

**ACCOUNTING AND FINANCIAL
REPORTING
ACCT 101
FALL 2021**



(VERSION 8/11/21)

Instructor

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Office Hours:

Monday 3:00 pm – 4:00 pm via Zoom:
tba

or by appointment (send me an email and we can set up a time).

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 (**tba**). 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 as **eBook** for purchase for the duration of our class directly from the publisher under this link: <https://mybusinesscourse.com/book/wharton2ndedition#purchase>. Several copies of the custom textbook are on reserve at Lippincott Library. In case you are interested in a **hardcopy**, you can buy it at the Penn Bookstore (only).

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	20 pts.
Midterm Exam #2	20 pts.
Final Exam	20 pts.
In-Class Short Quizzes	15 pts.
Participation and Professionalism	25 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 is structured such that students should be able to solve it in 60 minutes, but to give everyone a fair chance to carefully work through all the problems, we allot 90 minutes to the exams. The exams will be held in person during a specific time slot but administered online using Canvas (i.e., bring your computer to the exams). 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 open-book and you are allowed to use all the class material. Note that sharing exam information with your classmates or accepting third-party help will result in a referral to the Office of Student Conduct, and students caught cheating will receive a grade of "F" for the course.

We will post practice exams together with solutions on Canvas for preparation. The graded exams (including the solutions) will be available online once the exam scores have been released.

Exam Accommodation and Conflicts:

It is the student's responsibility to take examinations at the times 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, s/he 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 or from Student Health) 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 a 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 2022** during the official make-up exam period set by the Registrar. Students who fail to take 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, s/he must contact the instructor – not a TA – via email and submit a **written explanation** of the points of contention **within one calendar week** following the release of the exam scores. We will not consider submissions after this deadline. 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 15 minutes and consists of 5 questions (multiple choice). The quizzes will be administered online using Canvas. The quizzes are open-book and you are allowed to use all the class material. Note that sharing quiz information with your classmates or accepting third-party help 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., we drop the lowest quiz score). If for some reason you are unable to take one of the four quizzes, we will simply count the three quizzes that are completed. **No make-up quizzes will be given.**

Class Participation:

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 **25 points**. No contribution, repeated class absences, or contributions that are obvious, confusing, or peripheral will result in a deduction of points for participation.

I will be using a polling software (e.g., Poll Everywhere or Zoom Polls) to interact with students in each class session. To have an objective measure of your class participation, I will assign 20 of the 25 points based on your **participation in the class polls**. Participation in 80% of the class polls throughout the semester is required to receive the full 20 points. The remaining 5 points will be based on your contributions to class.

Class Etiquette:

If ever possible, the class will be in person. 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 (e.g., for use during the polls).
- We expect that you will treat this course as a professional engagement. Please do not carry on private conversations during class.
- This is an interactive class. So, please, feel free to interrupt me and ask questions at any time. Raise your hand feature to do so. Note that I will be cold calling occasionally (but not in a mean way), so be prepared.

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 attend 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.

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 **Monday, November 8, 2021**. If a student wishes to withdraw after this date, s/he 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 seven teaching assistants for the course. 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 for holidays) based on the schedule posted on the course website. All office hours will be held online.

The typical weekly office hour schedule is as follows (for details see the schedule posted on the course website; note that all times are in **Philadelphia local time**):

Monday	5 pm – 6 pm
Tuesday	5 pm – 6 pm and 7 pm – 8 pm
Wednesday	no office hours
Thursday	5 pm – 6 pm and 7 pm – 8 pm
Friday	11 am – 12 pm

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: tba** (on which your fellow students can provide answers).

The TAs for the course are as follows:

Irina Luneva (head TA)	iluneva@wharton.upenn.edu
Nebeyu Bekere	bekeren@sas.upenn.edu
Dragon Chan	dragon@wharton.upenn.edu
Lucia Macchi	lmacchi@wharton.upenn.edu
Kanishka Ragula	kragula@wharton.upenn.edu
Nafisa Saha	nsaha@sas.upenn.edu
Erica Shaulson	ericasha@sas.upenn.edu


Class Schedule (all 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.

1 Wed 9/1 **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; How to Account for Coronavirus Aid?; Wall Street's Earnings Forecast: Cloudy with a Chance of Turbulence
 Videos: V01 Overview; V02-1 Balance Sheet

2 Wed 9/8 **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 9/13 **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 9/15 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 9/20 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: Inventory or Expense: Coronavirus Pushes Mayo Clinic to Revisit Accounting; Driverless Car is Officially a Risk; Accounting During Pandemic at Disney

6 Wed 9/22 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; Starbucks – Monetary Superpower

7 Mon 9/27 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 Flow Never Lies; Coronavirus Shows Cash is King

Quiz #1: **15-minute quiz, covering Sessions #1 - #6**

8 Wed 9/29 **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: Airlines Weigh Selling Miles Early to Raise Cash in
 Coronavirus Crisis

9 Mon 10/4 **Review Session for Midterm Exam #1 (7–8:30 pm)**
 (Review session will be held online via Zoom; Topics covered: old practice exam – Fall 2020)

10 Wed 10/6 **Midterm Exam #1 (7–8:30 pm)**
 (Topics covered: Sessions #1 - #9, inclusive)

11 Mon 10/11 **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: With Earnings ‘Out the Window,’ Investors Turn to
 Survival Metrics; Home Depot Working Capital;
 PepsiCo Financials

12 Wed 10/13 **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: Akamai Keeps Close Eye on Receivables as Pandemic
 Tests Its Customers; Cash Crunch at Retailers Stings
 Suppliers During Pandemic

13 Mon 10/18 Inventory, Product Costing, and Cost of Goods Sold

Slides: Sessions 14 & 15
Case #6: **Research in Motion**
TB Reading: Chapter 7
TB Problems: M7-15, M7-19, M7-22
Add. Reading: Clothing Companies Want to Hold On to Unsold Inventory; At Boeing and Airbus, Finished Airplanes Pile Up

14 Wed 10/20 No Class

15 Mon 10/25 Inventory, Product Costing, and Cost of Goods Sold (continued)

Slides: Sessions 14 & 15
Case #7: **Caterpillar**
TB Reading: Chapter 7
TB Problems: E7-26, E7-29, E7-31

16 Wed 10/27 Long-Lived Assets

Slides: Sessions 16 & 17
TB Reading: Chapter 8
TB Problems: M8-11, M8-14, E8-24, P8-36
Add. Reading: Coronavirus Poses Hurdle for Goodwill Impairment Tests; No End in Sight for Big Oil's Write-Downs

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

17 Mon 11/01 Long-Lived Assets (continued)

Slides: Sessions 16 & 17
Case #8: **Berwick Tools**
TB Problems: M8-17, M8-21, E8-29, E8-32, E8-35
Add. Reading: Shell Takes \$22 Billion Write-Down

18 Wed 11/03 Review Session for Midterm Exam #2 (7–8:30 pm)

(Review session will be held online via Zoom; Topics covered: old practice exam – Fall 2020)

19 Mon 11/08 **Midterm Exam #2 (7–8:30 pm)**
(Topics covered: Sessions #11 - #18, inclusive)

20 Wed 11/10 **Long-Term Debt**

Slides: Sessions 20 & 21
 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; Businesses Are Supposed to Cut Debt in a Downturn; Bond Calculator

21 Mon 11/15 **Long-Term Debt (continued)**

Slides: Sessions 20 & 21
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; Macy's Raises \$4.5 Billion, Funding Operations Through 2021

22 Wed 11/17 **Deferred Taxes**

Slides: Sessions 22 & 24
 TB Reading: Chapter 10, p. 486-498
 TB Problems: M10-23, E10-34
 Add. Reading: Piles of Overseas Profits Investors Cannot Touch

Quiz #3: 15-minute quiz, covering Sessions #20 - #21

23 Mon 11/22 **No Class**

24 Mon 11/29 **Deferred Taxes (continued)**

Slides: Sessions 22 & 24
Case #10: General Motors
 TB Reading: Chapter 10, p. 486-498
 TB Problems: P10-41, P10-42
 Add. Reading: Losing Money Is a Winning Pandemic Tax Strategy; Sony Profits Are Far Off with Write-Down

25 Wed 12/01 **Owners' Equity – Shareholders' Equity, Treasury Stock, Dividends**

Slides: Sessions 25 & 26
Case #11 **PepsiCo, Part I**
 TB Reading: Chapter 11
 TB Problems: M11-20, M11-21
 Add. Reading: Stock Splits Pay Off – on the Rare Occasions They Occur

26 Mon 12/06 **Owners' Equity (continued) – Employee Stock Compensation**

Slides: Sessions 25 & 26
Case #11: **PepsiCo, Part II**
 TB Reading: Chapter 11
 TB Problems: M11-25, M11-35, E11-45, E11-54
 Add. Reading: SEC Probes Whether Companies Rounded Up Earnings

Quiz #4: **15-minute quiz, covering Sessions #22 - #25**

27 Wed 12/08 **Final Review and Course Wrap-Up**

Slides: Session 27

Mon 12/13 **Review Session for Final Exam (7–8:30 pm)**

(Review session will be held online via Zoom; Topics covered: old practice exam – Fall 2020)

Th 12/16 **Final Exam (3–4:30 pm)**

(Topics covered: Sessions #20 - #27, inclusive)
