

University of Pennsylvania, The Wharton School
ACCT 212 Financial Measurement and Disclosure
Fall 2022

INSTRUCTOR

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OFFICE HOURS

Mondays 3:00 p.m. – 5:00 p.m. Please email me if you would like to schedule a different time.

COURSE DESCRIPTION AND OBJECTIVES

ACCT 212 is an intermediate-level accounting course that builds on the skills and knowledge obtained in the introductory financial accounting course, ACCT 101. The primary goal of this course is to provide students with the intellectual tools to understand U.S. GAAP measurement, reporting and disclosure issues concerning business transactions that are more complicated than those studied in ACCT 101. We will cover financial measurement and disclosure topics for major categories of assets, liabilities and shareholders' equity along with their consequences for net income and cash flows.

For most topics, we will cover the topic from the perspective of the preparer (the firm that is generating financial statements) and from the perspective of a financial statement user (e.g., analyst) using financial statements in SEC filings. ACCT212 is not a course in valuation or financial statement analysis. The course, however, will help you in both of those endeavors and will give you a better appreciation of the role that reported financial information plays in analyzing and valuing companies.

PREREQUISITES

An introductory financial accounting course such as ACCT 101 at Wharton or equivalent knowledge.

TEXTBOOK AND COURSE MATERIALS

"Intermediate Accounting" 11th edition, by Spiceland, Nelson, Thomas, and Winchel. This edition was released in mid-2022. Do not use the 10th (or any earlier) edition. There have been several significant changes in standards recently.

The book (ebook or hardcopy) comes with a "Connect" account. I have assigned the practice problems for each chapter (listed later in the course outline) in Connect. Through your Connect account, you will be able to check your answers to the practice problems as you are doing them.

The classnotes and slide decks will emphasize the topics/issues that you are responsible for knowing, but these materials do not provide a full discussion of the material. The textbook provides the necessary background reading that underlies the classnotes and slide examples. Students who carefully read and study the text will be in a better position compared to those who do not.

The textbook provides a discussion of the IFRS treatment of each activity/transaction. Our focus in this course is U.S. GAAP, and unless instructed otherwise, you should apply U.S. GAAP for all quiz, exam, and assignment problems. I will discuss IFRS in a few cases where the difference between U.S. GAAP and IFRS

is significant (or unexpected). This course should give you the skills to read and digest the “Significant Accounting Policies” section of an annual report for a firm that follows IFRS.

GRADING

Quiz #1	15%
Exam #1	30%
Exam #2	25%
Quiz #2	16%
Project	8%
Professionalism	6%

The “Professionalism” component of your grade incorporates attendance and punctuality, active engagement with class material, professional behavior in class, respect and courtesy for your fellow students, and other intangible factors that should be common sense.

The final project will ask you to compute ratios for two peer companies and evaluate how accounting issues affect the comparability of these ratios. You will be able to work in pairs (i.e., two person group) to complete the final project. The final project is due: **December 16.**

QUIZZES AND EXAMS

All exams and quizzes will be in class.

Exams will consist of a mix of multiple choice questions and more computationally involved accounting problems. The questions/problems may be from the preparer’s perspective or from the perspective of a financial statement user. Some questions/problems will be based on “simplified” (and made up) facts; others will be based on real company financial statements.

Exams and quizzes are not cumulative (except that the first quiz covers the basic structure of the financial statements and accrual accounting, which will be assumed knowledge through the rest of the course).

All exams are open notes (hardcopies only). Phones, laptops, tablets, and other such devices must be powered off and stored away during exams. You are allowed to use a financial calculator (without internet access). You may not use your phone as a calculator. I will provide PV tables, if necessary.

If you are sick or have some other reason for missing an exam, please contact me as soon as you are aware of the issue. Make-up opportunities will be given only for the most unusual and extreme of circumstances, or for university-approved reasons. If you request a make-up, I will register the absence with the UG division. In most cases, the resolution will be for you to take the make-up exam on the University “make-up” date in January of 2023. Any exam or quiz absence not cleared in advance (or as soon as known in the case of a medical emergency) will result in a zero score. See the special note about item (G) in the section on academic integrity.

ACADEMIC INTEGRITY

I will actively monitor quizzes, exams, and the final project for violations of Penn's Code of Academic Integrity. I will pursue action against any students who violate the Code with the involvement of the Office of Student Conduct.

Penn's Code of Academic Integrity provides the following definitions of Academic Dishonesty:

Activities that have the effect or intention of interfering with education, pursuit of knowledge, or fair evaluation of a student's performance are prohibited. Examples of such activities include but are not limited to the following definitions:

- A. **Cheating:** using or attempting to use unauthorized assistance, material, or study aids in examinations or other academic work or preventing, or attempting to prevent, another from using authorized assistance, material, or study aids. *Example:* using a cheat sheet in a quiz or exam, altering a graded exam and resubmitting it for a better grade, etc.
- B. **Plagiarism:** using the ideas, data, or language of another without specific or proper acknowledgment. *Example:* copying another person's paper, article, or computer work and submitting it for an assignment, cloning someone else's ideas without attribution, failing to use quotation marks where appropriate, etc.
- C. **Fabrication:** submitting contrived or altered information in any academic exercise. *Example:* making up data for an experiment, fudging data, citing nonexistent articles, contriving sources, etc.
- D. **Multiple submission:** submitting, without prior permission, any work submitted to fulfill another academic requirement.
- E. **Misrepresentation of academic records:** misrepresenting or tampering with or attempting to tamper with any portion of a student's transcripts or academic record, either before or after coming to the University of Pennsylvania. *Example:* forging a change of grade slip, tampering with computer records, falsifying academic information on one's resume, etc.
- F. **Facilitating academic dishonesty:** knowingly helping or attempting to help another violate any provision of the Code. *Example:* working together on a take-home exam, etc.
- G. **Unfair advantage:** attempting to gain unauthorized advantage over fellow students in an academic exercise. *Example:* gaining or providing unauthorized access to examination materials, obstructing or interfering with another student's efforts in an academic exercise, lying about a need for an extension for an exam or paper, continuing to write even when time is up during an exam, destroying or keeping library materials for one's own use, etc.

Most of these violations should be obvious. Carefully read items (F) and (G) in the list above.

(F) states that helping someone else is dishonest. If a friend is struggling and asks for your help to cheat, tell them to see me. I will do my best to support students who are struggling with the material.

(G) states that lying about the need for an extension on an exam is a dishonest way of obtaining an unfair advantage and is a violation of Penn's Code of Academic Integrity. Do not make-up or exaggerate an excuse.

COURSE SCHEDULE

Day	TOPIC	Readings	Practice problems ¹
Wed Aug 31	Class introduction	Ch. 1, especially focus on materiality (p. 19-21) and fair value (p. 28-29) Working backwards notes; Fair value notes	E1-2, Real World case 1-7
Wed Sep 7	Review of accrual accounting concepts and process	Ch. 2 Fundamentals Review notes	E2-4, E2-12, P2-4 Seemego (in class, see canvas)
Mon Sep 12	Balance sheet (+)	Balance sheet, Elements of the 10-k, Auditors report: Ch. 3, parts A and B (through p. 130) Segment reporting and concentrations: App 3 (p. 138-140) Commitments/contingencies and subsequent events: Ch. 13 part B (p. 727-729,733-738 (skip warranties)	P3-10, RWC3-5, Analysis Case 3-10, Ethics Case 3-14, E13-26, P13-10
Wed Sep 14	Income statement and OCI	Ch. 4, Part A (pages 164 - 188) SKIM Journal article: nongaap earnings (canvas)	E4-4, E4-6, E4-11, P4-2, Judgment case 4-5, Real World 4-6
Mon Sep 19	Statement of cash flows	Ch. 4, Part B (pages 188 - 196)	BE4-12, E4-12, E4-15
Wed Sep 21	Quiz #1; Cash, cash equivalents, restricted cash		

¹ As you will see in the textbook, there are various types of problems at the end of each chapter: brief exercises (BE), exercises (E), problems (P), real world cases (RWC), and so on. In Connect, most exercises and problems have a “static” version, which is identical to the problem in the book, and an “algorithmic” version. The algo version provides a variant of the assigned exercise/problem using different numbers and names.

Day	TOPIC	Readings	Practice problems
Mon Sep 26 ²	Receivables	Ch. 7 Appendix 7A (Bank reconciliation, p. 371-374)	E7-1, E7-4, E7-5, E7-9, E7-14, P7-3, Real World Case 7-4
Wed Sep 28	Receivables, continued		E7-19, E7-20, E7-24, E7-25, P7- 12, Real World Case 7-6
Mon Oct 3	Revenue recognition	Ch. 6	BE6-5, E6-2, E6-3, E6-5, E6-10, E6-11, E6-22
Wed Oct 5 ³	Revenue recognition (2)		
Mon Oct 10 ⁴	Inventory: Cost flow/assumptions, recognition timing, dollar value LIFO	Ch. 8 (including Part B)* *Throughout, pay attention to the <u>periodic</u> inventory system. ignore the distinction between the periodic and perpetual inventory systems.	E8-6, P8-6, P8-8, P8-13
Wed Oct 12	Inventory 2 and accounting errors (Ch. 20): LCM, purchase commitments, Accounting changes and error correction	Ch. 9, Part A, D (NOT Parts B and C) Appendix 9 (purchase commitments) Ch. 20	E9-2, E9-5, E9-24, E9-28, P9-18, E20-2, E20-19, E20-24
Mon Oct 17	PPE and intangibles: Acquisition, (including goodwill); exchanges; interest capitalization	Ch. 10 (Skip depletion and natural resource acctg.; skip Part B through exchanges; skip AROs) Include part C – capitalized interest (specific interest method) and R&D to end	E10-3, E10-6, P10-8, P10-9, P10-11
Wed Oct 19	PPE depreciation and intangible asset amortization;	Ch. 11 (Skip assets held-for-sale and retirements; skip group and composite depreciation methods; skip	BE11-16, E11-29, Judgment case 11-13, RWC11-14, Target

² Rosh Hashanah (class will be taped). I have allocated two days for receivables. On the first day, much of the coverage of receivables should be a review. On Wed Sep 28, we will cover “new” receivables topics (and those not easily learned from the book).

³ Yom Kippur (class will be taped). Please email me if you want the class taped. I have assigned miscellaneous topics on this date that will involve mainly lecture and little discussion.

⁴ Indigenous Peoples Day (class will be taped).

	impairments; subsequent costs	depletion and IFRS revaluation; skip partial period acctg.)	case
Mon Oct 24	Exam 1		

Day	TOPIC	Readings	Practice problems
Wed Oct 26	Investments -- Debt vs. equity securities and valuation	Ch. 12 p. 638 – 667 Appendix 12B (will be eliminated if time constrained)	E12-1, E12-5, E12-10, E12-30, E12-31, P12-5, P12-6
Mon Oct 31	Investments -- LT-equity method	Ch. 12 p. 668-678	E12-23, P12-7
Wed Nov 2	Long term debt: Extinguishment, fair value option	Ch. 14 (Skip pgs. 784-785 on installment notes and 786-787 on covid; skip 788-790; skip Parts C and D on pgs 790-800); Skip Appendices	BE14-10, E14-5, E14-6, E14-29, P14-4, P14-9
Mon Nov 7	Leases	Ch. 15 (We are only covering the lessee's accounting. Whenever the book talks about the lessor, you can ignore it.) Skip pgs. 840-841 (Sales-type lease with selling profits); skip Appendix.	BE15-4, BE15-5, BE15-12, BE15-17, BE15-18, E15-12, E15-13. We will cover something like RW15-5 and 15-7 in class.
Wed Nov 9	Income taxes	Ch. 16 (skip pages 938-939 on Covid)	BE16-2, BE16-7, BE16-10, BE16-13, E16-10
Mon Nov 14	Income taxes	Ch. 16 (skip pages 938-939 on Covid)	E16-27, E16-33, P16-3, RWC16-2 and Analysis case 16-4
Wed Nov 16	Exam 2		

Day	TOPIC	Readings	Practice problems
Mon Nov 21	Pensions	Ch. 17 (skip Appendix)	BE17-10, E17-2, E17-14, P17-3, P17-7
Mon Nov 28	Shareholders' equity	Ch. 18	BE18-7, E18-7, E18-12, E18-16, E18-19, P18-3
Wed Nov 30	Share-based compensation	Ch. 19 Part A	E19-5, E19-8, P19-2, RWC19-1
Mon Dec 5	Investments: hedging and derivatives	Appendix A (after p. 1287) Skip extended method p. A-18 through end of chapter.	E A-1, E A-6, E A-8, EA-9
Wed Dec 7	Quiz #2; EPS (Ch. 19 Part B)	CH. 19 Part B (p. 1116 – 1129). Skip "Additional EPS Issues"	E19-12, E19-20, P19-16, P19-17
Mon Dec 12	Ratios and earnings quality/ SCF revisited/wrap up	CH. 3 Part C, pages 130-135 Ch. 4 Part C, pages 196-202 Ch. 14, pages 788-790 Ch. 21, p. 1250 (cash flow ratios) Ch. 21	