

Accounting 243.743

Accounting for Mergers, Acquisitions, and Complex Financial Structures

(Subject to Change)

Course Overview

Accounting 243.743 is designed to develop your understanding of how firms prepare financial statements involving seemingly complex financial transactions such as those arising from significant intercorporate investments, mergers and acquisitions, foreign currency transactions, use of derivatives, bankruptcy reorganizations. The bulk of the course will deal primarily with substantial intercorporate equity investments such as those that occur as a result of mergers and acquisitions. The other topics covered are often tangential to such activity (foreign currency)

The course is at technical end of the spectrum for accounting courses and, as such, will get into some gory accounting details. In this sense, it is much closer in nature to ACCT 212 than to ACCT 242.742. Because it is highly unlikely that any student taking the course will ever be an accountant, one might reasonably ask why those details matter. They matter because they determine how “the sausage is made.” That is, if you want to understand how, say, and M&A transaction might affect your or your client firm’s reported performance, you need to understand the details. As a consequence, from a purely vocational perspective, the course will be useful to those who expect to be involved with assessing prospective M&A activity, executing and evaluating M&A outcomes, or concerned with the financial reporting consequences of other complex financial transactions.

A good deal, if not most, formal education is about developing one’s broader critical thinking capabilities as opposed to providing some vocational skills. This course contributes to those broader capabilities in two ways. First, it provides you with some exposure to how accountants and financial analysts (well, at least some of them) frame their reporting and analysis activities. Second, the problems we consider will offer a reasonably good cognitive workout, particularly along the dimension that includes activities such as jigsaw puzzles or brain teasers.

Class Meetings

We will be using illustrative examples pretty extensively in class, which you will work through in real time. Managing those illustrations during class will be easier if you read the associated parts of the optional text (or you can use the associated videos offered by the publisher) prior to coming to class. If you find that class is moving too fast and you are not doing any advance preparation, it is imperative that you do so.

Grading

Grades will be based upon the following allocation scheme:

Class Attendance and Participation	14%
Homework	20%
Exam 1	33%
Exam 2	33%

Class Materials

Optional Textbook

A good deal of the material covered in class is integrated with the following advanced accounting text:

Halsey and Hopkins, Advanced Accounting. Cambridge Business Publishers, 5th edition (ISBN: 978-1-61853-432-3).

If you are a textbook learner, or you use assigned textbook readings to significantly supplement your learning, the text might be a good option for you. If you tend to learn primarily in the classroom and from your class notes, and you tend not to read assigned textbooks readings to supplement that material, you will probably be fine without the text.

Canvas

Class Materials

For each class I will post slides, illustrations we will cover during class, and excel workbooks for some of those illustrations. In addition, for a few classes we will be discussing a case and you will be asked to answer some pre-class questions prior to class via a Canvas quiz.

Homework

The homework assignments are intended to reinforce the conceptual and technical accounting covered in recent classes. They will be delivered via Canvas quizzes. You are welcome (even encouraged) to work on the homework with classmates but every person is required to submit answers to the questions on Canvas.

Exams

Technology has proven to be a doubled-edged sword for examination purposes, with one edge proving to be sharper than the other. As a consequence, exams will be in person, old school, pencil and paper affairs. Exams are open book and open note. No computers/tablets/phones etc. will be permitted so write out, print-out whatever you want. Well-behaved numbers are employed in exams to the extent possible, and grading is structured so you will not lose credit for simple arithmetic errors.

Instructor Availability

You can reach me at my email address, which is pef@upenn.edu. Office hours are by appointment. If you reach out to me and want to meet ASAP, I will endeavor to accommodate you. If I cannot meet immediately, I will try to arrange to speak with you sometime that same day. Office hours can be in person (I am generally in the office every

Accounting 243.743:
Spring 2024
Summary Class Schedule
(Tentative and Subject to Change)

Session	Day	Date	Topics
1	Tuesday	01/16	Introduction
2	Thursday	01/18	Investment Types Introduction to the Equity Method
3	Tuesday	01/23	Equity Method
4	Thursday	01/25	Equity Method – What is Lost? (Case)
5	Tuesday	01/30	Business Combinations – Forms and Introduction to Consolidation
6	Thursday	02/01	Acquisition Issues and Consolidation
7	Tuesday	02/06	Post-Acquisition Equity Method and Consolidation
8	Thursday	02/08	Consolidation Potpourri
9	Tuesday	02/13	Consolidation: The Importance of Purchase Price Allocation (Case)
10	Thursday	02/15	Consolidation with Less than 100% Ownership
11	Tuesday	02/20	Consolidation with Less than 100% Ownership
12	Thursday	02/22	Exam 1 MBA Core Exam Period: Tuesday 02/27 through Thursday 02/29 Spring Break: Monday 03/04 to Friday 03/08
13	Tuesday	03/12	Consolidation Review/Changes in Ownership
14	Thursday	03/14	Changes in Ownership
15	Tuesday	03/16	Variable Interest Entities
16	Thursday	03/21	Variable Interest Entities (Case)
17	Tuesday	03/23	Accounting for Derivatives (particularly currency derivatives)/Consolidation of Foreign Subsidiaries
18	Thursday	03/28	Consolidation of Foreign Subsidiaries
19	Tuesday	03/30	Acquisitions: Tax Considerations
20	Thursday	04/04	Acquisitions: Tax Considerations
21	Tuesday	04/06	Acquisitions: Tax Considerations (Case)
22	Thursday	04/11	Segment Reporting
23	Tuesday	04/13	Corporate Liquidations and Reorganization
24	Thursday	04/18	Exam 2