

**ACCT 743 (243)**  
**Accounting for Mergers, Acquisitions, and Complex Financial Structures**  
**Fall Semester 2019**

*Aut disce aut discede* (either learn or depart)

**Instructor**

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Office Hours: From August 27-October 3 by appointment only; starting October 8, any Tuesday or Thursday from 10am-12noon (but please confirm in advance).

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**General Course Information**

ACCT 743 (243) serves as the Wharton School's "advanced accounting" course. Advanced accounting is a standard topic found at most schools that have an accounting concentration. For example, approximately 20% of the material on the CPA exam concerns topics in advanced accounting; some advanced accounting material can also be found on the CFA exam. While the course material in advanced accounting is standard, nonetheless it is very technical, and thus students who register for the course will be challenged. ACCT 243 registrants, in particular, are required to have *completed* successfully at least *one* intermediate level accounting course *before* registering for ACCT 243 (transcripts shall be screened). For Wharton undergraduate registrants, this is typically achieved by having completed one of either ACCT 212 or ACCT 242.

The focus in ACCT 743 (243) is on *preparing* financial statements for business combinations at the time of an acquisition, and *preparing* financial statements for consolidated entities subsequent to an acquisition. As such, the course is recommended for students who, in their careers, anticipate that they will be required either to *prepare* pro forma consolidated statements for prospective acquisitions, or *analyze* the consolidated statements of existing complex financial structures. Nonetheless, I cannot overemphasize the extent to which the course adopts a **PREPARER'S** perspective – not a **USER'S** perspective. Students interested in a **USER'S** perspective on financial statements along with a case-oriented approach (as well as broader coverage of financial accounting topics in general) should register for ACCT 742 (242) "Financial Reporting and Business Analysis" (typically offered both semesters) and/or ACCT 747 "Financial Disclosure Analytics" (offered in the Spring Semester).

It is also important to emphasize that ACCT 743 (243), as is standard for an advanced accounting course, ignores taxes: in effect, the topic presumes that there are no corporate taxes of any variety. Students interested in tax considerations in conjunction with mergers and acquisitions should register for ACCT 897 (297) "Taxes and Business Strategy" (offered in the Spring Semester).

**Textbook**

The textbook for this course is *Advanced Accounting*, 13<sup>th</sup> Edition, by Floyd A. Beams, Joseph H. Anthony, Bruce Bettinghaus, and Kenneth Smith (Pearson). It is *impossible* for the course material posted on Canvas to be as comprehensive as a textbook, and so students are encouraged to secure a textbook as a reference. Two less expensive alternatives to purchasing a current (13<sup>th</sup>) edition of the textbook include: 1) purchase an earlier edition (e.g., the 11<sup>th</sup> and 12<sup>th</sup> editions of this textbook

closely approximate the 13<sup>th</sup> edition); and 2) borrow the text from Lippincott Library (Lippincott typically has a few copies of the textbook available for loan).

### **Course website**

The website for ACCT 743 (243) can be found on Canvas: <https://canvas.upenn.edu/courses>. All the course material for class **XX** will be put a folder titled “Course material: Class #**XX**” in the “Files” section of the website. Course material on Canvas also includes:

- Solutions to the all the textbook exercises and problems in *Beams et al.*
- Every quiz from last year (in the folder that *precedes* an upcoming quiz)
- Quiz answers and summary performance statistics as soon as grading has been completed

Folders on Canvas beyond the first 2 weeks of the course are currently empty; my plan is to populate the folders at least one week in advance of a scheduled class.

### **Office Hours**

From August 27-October 3 I am simultaneously teaching both ACCT 743 (243) and ACCT 612: this means that my schedule is complicated. That said, I am more-than-happy to arrange to meet with students at a time that is convenient: all I require is that you contact me in advance to work out a time. *Note that there is no course TA!*

### **Requirements to Receive Course Credit**

There are 2 requirements to receive course credit. *First*, I have scheduled 5 quizzes throughout the course of the semester. The following is a schedule of quiz dates (reference **Schedule of Assignments** for the material covered in each quiz).

- Quiz #1 (September 12)
- Quiz #2 (October 8)
- Quiz #3 (October 31)
- Quiz #4 (November 14)
- Quiz #5 (December 5)

*There are no “make-up” quizzes!* I will enforce this policy as follows.

- A student who takes only 3 quizzes cannot earn a grade higher than a “D”
- A student who takes only 4 quizzes cannot earn a grade higher than a “B-”

In effect, students will be need to internalize the tradeoffs arising from scheduling conflicts. The only exception to this is a documented medical emergency, in which case I will “gross-up” a student’s scores on his/her other 4 quizzes by 25% (assuming a student intended to take all 5 quizzes).<sup>1</sup>

This policy is designed in part to accommodate students who register for ACCT 743 (243) under the auspices of “pass/fail.” Specifically, a student who takes 3 quizzes and shows competency with the course material will receive a grade of “D”; this, in turn, shall manifest as a “pass” on a student’s transcript.

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<sup>1</sup> To my knowledge there should be no conflicts on these dates arising from religious holidays.

Each quiz is closed-book, closed-notes, and individual product; “cheat-sheets” or other summaries of class material are not allowed. The entire 80-minute class period will be set aside to complete a quiz. Each quiz shall be graded based on 50 points.

*Second*, all students (irrespective of how many quizzes they take) will be required to choose 10 firms from some industry, cull through the firms’ most recent 10-Ks, and prepare a report of interesting accounting issues. While I allow students considerable discretion in choosing firms, some attempt should be made to find firms with accounting issues that relate primarily, but not exclusively, to the material covered in this course. Students can prepare reports in 2-student teams.

### **Grade distribution**

The grade distribution shall be determined as follows. First, all ACCT 743 registrants shall be put in a single pool; the pool is subject to a fixed-and-immutable grade distribution whose mean cannot exceed 3.33. The current electronic grading system employed by the MBA Office will not allow grades to be submitted electronically if they fail this criterion. Second, all ACCT 243 registrants shall be put in second pool; the grade distribution for the pool shall be determined based on performance relative to the ACCT 743 pool (whose mean cannot exceed 3.33). Consider the following illustration. In a class of 5 students, the 1<sup>st</sup>, 2<sup>nd</sup>, and 4<sup>th</sup> best students by rank are ACCT 743 registrants; the 3<sup>rd</sup> and 5<sup>th</sup> best students are ACCT 243 students. I assign the 1<sup>st</sup>, 2<sup>nd</sup>, and 4<sup>th</sup> best students grades of A, B+, and B-, respectively: these grades average to 3.33. Thus, the 3<sup>rd</sup> best ACCT 243 registrant must receive a grade of either B+, B, or B-, and the 5<sup>th</sup> best ACCT 243 registrant cannot receive a grade higher than B-.

No class credit shall be given to any student whose performance on quizzes (irrespective of how many a student takes) is more than two standard deviations below the pooled mean of *all* students. There are no exceptions to this policy.

### **Re-grades**

*Requests to re-grade quizzes are strongly discouraged!* If a student has a valid inquiry about how a quiz was graded, he or she should contact the grader by e-mail at [xil@wharton.upenn.edu](mailto:xil@wharton.upenn.edu), and then drop off his or her quiz with the grader by putting it in the mailbox of **R.Zhang** in the Accounting Suite (1300 SH-DH). If it appears that a student is making persistent, and frivolous, re-grading requests, he or she shall be prohibited from making additional requests.

### **Last year’s quizzes**

The class folder on the course website on Canvas for the class that *precedes* a quiz will contain a practice quiz based on the used in 2018 (with a solution). I only provide the 2018 quiz because every year there are a surfeit of changes in accounting standards; thus, ‘old’ quizzes (i.e., quizzes prior to 2018) become obsolete very quickly. In other words, the quiz *questions* in prior quizzes are still valid but the *suggested solutions* to the questions may no longer be valid!

### **This year’s quizzes**

Quiz answers and summary performance statistics shall be posted on the course website on Canvas as soon as the grading has been completed.

## Schedule of Assignments

The schedule of assignments begins on the next page. The following is a guide to interpret the schedule of assignments.

- “*Beams et al.*” is a reference to the course textbook, *Advanced Accounting*, 13<sup>th</sup> Edition, Floyd A. Beams, Joseph H. Anthony, Bruce Bettinghaus, and Kenneth Smith (Pearson).
- All course material other than the textbook will be posted on the course web site on Canvas. Note that with regard to the course material, “rev” is a reference to documents authored by Robert E. Verrecchia.
- “**Exercises**” is a reference to exercises and problems in *Beams et al.* For example, “P 6-9” is a reference to Problem 9 at the end of chapter 6 of *Beams et al.* Suggested solutions to all exercises and problems in *Beams et al.* will be posted on Canvas. If there are no **Exercises** listed for a particular class, this means that none have been assigned.
- Note that there are three topics listed in the schedule of assignments where any quiz questions on these topics will be limited to multiple choice questions (MCQ). These topics are:
  1. “Tax Considerations in Mergers,” scheduled for September 10;
  2. “Corporate Liquidations & Reorganizations,” scheduled for October 3;
  3. “Segmental and Interim Financial Reporting,” scheduled for November 21.

The goal of MCQs is just to make sure that students are paying attention.

- **MCQ**: multiple choice questions

## Schedule of Assignments

August 27 Class #1	<b>Business Combinations (Part I: Mergers)</b> 1) <i>Beams et al.</i> , Chapter 1 2) <i>Class #1 Exercises</i> , rev	<b>Exercises</b> E 1-3, E 1-4, E 1-5
August 29 Class #2	<b>Business Combinations (Part II: Non-Mergers)</b> 1) <i>Beams et al.</i> , Chapter 1 2) <i>Class #2 Exercises</i> , rev	<b>Exercises</b> P 1-1, P 1-3, P-4
September 3 Class #3	<b>Financial Statements for Investments</b> 1) <i>Beams et al.</i> , Chapter 2 2) <i>Plant, Sun, and Star Exercises #3-6</i> , rev	<b>Exercises</b> E 2-12, P 2-6, P 2-9, P 2-12
September 5 Class #4	<b>Introduction to Consolidated Investments</b> 1) <i>Beams et al.</i> , Chapter 3 2) <i>Control Considerations in Consolidated Investments (2014)</i> , rev 3) <i>Class #4 Exercises</i> , rev	<b>Exercises</b> P 3-1, P 3-7, P 3-11
September 10 Class #5	<b>Tax Considerations in Mergers</b> 1) <i>Beams et al.</i> , Chapter 10, pp. 335-341 2) Quiz #1 (2018)	
September 12 Class #6	<b>Quiz #1: <i>Beams, et al.</i>, Chapters 1-3 + MCQ* on Tax Considerations</b>	
September 17 Class #7	<b>Consolidation Techniques and Procedures</b> 1) <i>Beams et al.</i> , Chapter 4, pp. 99-111 2) <i>Working Paper Adjustments</i> , rev 3) <i>Class #7 Exercises</i> , rev	<b>Exercises</b> P 4-6, P 4-9, P 4-11
September 19 Class #8	<b>Intercompany Transactions – Inventories</b> 1) <i>Beams et al.</i> , Chapter 5 2) <i>Class #8 Exercises</i> , rev	<b>Exercises</b> P 5-1, P 5-4, P 5-9
September 24 Class #9	<b>Intercompany Transactions – Depreciable and Non-depreciable Assets</b> 1) <i>Beams et al.</i> , Chapter 6 2) <i>Class #9 Notes &amp; Exercises</i> , rev	<b>Exercises</b> P 6-1, P 6-6, P 6-9

\*MPC – multiple choice questions

## Schedule of Assignments

September 26 Class #10	<b>Preferred Stock, EPS, Consolidated EPS</b> 1) <i>Beams et al.</i> , Chapter 10, pp. 309-320 2) <i>EPS Exercises</i> , rev	<b>Exercises</b> P 10-2, P 10-6, P 10-9
October 1 Class #11	<b>Crossholdings</b> 1) <i>Beams et al.</i> , Chapter 9 2) <i>Crossholdings Exercises</i> , rev	<b>Exercises</b> P 9-1, P 9-3, P 9-6
October 3 Class #12	<b>Corporate Liquidations and Reorganizations</b> 1) <i>Beams et al.</i> , Chapter 18 2) <i>Fresh-Start Accounting: What Is the Implication on Reported Earnings of Companies Emerging from Chapter 11?</i> , Soo Kim (WG '06), 2006 3) <i>SEC Disclosure, Filing Requirements for Public Companies in Chapter 11</i> 4) <a href="https://www.oozingalpha.com/seadrill-emerges-from-chapter-11/">https://www.oozingalpha.com/seadrill-emerges-from-chapter-11/</a> 5) Quiz #2 (2018)	
October 8 Class #13	<b>Quiz #2:</b> <i>Beams, et al.</i> , Chapters 1-6 + MCQ on Liquidations & Reorganizations	
October 10	<b>Official Fall Break – NO CLASS!</b>	
October 15 Class #14	<b>Changes in Stock Ownership</b> 1) <i>Beams et al.</i> , Chapter 8 2) <i>Ownership Dilution</i> , Katherine Daly (WG' 09), 2009 3) <i>Venezuela Devaluations</i> 4) <i>Dilution Exercises</i> , rev	<b>Exercises</b> P 8-2, P 8-3, P 8-4
October 17 Class #15	<b>Derivatives and Foreign Currency</b> 1) <i>Beams et al.</i> , Chapters 12 and 13 2) <i>How the Pound's Plunge 'Cost' AB InBev \$13 Billion</i>	<b>Exercises</b> P 13-5, P 13-6, P 13-8
October 22 & 24 Classes #16 & 17	<b>Foreign Currency Translation &amp; Remeasurement</b> 1) <i>Beams et al.</i> , Chapter 14 2) <i>Argentina's Much-Needed Devaluation...</i> 3) <i>Translation and Remeasurement Exercises</i>	<b>Exercises</b> P 14-1, P 14-9, P 14-5, P 14-6

## Schedule of Assignments

October 29 Class #18	<b>Review for Quiz #3</b> 1) Quiz #3 (2018)	
October 31 Class #19	<b>Quiz #3:</b> <i>Beams et al.</i> , Chapters 12-14 + Crossholdings	
November 5 Class #20	<b>Intercompany Transactions – Debt</b> 1) <i>Beams et al.</i> , Chapter 7 2) <i>Intercompany Debt Exercises</i> , rev	<b>Exercises</b> P 7-1, P 7-3, P 7-6
November 7 Class #21	<b>Interpreting Consolidated Data</b> 1) <i>Beams et al.</i> , Chapter 7 2) <i>Interpreting Consolidated Data</i> , rev	<b>Exercises</b> P 7-4
November 12 Class #22	<b>Review for Quiz #4</b> 1) Quiz #4 (2018)	
November 14 Class #23	<b>Quiz #4:</b> <i>Beams et al.</i> , Chapters 5-7 + EPS	
November 19 Class #24	<b>Capstone Cases</b> 1) <i>Capstone Cases</i> , rev 2) <i>Financial Restatement Trends...</i>	
November 21 Class #25	<b>Segmental and Interim Financial Reporting</b> <i>Beams et al.</i> , Chapter 15	
November 26 Class #26	<b>TBA</b>	
November 28 No Class!	<b>Thanksgiving Break</b>	
December 3 Class #27	<b>Review for Quiz #5</b> 1) Starbucks Case on Noncontrolling Interest 2) Quiz #5 (2018)	
December 5 Class #28	<b>Quiz #5:</b> <i>Beams et al.</i> , Chapters 5-7 + Changes in Stock Ownership + MQC on Segmental Reporting	