure of the income statement, balance sheet, and statement of cash flows. The course covers the accounting for and the analysis of the most common and significant business transactions of a firm, such as credit sales, delivery of products and services, manufacturing processes and procurement, creation of operating infrastructure including production facilities, intellectual property, and goodwill, debt and equity financing, as well as other (potential) obligations towards customers, suppliers, or tax authorities.

We recommend this course for students who will be using accounting information for investment decisions, who will be considering strategy choices in manufacturing and service operations, or who are simply seeking a broad understanding of accounting and financial information as it relates to shareholders, creditors, managers, and other stakeholders in the firm. The content of this course will be essential if you want to pursue a career in investment banking, financial analysis, consulting, or general management and to those thinking of starting their own business.

Course Website:

The website for this course is on Canvas (<https://canvas.upenn.edu/courses/1476167>). On the website, we provide the following material:

- **Lecture Slides:** the lecture slides will be made available in advance of class (at least one week before the scheduled date). We often will post updated versions (including the solutions of problems covered in class) of the lecture slides after class.
- **Exam Practice Problems and Solutions** (from old exams)
- **Instructional Videos:** for basic accounting concepts (for early parts of course)
- **Articles:** business press articles are sometimes referenced in the course syllabus and provide context for issues, which will be discussed in class.

Course Textbook (required):

Hanlon, M., R. Magee, G. Pfeiffer, and T. Dyckman, *Financial Accounting for Undergraduates*, 2. Ed., Wharton Custom Edition, 2020, 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. Several copies of the custom textbook are on reserve at Lippincott Library. 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). The teaching assistants (TA) will also cover some of these TB problems in their office hours. Solutions to the TB problems are posted on the course website.

Grading Policy:

The course grade is based on relative performance evaluation (i.e., a curve), but we use no forced grade distribution. Final grades are determined using the following weights (**total: 100 points**):

Midterm Exam #1	25 pts.
Midterm Exam #2	25 pts.
Final Exam	30 pts.
In-Class Short Quizzes	15 pts.
Participation and Professionalism	5 pts.

Please note that the above weighting scheme will be strictly adhered to. There is no possibility of earning extra credit or of changing the above weights.

Grades are distributed so that approximately 85% of the class enrollment (following the end of the drop period) receives A’s or B’s. The average grade for this class has been a B+ in the past. We note that no student who remains in the course after the drop period is negatively affected by the fact that other students have withdrawn. Students at the bottom of the distribution with poor weighted average scores (e.g., below 45%) will likely receive a final grade of “F”.

Midterm & Final Exams:

There are two midterm exams and one final exam for this course. Each exam lasts 80 minutes and

will be held out-of-class. For exam dates, times, and the topics covered, see the class schedule below. The final exam is scheduled by the University Registrar. 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 (double-sided)**. This paper may contain handwritten or typed (any font and size) notes. You are allowed to use a regular calculator during the exams. We will post practice exams together with solutions on Canvas for preparation.

The graded mid-term exams will be returned to the students by the TAs during the designated TA office hours (see the schedule posted on the course website). They must be picked up in person and will not be available for pick-up at any other point in time. The graded final exam can be picked up at the reception area of the accounting suite (SH-DH 1300) until the end of 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.

Exam Accommodation and Conflicts:

It is the student's responsibility to attend examinations at the times and places specified. If you need additional time to complete an exam because of a **university-recognized disability**, please inform your instructor (by e-mail) and the Office of Student Disabilities Services (SDS) within two weeks of the start of classes. You will be provided with the accommodations that are approved by that Office.

If the student has a **class conflict or exam conflict** for another course during the same time as a scheduled exam, he/she must notify the instructor (not the TA) by e-mail within two weeks of the start of classes. The e-mail must include the student's complete class and exam schedule for the day of conflict. In cases of an acceptable exam conflict, arrangements will be made for the student to take the exam at an alternate time.

In other cases of **excused absences**, written evidence (i.e., from a doctor – a letter from Student Health is **not** sufficient) that you were seriously ill, or unavailable for some other reason, at the scheduled time of an exam is the only valid excuse for missing an exam. To be excused from an exam, the student must email the instructor as soon as possible (prior to the exam, if possible), and provide the **original copy** of the required documentation. Please note that a job interview or attendance at a social event are normally not sufficient reasons to miss an exam.

In the event of an excused absence from an exam, a **make-up exam** is given in **January 2020** during the official make-up exam period set by the Registrar. Students who fail to attend an exam without making arrangements with the instructor in accordance with the preceding requirements will receive a grade of zero for that exam.

Requests for Regrades:

If a student feels that there was a mistake in the grading of an exam, he/she must submit the original

exam (with no adjustments) together with a **written explanation** of the points of contention **to the professor** – not a TA – **within one calendar week** following the return of the exam. We will not consider submissions after one calendar week.

We will only re-grade exams if they: (i) were originally written in non-erasable pen, (ii) used no correction tape, white-out, etc., and (iii) have not been edited or marked up in any way following their return. Any exam submitted for re-grade is subject to a **complete review**, which may result in an increase or decrease in the total score. All re-grade decisions are final.

In-Class Quizzes:

There are **four** in-class quizzes during the course of the semester, which will be held on the dates and cover the topics indicated 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 (multiple choice). The quizzes are closed-book and no notes will be allowed. We will be administering the in-class quizzes electronically using the **Respondus LockDown Browser**, so bring a **laptop** to class (if you do not have access to a laptop, please, talk to me in the week before the first quiz is on the schedule). You will find instructions on how to install and use Respondus LockDown Browser on your machine in a separate file on Canvas.

Note that sharing quiz information with your classmates will result in a referral to the Office of Student Conduct, and students caught cheating will receive a grade of “F” for the course.

In computing a student’s final grade, only the **three highest quiz scores** will be counted (i.e., the lowest quiz score will be dropped). If for some reason you are unable to attend class on one of the four quiz days, we will simply count the three 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.

Class Participation and Professionalism:

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 for what we expect in terms of professionalism) will also result in zero class participation points. Contributions between the endpoints will receive between 1 and 4 points, accordingly.

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

- Students should sit in the same seat each class session. Please display **name tents** to make it easier for the instructor to keep track of participation.

- Class starts and ends on time. If a unique situation arises such that you must come in late or leave early, please inform your professor ahead of time and sit in an open aisle seat close to the door.
- Students should remain in attendance for the duration of class, except in an emergency.
- All phones and other electronic devices should be turned off, with the exception of computers/tablets that are strictly used for the purpose of this class.
- We expect that you will treat this course as a professional engagement. Please do not carry on private conversations during class.
- Follow the Code of Academic Integrity. On behalf of the majority of the students who make an honest effort in this class, we will take action against anyone suspected of breaching this Code. Students caught cheating will receive a grade of “F” for the course and will be remanded to the appropriate school disciplinary board.

Student Preparation:

The lectures will cover all the relevant material for this course. The class schedule at the end of the syllabus provides an overview of the topics covered in each class session together with the relevant lecture slides, cases, and additional reading materials. Lectures slides are self-contained, and we often will post both pre-lecture versions and post-lecture versions (with solutions) of the lecture slides to Canvas. The syllabus also provides a reference to the relevant sections in the textbook together with select textbook problems that relate to the material in class. The textbook and problems serve as supplement to the lecture notes for those who want additional practice. For the initial class sections of the course, we also post a series of instructional videos that explain the basic accounting concepts needed for this class.

Students should come to class having reviewed the daily class slides and, on days with an assigned article, case study or video, having read/watched 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. We suggest the following routine:

- Step #1: Before class, read the lecture slides, articles, and cases posted on Canvas. Watch the instructional videos when available.
- Step #2: Take notes in class and ask questions. After class, review the post-lecture notes which contain the solutions for the problems discussed in class.
- Step #3: If you are having difficulty, read the specified pages of the textbook and try the suggested problems to supplement your understanding of the material.
- Step #4: If you are still having difficulty, attend any of the office hours led by the TAs over the course of the week. During these sessions, the TAs will review specific problems from the textbook and answer your questions. See the TA office hour schedule posted on Canvas for details.

Withdrawal from the Course:

In order to withdraw from the course, the student must meet the university deadline and requirements regarding withdrawals. In particular, note that the university withdrawal deadline is **Friday, November 8, 2019**. If a student wishes to withdraw after this date, he/she will be required to submit a petition to the Wharton Undergraduate Division to obtain approval. Please obtain the School's approval before you ask your instructor.

Teaching Assistants and TA Office Hours:

There are nine teaching assistants for the course. Half of the TAs are undergraduate students, the other half are second-year MBA students (note that the undergraduate TAs **will not** be involved in the grading). All TAs performed extremely well in their accounting classes and are familiar with the material of our introductory financial accounting course. The TAs will hold regular office hours on four days every week (except on Wednesdays and during breaks or for holidays) based on the schedule posted on the course website. The typical weekly office hour schedule is as follows (generally, office hours are held in **JMHH F55 or JMHH F65**; for details see the schedule posted on the course website):

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

During office hours, the TAs will reserve the first half of the time slot to go over pre-designated textbook problems. This is the recitations part of the office hour sessions. During the second half of the time slot, the TAs will answer student questions about concepts, assigned problems/cases, or other topics covered in class. If you have general questions about class content or concepts, please, use the discussion board on **Piazza** (on which your fellow students can provide answers).

The TAs for the course are as follows:

Jung Min Kim (head TA)	jungmk@wharton.upenn.edu
Shilpa Chandran	shilpach@wharton.upenn.edu
Mary Ekpenyong	mekpiken@wharton.upenn.edu
Yuwei (Weiwei) Fan	yuweifan@wharton.upenn.edu
Henrique Mulinari	mulinari@wharton.upenn.edu
Omar Núñez	onunez@wharton.upenn.edu
Anton Suwandi	suwandi@wharton.upenn.edu
Irene Wang	theirene@wharton.upenn.edu
Charlotte Yang	charyang@wharton.upenn.edu

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

Key: TB Reading/Problems refers to the Hanlon et al. textbook (Wharton custom edition); x-y means problem y in chapter x of the textbook (attempt to solve after class; take to TA office hours).

Cases to be discussed in class (read/attempt to solve before class).

Videos as additional instructional resource (watch before class).

Deliverables (i.e., in-class quizzes and exams)

 Out-of-class session; class meets at special time in designated location.

1	Wed	8/28	Introduction	Slides: Session 1 TB Reading: Chapter 1 TB Problems: M1-24, E1-28, E1-29, P1-38, P1-40 Add. Reading: ACCT 101 - Student Best Practices; Basics of Accounting Are Vital to Survival; CFOs Overhaul Performance Measures Videos: V01 Overview; V02-1 Balance Sheet
2	Wed	9/4	Mapping Business Activity into Financial Statements	Slides: Sessions 2 & 3 Case #1: Mr. Monopoly (Q1 – Q3) TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: M2-18, M2-19, M2-26, E2-35 Add. Reading: Monopoly Rules Videos: V02-2 Accounting Identity; V03-1 Book Entries; V03-2 Practice Problems
3	Mon	9/9	Mapping Business Activity into Financial Statements (continued)	Slides: Sessions 2 & 3 Case #1: Mr. Monopoly (continued; Q4 – Q6) TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: E2-46 Chapter 3: M3-22 Videos: V04-1 Accounting Cycle; V04-2 Relic Spotter Case; V05-1 Income Statement

4 Wed 9/11 **Accounting Cycle**

Slides: Session 4
 Case #2: **Animatronics (Q1 – Q4)**
 TB Reading: Chapters 2 and 3
 TB Problems: Chapter 3: M3-24, E3-32, E3-38
 Videos: **V06-1 Adjusting Entries; V06-2 Practice Problems; V07 Financial Statements (until minute 11')**

5 Mon 9/16 **Balance Sheet Presentation; Introduction to Accrual Accounting**

Slides: Session 5
 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; Driverless Car is Officially a Risk

6 Wed 9/18 **Revenue Recognition & Matching Expenses to Revenues**

Slides: Session 6
 Case #3: **United Airlines**
 TB Reading: Chapter 6, p. 270-283
 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; Uber and Lyft Get Creative with Numbers; Tech Startups Woo Investors

7 Mon 9/23 **Statement of Cash Flows**

Slides: Sessions 7 & 8
 Case #2: **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: 15-minute quiz, covering Sessions #1 - #6

8 Wed 9/25 **Statement of Cash Flows (continued)**

Slides: Sessions 7 & 8
 Case #4: Callaway Golf
 TB Reading: Chapter 4
 TB Problems: P4-51, P4-54
 Add. Reading: Tesla Doubles Loss but Burns Less Cash

9 Mon 9/30 **Review Session for Midterm Exam #1 (6–7:30 pm; JMHH G06)**

(Topics covered: Old practice exam – Fall 2018)

10 Wed 10/2 **Midterm Exam #1 (6–7:20 pm; rooms tba)**

(Topics covered: Sessions #1 - #9, inclusive)

11 Mon 10/7 **Introduction to Financial Statement Analysis**

Slides: Session 11
 TB Reading: Chapter 5
 TB Problems: M5-14, M5-24, E5-27, E5-33, P5-45
 Add. Reading: CFOs Face a Tough Task: Freeing Cash; Home Depot Working Capital; PepsiCo Financials

12 Wed 10/9 **No Class**

13 Mon 10/14 **Accounts Receivable**

Slides: Session 13
 Case #5: Barnes & Noble
 TB Reading: Chapter 6, p. 283-291
 TB Problems: M6-18, M6-20, E6-34, E6-35
 Add. Reading: Why It Is Harder to Diagnose Hospital Stocks; At Nortel, Warning Signs Existed Months Ago

14 Wed 10/16 **Panel Discussion: Busting Accounting Myths (6:30–8 pm; JMHH G06)**

Topics and guest speakers: tba

15 Mon 10/21 **Inventory, Product Costing, and Cost of Goods Sold**

Slides: Sessions 15 & 16
Case #6: **Research in Motion**
 TB Reading: Chapter 7
 TB Problems: M7-15, M7-19, M7-22
 Add. Reading: Big Oil's Accounting; Unraveling Inventory's Riddle

16 Wed 10/23 **Inventory, Product Costing, and Cost of Goods Sold (continued)**

Slides: Sessions 15 & 16
Case #7: **Caterpillar**
 TB Reading: Chapter 7
 TB Problems: E7-26, E7-29, E7-31

17 Mon 10/28 **Long-Lived Assets**

Slides: Sessions 17 & 18
 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

Quiz #2: **15-minute quiz, covering Sessions #11 - #16**

18 Wed 10/30 **Long-Lived Assets (continued)**

Slides: Sessions 17 & 18
Case #8: **Berwick Tools**
 TB Problems: M8-17, M8-21, E8-29, E8-32, E8-35
 Add. Reading: How GE Built Up and Wrote Down \$22 Billion in Assets

19 Mon 11/04 **Review Session for Midterm Exam #2 (6–7:30 pm; JMHH G06)**

(Topics covered: Old practice exam – Fall 2018)

20 Wed 11/06 **Midterm Exam #2 (6–7:20 pm; rooms tba)**

(Topics covered: Sessions #11 - #19, inclusive)

21 Mon 11/11 Long-Term Debt

Slides: Sessions 21 & 22
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; How did Argentina pull off 100-year bond sale?; Bond Calculator

22 Wed 11/13 Long-Term Debt (continued)

Slides: Sessions 21 & 22
Case #9: Starbucks
TB Reading: Chapter 9 & Appendix A (Time-Value of Money)
TB Problems: M9-23, M9-26, E9-47, P9-53
Add. Reading: Morgan Stanley to Post a Loss from Bonds; Mountain of Debt Felled Toys 'R' Us

23 Mon 11/18 Deferred Taxes

Slides: Sessions 23 & 24
TB Reading: Chapter 10, p. 486-498
TB Problems: M10-23, E10-34
Add. Reading: Piles of Overseas Profits Investors Cannot Touch; Corporate Cash Piles Drop to Three-Year Low

Quiz #3: 15-minute quiz, covering Sessions #21 - #22

24 Wed 11/20 Deferred Taxes (continued)

Slides: Sessions 23 & 24
Case #10: General Motors
TB Reading: Chapter 10, p. 486-498
TB Problems: P10-41, P10-42
Add. Reading: Sony Profits Are Far Off with Write-Down

25 Mon 11/25 No Class

 26 Mon 12/02 **Owners' Equity**

Slides: Sessions 26 & 27
 Case #11 PepsiCo
 TB Reading: Chapter 11
 TB Problems: M11-20, M11-21
 Add. Reading: SEC Probes Whether Companies Rounded Up Earnings

 27 Wed 12/04 **Owners' Equity (continued)**

Slides: Sessions 26 & 27
 Case #11: PepsiCo (continued)
 TB Reading: Chapter 11
 TB Problems: M11-25, M11-35, E11-45, E11-54
 Add. Reading: Boeing's Buyback Spending; Stock Buybacks are so Yesterday

Quiz #4: 15-minute quiz, covering Sessions #23 - #26

 28 Mon 12/09 **Final Review and Course Wrap-Up**

Slides: Session 28

Wed 12/11 **Review Session for Final Exam (6–7:30 pm; JMHH G06)**

(Topics covered: Old practice exam – Fall 2018)

Thu 12/19 **Final Exam (3–4:20 pm; rooms tba)**

(Topics covered: Sessions #21 - #28, inclusive)
