

ACCT 743 (243)
Accounting for Mergers, Acquisitions, and Complex Financial Structures
Fall Semester 2020

Aut disce aut discede (either learn or depart)

Instructor

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Special arrangements for fall 2020

The course design for ACCT 743 (243) attempts to respond to the unprecedented circumstances brought about by the Covid-19 pandemic. ¹ First, the course will be synchronous and online.² Second, lectures will be based on PowerPoint slides. Third, the slides will be posted on Canvas (typically in PDF format), thereby allowing students to review the lecture material in advance and at their convenience.

See the **Schedule of Assignments** at the end of this syllabus for class and quiz dates. Note that there are no classes on quiz dates. Instead, students will have 90 minutes to download the quiz from the course website on Canvas, complete the solution templates on the quiz, and then upload a completed quiz to Canvas. The last 2 pages of this syllabus includes instructions for scanning on iOS and Android devices.³

If a student has questions about the course or lecture material, please contact me at my e-mail address (see above). Assuming there is demand, once the course gets underway we may set up a time for remote office hrs.

Textbook (required)

The textbook (TB) for this course is *Advanced Accounting*, 13th Edition, by Floyd A. Beams, Joseph H. Anthony, Bruce Bettinghaus, and Kenneth Smith (Pearson). Pearson also has available for purchase an electronic text (eBook): use the link <https://www.pearson.com/store/p/advanced-accounting/P100001430024/9780134631721>.

Requirements to receive course credit

There are two possible ways to receive course credit.

- Register to take the course for a ‘grade’; here, a student is required to complete all 4 scheduled quizzes.
- Register for the course ‘pass/fail’ (P/F); here, a student is only required to complete any 3 of the 4 scheduled quizzes. An attractive feature of the P/F option is that it allows a student to complete all coursework requirements by November 12 (the date of Quiz #3).

¹ Among other concessions to the pandemic, I eliminated two class sessions. This is chiefly the consequence of: 1) reducing the number of quizzes from the 5 typically scheduled to just 4; and 2) eliminating the requirement that students do ‘in-class’ team presentations. The latter seems impractical given the circumstances. All of this said, the actual course content is identical to prior years.

² In addition, the class sessions will be recorded and posted on Canvas.

³ It would be prudent to practice scanning *before* the 1st quiz on September 24.

Course website

The website for ACCT 743 (243) can be found on Canvas: <https://canvas.upenn.edu/courses>. All course material except for the TB itself will be posted on the Canvas website. For example, 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 TB exercises and problems in *Beams et al.* (in a separate folder).
- The comparable 2019 quiz as a practice quiz (in the folder that *precedes* an upcoming quiz).
- Quiz answers and summary performance statistics as soon as grading has been completed.

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 are 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).

Quiz schedule and point distribution

The following table provides a summary of relevant quiz information.

Quiz	Date	Allotted time ⁴	Points
Quiz #1	September 24	90 minutes	50 pts.
Quiz #2	October 15	90 minutes	50 pts.
Quiz #3	November 12	90 minutes	50 pts.
Quiz #4	December 3	90 minutes	50 pts.
Total Points			200 pts.

There are no “make-up” quizzes! Potential conflicts with quiz dates should be brought to our attention at the beginning of the semester, where we will deal with them on a case-by-case basis. The only exception to this is a documented medical emergency, in which a proportional adjustment will be made to performances on other quizzes to back into the 200-pt. total.

Re-grade requests are strongly discouraged! Inquiries about quiz grading should be addressed to the course TA (Shawn Kim) at sinkim@wharton.upenn.edu.

Last year’s quizzes

The class folder on the course website on Canvas for the class that *precedes* a scheduled quiz date will contain the quiz used in 2019 as a practice quiz (along with a solution).

This year’s quizzes

Quiz answers and summary performance statistics will be available 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 list of abbreviations in the schedule.

- “*Beams et al.*” is a reference to the course textbook, *Advanced Accounting*, 13th Edition, Floyd A. Beams, Joseph H. Anthony, Bruce Bettinghaus, and Kenneth Smith (Pearson).
- “**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.
- “**Ø**” is a symbol for topics that will be discussed in class but not tested in any of the quizzes. Effectively, these discussions are for students own edification (enlightenment). These topics include the following.
 - “Tax Considerations in Mergers” (discussed in class on September 15).
 - “Corporate Liquidations & Reorganizations” (discussed in class on September 22).
 - “Noncontrolling Interest Revisited” (discussed in class on November 10).
 - “Interim and Segmental Reporting” (discussed on December 1)

⁴ This is the total time to download the quiz from Canvas, complete the quiz, and then upload the quiz to Canvas.

Schedule of Assignments

September 1 Class #1	Business Combinations (Part I: Mergers) 1) <i>Beams et al.</i> , Chapter 1 2) <i>Class #1 Exercises</i> , rev	Exercises E 1-3, E 1-4, E 1-5
September 3 Class #2	Business Combinations (Part II: Non-Mergers) 1) <i>Beams et al.</i> , Chapter 1 2) <i>Class #2 Exercises</i> , rev	Exercises P 1-1, P 1-3, P-4
September 8 Class #3	Financial Statements for Investments 1) <i>Beams et al.</i> , Chapter 2 2) <i>Plant, Sun, and Star Exercises #3-6</i> , rev	Exercises E 2-12, P 2-6, P 2-9, P 2-12
September 10 Class #4	Introduction to Consolidated Investments 1) <i>Beams et al.</i> , Chapter 3 2) <i>Class #4 Exercises</i> , rev	Exercises P 3-1, P 3-7, P 3-11
September 15 Class #5	Tax Considerations in Mergers (Ø)	
September 17 Class #6	Preferred Stock, EPS, Consolidated EPS 1) <i>Beams et al.</i> , Chapter 10, pp. 309-320 2) <i>EPS Exercises</i> , rev	Exercises P 10-2, P 10-6, P 10-9
September 22 Class #7	Corporate Liquidations and Reorganizations (Ø) 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) Quiz #1 (2019)	
September 24 Class #8	Quiz #1: Course material from classes #1-4 (<i>Beams, et al.</i> , Chapters 1-3)	

Schedule of Assignments

September 29 Class #9	Consolidation Techniques and Procedures 1) <i>Beams et al.</i> , Chapter 4, pp. 99-111 2) <i>Class #9 Exercises</i> , rev	Exercises P 4-6, P 4-9, P 4-11
October 1 Class #10	Intercompany Transactions – Inventories 1) <i>Beams et al.</i> , Chapter 5 2) <i>Class #10 Exercises</i> , rev	Exercises P 5-1, P 5-4, P 5-9
October 6 Class #11	Intercompany Transactions – Depreciable and Non-depreciable Assets 1) <i>Beams et al.</i> , Chapter 6 2) <i>Class #11 Notes & Exercises</i> , rev 3) <i>Review of Chapters 1-6, Beams et al.</i> , rev	Exercises P 6-1, P 6-6, P 6-9
October 8 Class #12	Crossholdings 1) <i>Beams et al.</i> , Chapter 9 2) <i>Crossholdings Exercises</i> , rev	Exercises P 9-1, P 9-3, P 9-6
October 13 Class #13	Changes in Stock Ownership 1) <i>Beams et al.</i> , Chapter 8 2) <i>Ownership Dilution</i> , Katherine Daly (WG' 09), 2009 3) <i>Dilution Exercises</i> , rev 4) Quiz #2 (2019)	Exercises P 8-2, P 8-3, P 8-4
October 15 Class #14	Quiz #2: Course material from classes #6, 9-12 (<i>Beams, et al.</i> , Chapters 1-6 + Earnings Per Share)	

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October 20 Class #15	Derivatives and Foreign Currency (FC) 1) <i>Beams et al.</i> , Chapters 12 and 13	Exercises P 13-5, P 13-6, P 13-8
Oct. 22, 27 & 29 Classes #16, 17, & 18	FC Translation & Remeasurement 1) <i>Beams et al.</i> , Chapter 14 2) <i>Translation and Remeasurement Exercises</i>	Exercises P 14-1, P 14-9, P 14-5, P 14-6
November 3 Class #19	Intercompany Transactions – Debt 1) <i>Beams et al.</i> , Chapter 7 2) <i>Intercompany Debt Exercises</i> , rev	Exercises P 7-1, P 7-3, P 7-6
November 5 Class #20	Interpreting Consolidated Data 1) <i>Beams et al.</i> , Chapter 7 2) <i>Interpreting Consolidated Data Exercises</i> , rev	Exercises P 7-4
November 10 Class #21	Noncontrolling Interest Revisited (O) 1) <i>Starbucks Case on Noncontrolling Interest</i> , rev 2) Quiz #3 (2019)	
November 12 Class #22	Quiz #3: Course material from classes #12, 15-18 (<i>Beams et al.</i> , Chapters 12-14 + Crossholding)	
November 17 & 19 Class #23 & 24	Capstone Cases	
November 24 & 26	Thanksgiving Break – <i>No classes all week!</i>	
December 1 Class #25	Interim and Segmental Reporting (O) 1) Quiz #4 (2019)	
December 3 Class #26	Quiz #4: Course material from classes #13, 19, 20, 23, 24 (<i>Beams et al.</i> , Chapters 5-7 + Changes in Stock Ownership)	