

**ACCOUNTING AND FINANCIAL  
REPORTING  
ACCT 1010  
FALL 2022**



(VERSION 9/16/22)

**Instructor**

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**Office Hours:**

Monday 3:00 pm – 4:00 pm via Zoom (typically held on Mondays, but there are also a few other times ahead of the exams; please check syllabus on Canvas for details):

<https://upenn.zoom.us/j/98180530871?pwd=Vm5lajVJT2FJNGh5UWE5Z0V3MUREZz09>

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 (<https://canvas.upenn.edu/courses/1680032>). 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, and G. Pfeiffer, *Financial Accounting for Undergraduates*, 3. Ed., Wharton Custom Edition, 2022, 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/wcfau3e#purchase>. In case you are interested in a **hardcopy**, you can buy the 7<sup>th</sup> edition of *Financial Accounting* by Hanlon, Magee, and Pfeiffer through the publisher's website.

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.
Midterm Exam #3	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".

### **Exams:**

There are three midterm exams 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 but administered online using the **Respondus LockDown Browser** and Canvas (i.e., bring your computer to the exams). You will find instructions on how to install and use Respondus LockDown Browser on your machine in a separate file on Canvas.

Midterm exams #1 and #2 will be held out-of-class during a specific time slot in the evenings; midterm exam #3 will be held in class during the last teaching day of the semester. For exam dates, times, and the topics covered, see the class schedule below.

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. 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 final grade of "F".

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.

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 2023** 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 are closed-book and no notes will be allowed. The quizzes will be administered online using the **Respondus LockDown Browser** and Canvas (i.e., bring your computer). 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 final grade of “F”.

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) 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 70% 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. 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 7, 2022**.

**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 (**Note:** there are a **few exceptions** in the office hour schedule; thus, for exact dates and times, see the detailed schedule posted on the course website):

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 **Ed Discussion:** <https://edstem.org/us/join/eRsaMv> (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
Eunice Chong	chonge@wharton.upenn.edu
Diego Lijeron	dlijeron@wharton.upenn.edu
Lucia Macchi	lmacchi@wharton.upenn.edu
Om Manghani	manghani@sas.upenn.edu
Tanaka Muchemwa	tanakamu@wharton.upenn.edu


**Class Schedule** (all topics listed below will be covered)

**Key:** TB Reading/Problems refers to the Hanlon et al. textbook; 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.

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1	Wed 8/31	<b>Introduction</b>	Slides: Session 1 TB Reading: Chapter 1 TB Problems: M1-24, E1-27, E1-29, P1-38 Add. Reading: Basics of Accounting Are Vital to Survival; More U.S. Companies Wade into NFTs; Wall Street's Earnings Forecast: Cloudy with a Chance of Turbulence  <b>Videos:</b> V01 Overview; V02-1 Balance Sheet
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2	Wed 9/7	<b>Mapping Business Activity into Financial Statements</b>	Slides: Sessions 2 & 3 <b>Case #1:</b> 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 <b>Videos:</b> V02-2 Accounting Identity; V03-1 Book Entries; V03-2 Practice Problems
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3	Mon 9/12	<b>Mapping Business Activity into Financial Statements (continued)</b>	Slides: Sessions 2 & 3 <b>Case #1:</b> Mr. Monopoly (continued; Q4 – Q6) TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: E2-44 Chapter 3: M3-23  <b>Videos:</b> V04-1 Accounting Cycle; V04-2 Relic Spotter Case; V05-1 Income Statement

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**4 Wed 9/14 Accounting Cycle**

Slides: Session 4  
**Case #2:** **Animatronics (Q1 – Q4)**  
 TB Reading: Chapters 2 and 3  
 TB Problems: Chapter 3: M3-28, E3-40, E3-49  
**Videos:** **V06-1 Adjusting Entries; V06-2 Practice Problems; V07 Financial Statements (until minute 11')**

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**5 Mon 9/19 Balance Sheet Presentation; Introduction to Accrual Accounting**

Slides: Session 5  
 TB Reading: Chapters 2 and 3  
 TB Problems: Chapter 2: P2-53, P2-63  
 Chapter 3: P3-56a, P3-68a  
 Add. Reading: Inventory or Expense: Coronavirus Pushes Mayo Clinic to Revisit Accounting; SEC proposed Landmark Climate Disclosure Rule; Accounting During Pandemic at Disney

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**6 Wed 9/21 Revenue Recognition & Matching Expenses to Revenues**

Slides: Session 6  
**Case #3:** **United Airlines**  
 TB Reading: Chapter 6, p. 6-1 to 6-14  
 TB Problems: M6-14, M6-26, E6-34, E6-50  
 Add. Reading: Accounting Shift Would Lift Tech Profits; Zynga Explains Method for Recording Real Revenue; Boeing Hits a Milestone

**Quiz #1:** **15-minute quiz, covering Sessions #1 - #5**

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**7 Mon 9/26 Statement of Cash Flows**

Slides: Sessions 7 & 8  
**Case #2:** **Animatronics (Q5)**  
 TB Reading: Chapter 4  
 TB Problems: M4-23, M4-26, M4-30, E4-34  
 Add. Reading: Cash Flow Never Lies; Coronavirus Shows Cash is King

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8 Wed 9/28 **Statement of Cash Flows (continued)**

Slides: Sessions 7 & 8  
**Case #4:** Callaway Golf  
 TB Reading: Chapter 4  
 TB Problems: E4-38, E4-44, P4-45; P4-50a-c  
 Add. Reading: Airlines Weigh Selling Miles Early to Raise Cash in Coronavirus Crisis

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9 Thu 9/29 **Review Session for Midterm Exam #1 (7–8:30 pm)**

(Review session will be held online via Zoom; Topics covered: old practice exam – Fall 2021) **NOTE: Different day (but session will be recorded)!**

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10 Mon 10/3 **Midterm Exam #1 (7–8:30 pm)**

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

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Wed 10/5 **No Class**

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

Slides: Session 11  
 TB Reading: Chapter 5  
 TB Problems: M5-24, E5-27, P5-46  
 Add. Reading: Companies Are Taking Longer to Pay Suppliers;  
 Companies Shrink Cash Buffers as Pandemic Fades;  
 Home Depot Working Capital; PepsiCo Financials

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12 Wed 10/12 **Accounts Receivable**

Slides: Session 12  
**Case #5:** Barnes & Noble  
 TB Reading: Chapter 6, p. 6-14 to 6-22  
 TB Problems: M6-18, M6-21, E6-38  
 Add. Reading: Akamai Keeps Close Eye on Receivables as Pandemic Tests Its Customers; Cash Crunch at Retailers Stings Suppliers During Pandemic

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**13 Mon 10/17 Inventory, Product Costing, and Cost of Goods Sold**

Slides: Sessions 13 & 15  
**Case #6:** **Urban Outfitters**  
TB Reading: Chapter 7  
TB Problems: M7-16, M7-20, M7-27  
Add. Reading: Companies Grapple with Post-Pandemic Inventories Dilemma; Inflation Puts Spotlight on Companies' Use of Last-in, First-out Accounting

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**14 Wed 10/19 No Class**

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**15 Mon 10/24 Inventory, Product Costing, and Cost of Goods Sold (continued)**

Slides: Sessions 13 & 15  
**Case #7:** **Caterpillar**  
TB Reading: Chapter 7  
TB Problems: E7-29, E7-32, E7-34

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**16 Wed 10/26 Long-Lived Assets**

Slides: Sessions 16 & 17  
TB Reading: Chapter 8  
TB Problems: M8-11, M8-15, E8-29, P8-47  
Add. Reading: Business Losses from Russia Top \$59 Billion; Coronavirus Poses Hurdle for Goodwill Impairments

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

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**17 Mon 10/31 Long-Lived Assets (continued)**

Slides: Sessions 16 & 17  
**Case #8:** **Berwick Tools**  
TB Problems: M8-19, E8-34, E8-36, E8-42  
Add. Reading: Shell Takes \$22 Billion Write-Down

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**18 Wed 11/02 Review Session for Midterm Exam #2 (7–8:30 pm)**

(Review session will be held online via Zoom; Topics covered: old practice exam – Fall 2021)

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19 Mon 11/07 **Midterm Exam #2 (7–8:30 pm)**  
(Topics covered: Sessions #11 - #18, inclusive)

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20 Wed 11/09 **Long-Term Debt**

Slides: Sessions 20 & 21  
 TB Reading: Chapter 9 & Appendix A (Time-Value of Money)  
 TB Problems: M9-25, M9-36, M9-39, E9-45  
 Add. Reading: Citigroup Finds a Profit; Elon Musk’s Buyout Will Load  
 Twitter with Debt; Bond Calculator

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21 Mon 11/14 **Long-Term Debt (continued)**

Slides: Sessions 20 & 21  
**Case #9:** Starbucks  
 TB Reading: Chapter 9 & Appendix A (Time-Value of Money)  
 TB Problems: M9-26, E9-58, P9-67, P9-70a/71b  
 Add. Reading: Morgan Stanley to Post a Loss from Bonds; Macy’s  
 Raises \$4.5 Billion, Funding Operations Through 2021

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22 Wed 11/16 **Deferred Taxes**

Slides: Sessions 22 & 24  
 TB Reading: Chapter 10, p. 10-25 to 10-36  
 TB Problems: M10-30, E10-43/44  
 Add. Reading: Piles of Overseas Profits Investors Cannot Touch  
  
**Quiz #3:** 15-minute quiz, covering Sessions #20 - #21

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23 Mon 11/21 **No Class**

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24 Mon 11/28 **Deferred Taxes (continued)**

Slides: Sessions 22 & 24  
**Case #10:** General Motors  
 TB Reading: Chapter 10, p. 10-25 to 10-36  
 TB Problems: P10-52, P10-57  
 Add. Reading: Tesla Will Pay \$0 Federal Tax; Losing Money Is a  
 Winning Pandemic Tax Strategy

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25 Wed 11/30 **Owners' Equity – Shareholders' Equity, Treasury Stock, Dividends**

Slides: Sessions 25 & 26  
**Case #11** **PepsiCo, Part I**  
 TB Reading: Chapter 11  
 TB Problems: M11-21a, M11-24a, M11-29a  
 Add. Reading: Amazon Board Approves 20-for-1 Stock Split

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26 Mon 12/05 **Owners' Equity (continued) – Employee Stock Compensation**

Slides: Sessions 25 & 26  
**Case #11:** **PepsiCo, Part II**  
 TB Reading: Chapter 11  
 TB Problems: M11-40/41, E11-53a-e, E11-62a-c  
 Add. Reading: SEC Probes Whether Companies Rounded Up Earnings

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

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27 Wed 12/07 **Course Review and Wrap-Up**

Slides: Session 27

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28 Thu 12/08 **Review Session for Midterm Exam #3 (7–8:30 pm)**

(Review session will be held online via Zoom; Topics covered: old practice exam – Fall 2021) **NOTE: Different day (but session will be recorded)!**

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29 Mon 12/12 **Midterm Exam #3 (during regular class times)**

(Topics covered: Sessions #20 - #28, inclusive)

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