

**University of Pennsylvania, The Wharton School**  
**ACCT 2120 Financial Measurement and Disclosure**  
**Fall 2023**

INSTRUCTOR

Catherine Schrand  
1316 Steinberg - Dietrich Hall  
[schrand@wharton.upenn.edu](mailto:schrand@wharton.upenn.edu)

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 2120 is an *intermediate-level* accounting course that builds on the skills and knowledge obtained in the introductory financial accounting course, ACCT 1010. 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 1010. 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). ACCT2120 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 1010 at Wharton or equivalent knowledge.

GRADING

Quiz #1	18%
Exam #1	40%
Quiz #2	12%
Quiz #3	12%
Quiz #4	12%
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.

## 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, but the basic structure of financial statements and accrual accounting (covered on Quiz #1) 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 2024. 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) says 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) says that lying about the need for an extension 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.

#### 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 financial accounting standards recently.

The book (ebook or looseleaf 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. See pages 4-5 of the syllabus for more information about accessing the correct materials.

I realize the book is expensive – sorry. All options give you access to the materials for 18 months, which means that you can use this book as a reference/review for future advanced courses .

The classnotes and slide decks will emphasize the topics/issues that you must understand for the exams/quizzes, but these materials are (intentionally) incomplete. I attempt to highlight the key points without much background/explanation. 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 (International Financial Reporting Standards) 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.

## Access to McGraw Hill Education book and Connect Account

Connect is McGraw-Hill's online assignment and Assessment software you will use to access a media rich eBook and various auto-graded practice problems from the back of selected chapters.

### Where to obtain materials:

- **Print Option-UPENN Bookstore:** Only the UPENN bookstore is offering a discounted package, **ISBN #: 9781265359294**, consisting of the loose-leaf version of the textbook packaged with a Connect access code. You will not find this ISBN # at Amazon or any other internet sites.

Or

- **Online Option - All DIGITAL:** You can purchase access to Connect (no print book but includes the eBook) directly from your section URL below. See instructions below for purchasing the digital option.

### How to Register for Connect:

Copy and paste your course URL below into a new browser window:

<https://connect.mheducation.com/class/schrand-fall-2023>

Enter your email in the box. If you have registered for Connect in a previous or concurrent course, use that same e-mail. Otherwise, you will be required to create a McGraw-Hill education account. Once logged in, you will see a page offering three options: Redeem, Purchase, Free trial. See screenshot on next page.

If you purchased the hardcopy textbook package from the bookstore, enter the 20-digit Online Access Code for Connect in the **Use Connect code** box and click **Redeem**. You will have Connect access, which includes the eBook and your practice problems, for 18 months.

If you have decided to use an eBook, select **Purchase**. This option will give you access to the ebook and connect practice problems for 18 months. With this option, you will see the option to purchase a loose-leaf book directly from McGraw-Hill anytime during your 18-month subscription for an additional \$44.

If you are not sure whether you will remain in the course or you are waiting to buy the textbook package at the bookstore, you can select the **14-Day Free Access** option which provides two weeks of complimentary access to Connect and the eBook. At the end of the complimentary access period, you will need to either enter a 20-digit code from the bookstore package or select **Purchase**. You must purchase full Connect access to maintain access to course assignments and materials. Any work you complete during the Courtesy Access period will be saved.<sup>1</sup>

### Technical Support

If you need Technical Support (forgotten password, wrong code, etc.) please contact the McGraw-Hill Education **Customer Experience Group (CXG)** at:

**(800) 331-5094**

[www.mhhe.com/support](http://www.mhhe.com/support)

*(Please be sure to get your case number for future reference if you call the CXG line.)*


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<sup>1</sup> Highly-aided students should use the 14-day free access and then work with Marc Lo (lomarc@upenn.edu) for a permanent solution.



## Course Access

Your instructor has chosen:



**Intermediate Accounting**  
11th Edition  
Author: J David, Mark, Wayne Spiceland,  
Nelson, and Thomas  
ISBN: 1264387148

### What you get with Connect

- Access to the eBook
- Online homework and quizzes
- Interactive tools and resources
- Free ReadAnywhere® app to access your eBook and SmartBook assignments anywhere
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Get started now with two weeks of free access to Connect. Your work will be saved and will still be available to you and your instructor once you purchase.

**Access Now**

COURSE SCHEDULE

Day	TOPIC	Readings	Practice problems <sup>2</sup>
Wed Aug 30	Class introduction	Ch. 1, especially focus on materiality (p. 19-21) and fair value (p. 28-29) Ch. 3 (p. 123-130) Day 1 notes: Working backwards; Fair value, elements of the 10-k, Auditors report	E1-2, Real World case 1-7
Wed Sep 6	Review of accrual accounting concepts and process	Ch. 2 Fundamentals Review notes	E2-4, E2-12, P2-4 (in connect with P2-3) Seemego (in class, see canvas)
Mon Sep 11	Balance sheet (+)	Balance sheet: Ch. 3, Part A (through p. 120) Segment reporting and concentrations: Appendix 3 (p. 138-140) Disclosures including subsequent events (p. 120-123) ***Ratios: Ch. 3 Part C, pages 130-135	E3-11 (not in connect), E3-21, RWC3-5, Analysis Case 3-10, Ethics Case 3-14
Wed Sep 13	Income statement and OCI	Ch. 4, Part A (pages 164 - 188) SKIM Journal article: nongaap earnings (canvas) Earnings quality ***Ratios: Ch. 4 Part C, pages 196-202	E4-4, E4-6, E4-11, P4-2, Judgment case 4-5, Real World 4-6
Mon Sep 18	Statement of cash flows	Ch. 4, Part B (pages 188 - 196)	BE4-12, E4-12, E4-15, P4-9
Wed Sep 20	Quiz #1		

<sup>2</sup> 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 25 <sup>3</sup>	Receivables	Ch. 7 Part B	E7-11, E7-14, P7-3, Real World Case 7-4
Wed Sep 27	Receivables, continued		E7-19, E7-20, E7-24, E7-25, Real World Case 7-6
Mon Oct 2	Revenue recognition	Ch. 6	BE6-5, E6-2, E6-3, E6-5, P6-4
Wed Oct 4	Revenue recognition (2)		E6-22, P6-12
Mon Oct 9	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, E8-21, P8-8, P8-13
Wed Oct 11	Inventory 2: LCM, purchase commitments Cash, cash equivalents, restricted cash	Ch. 9, Part A, D (NOT Parts B and C) Appendix 9 (purchase commitments) Ch. 7 Part A Appendix 7A (Bank reconciliation, p. 371-374)	E9-2, E9-5, P9-18 E7-1
Mon Oct 16	PPE and intangibles: Acquisition, (including goodwill); exchanges; interest capitalization	Ch. 10; Skip natural resource acquisitions and AROs (p.514-517), Part B through exchanges (522-526) Include part C – capitalized interest (specific interest method) <sup>4</sup> and R&D to end	E10-3, E10-6, P10-8, P10-9, P10-11
Day	TOPIC	Readings	Practice problems

<sup>3</sup> Yom Kippur (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 27, we will cover “new” receivables topics (and those not easily learned from the book).

<sup>4</sup> The specific interest method is the main method described in the text, but the book doesn’t provide the name of the method until p. 536 when they introduce the weighted-average method as an alternative. You only need to know the specific interest method.

Wed Oct 18	PPE depreciation and intangible asset amortization; impairments; subsequent costs	Ch. 11; Skip partial period acctg (578-579); group and composite depr methods, IFRS revaluation, and depletion (582-587); change in methods and estimate, error correction (592-596); assets held-for-sale and retirements (605-606)	BE11-17, E11-19, E11-27, Judgment case 11-7, RWC11-9, Target case
Mon Oct 23	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
Wed Oct 25	Investments -- LT-equity method	Ch. 12 p. 668-678	E12-23, P12-13, RWC12-2
Mon Oct 30	Exam		
Wed Nov 1	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 ***Ratios: Ch. 14, pages 788-790	BE14-10, E14-5, E14-6, E14-29, P14-4, P14-9, RWC14-6
Mon Nov 6	Commitments/contingencies; Interest rate hedging	Ch. 13 part B (p. 727-729,733-738 (skip warranties) Appendix A (after p. 1287) Skip extended method p. A-18 through end of chapter.	E13-26, P13-6 E A-2, E A-8, EA-9, PA-1, PA-3
Wed Nov 8	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, E15-12, E15-13. We will cover something like RW15-5 and 15-7 in class.
Mon Nov 13	Quiz 2; Accounting changes and error correction	Ch. 20 Ch. 11: change in methods and estimate, error correction (592-596)	E20-2, E20-19, E20-24



Day	TOPIC	Readings	Practice problems
Wed Nov 15	Shareholders' equity	Ch. 18	BE18-7, E18-7, E18-12, E18-16, E18-19, P18-3
Mon Nov 20	Share-based compensation	Ch. 19 Part A	E19-5, E19-8, P19-2, RWC19-1
Mon Nov 27	EPS (Ch. 19 Part B)		E19-12, E19-20, P19-16, P19-17
Wed Nov 29	Quiz 3; Start income taxes		BE16-2, BE16-7, BE16-10, BE16-13, E16-10
Mon Dec 4	Income taxes	Ch. 16 (skip pages 938-939 on Covid)	P16-3, RWC16-2, AC 16-4
Wed Dec 6	Pensions	Ch. 17 (skip Appendix)	BE17-10, E17-2, E17-14, P17-3, P17-7
Mon Dec 11	Quiz #4; Ratios and wrap up	***Ratios: Ch. 21, p. 1250 (cash flow ratios) Ch. 21	