

**Accounting 742/242
Spring 2018 SYLLABUS – Preliminary**

Note: The syllabus will likely be updated as the semester goes along

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Course Overview

Financial statements are a primary means for firms to communicate information about their performance and strategy to investors and other groups. In the wake of numerous accounting scandals and the recent financial meltdown (which accounting both helped and hindered), it is more important than ever for managers and investors to understand (i) the financial reporting process, (ii) what financial statements do and do not contain, and (iii) the types of discretion managers have in presenting transactions they have undertaken. This course is designed to help you become a more informed user of accounting numbers by increasing your ability to extract, interpret, and analyze information in financial statements.

We will focus on many of the biggest problem areas of financial reporting: While this is not a course in equity valuation *per se*, equity valuation is one of the most common uses of financial statement data. Accordingly, we will examine the relation between stock prices and financial statement information. We will also study the use of financial ratios and forecasted financial statement data in models of distress prediction.

The course assumes a solid understanding of basic financial accounting (at the level of Acct 611 or A613).

Course Materials

Virtually all of the material will be available in the eRoom for Acct 742 on Canvas.

Text: Revsine, Collins, Johnson, Mittelstaedt, Soffer - *Financial Reporting and Analysis*, 7th ed., Prentice Hall, 2015. This text serves as a reference on accounting and disclosure topics. Note that the course is not a textbook-based course. The text readings provide supplementary information and information useful for preparing the problems and cases.

Canvas The course has a site on Canvas. The ASSIGNMENTS folder provides links to the notes, readings, cases, etc for each class session. Within the FILES folder is all the Course Material. There is a sub-folder for each class session, as well as one for the syllabus and the exams. Inside the folder for a given class session, you will see three or four subfolders:

Notes and Readings: This includes notes, problems, cases, and readings that were included in the bulk pack.

Pre Class Material: New readings, problems, and cases (ones not included in the course pack) are contained here. This folder will also have any spreadsheets available to help work the problems and cases. Finally, this folder will contain power point slides that will constitute the outline of what we'll cover in class that day. Many students find that printing out the slides before class helps them follow along better. Two to three slides per page is a good compromise between not using up too much paper and having room to jot down notes.

Solutions and Post Class Material: This is where I'll post solutions, corrections, etc

Office Hours

Feel free to call with questions or contact me via email at the address above. E-mail is often an easier and quicker way to get your questions answered. Office Hours are by appointment.

Grading and Course Requirements

Your grade for the course will be determined on the basis of :

Class Participation	15 %
Quizzes	60 %
Group Project	25 %
Total	100 %

Class Participation

The amount of learning that takes place in the course will depend on how active the class discussions are, which is dependent on the amount of preparation you do before class. Class participation will be based on your contribution to the class discussions and analyses, not simply on the amount of time you talk. If necessary, I will cold call students.

Because entering or leaving the classroom during class time is disruptive to the learning environment, your fellow classmates and I expect that you will not do so, except in an emergency.

Please bring to each class a Name Card, with your name printed in **LARGE LETTERS**. This will facilitate my getting to know your names and my ability to reward you for class participation.

QUIZZES

There will be 4 open-book, open-notes, take-home Quizzes spaced approximately equally throughout the semester. Each one will be made available through Canvas. The quizzes are officially “cumulative.” That is, all topics covered prior to that Quiz is fair game to be on the Quiz. However, the material on each Quiz will be heavily weighted to the material covered since the prior Quiz. Each Quiz will have a window of time when the Quiz is open (say 2 days) and a time limit (say 4 hours). You can start the Quiz at any time during the open period for the Quiz, **but once you open the Quiz, your clock begins ticking and you must complete it before the time limit expires.** That is, you can pick which 4-hour period of time during the two days to work on the exam. (None of the quizzes will actually take 4 hours to do, the time limit incorporates time for you to “take a break” or “go back and study that material.” However, you should not count on having enough time during the quiz period to completely learn the material from scratch and be able to answer the questions. Therefore, you should keep up during the semester and do some preparation prior to taking the Quiz. The windows when Quizzes will be available will be posted on Canvas prior to the start of the semester.

More details on the Quizzes will be provided as we get closer.

You can take the Quizzes from anywhere you can get an internet connection. However, you must work on the Quizzes individually. You are not permitted to discuss the exam with anyone else, including other students, former students, or people in the real world other than me. However, you are permitted to use any written resource, such as your notes, the textbook, information on the company you find on the web, etc. Violations of these procedures will constitute cheating and could result in receiving an F for the course.

Questions and solutions from prior exams (which were longer midterm and finals, not shorter quizzes) will be available on Canvas. Please be aware that the sequence of topics is not always the same from semester to semester. Therefore, it is possible that there are topics we are covering on, say Quiz #2, this year that were on midterms in some prior years, finals on other prior years, or may not have been on either one.

Group Project:

Your group must identify a firm that has been the subject of an accounting controversy (alleged or real). Your report will describe the controversy, describe the relevant accounting rules, what the company actually did, and whether the company’s accounting violates GAAP (either the letter of the law or the spirit).

Groups can be composed of up to 4 students (no exceptions). Groups may contain a mixture of students from my different sections. Group composition and topic approval must be finalized by **March 29**. **I strongly encourage you to form your teams sooner than this and to get started on your project before this date as well.** The earlier you decide on a company, the more time you’ll have to work on it, and the better your project is likely to be.

Group Projects must be turned in by 4 pm on the last day of class **Tuesday April 24th**. A hard copy must be turned to me in class that day or to the accounting suite. In addition, an electronic copy should also be sent to me (by that same time).

More details are provided on Canvas. Examples or projects from prior year are also posted there.

Re-Grading Requests

All re-grading requests must be made within *two calendar weeks* following the return of the assignment or exam (unless otherwise noted). *A request for a regrade will not be considered if it is submitted more than two weeks after the return of the assignment or exam (or after the specified deadline).* **To have an assignment or exam re-graded, you must submit the original (with no modifications) and a written description of your disagreement with the initial grade.**

Preliminary Course Outline

<u>Session</u>	<u>Date</u>	<u>Topic</u>	<u>Problem/Case</u>
1	Thurs Jan 11	Introduction	Enron
2	Tues Jan 16	Accounting Earnings Quality	Corbomax
3	Thurs Jan 18	Earnings and Cash Flow – Timing	Ciber Inc
4	Tues Jan 23	Recasting Valuation Models	SCF - Alpha and Beta SCF - Epsilon and Omega
5	Thurs Jan 25	Revenue Recognition	Revco
6	Tues Jan 30	Revenue Recognition	Revenue Recognition Vignettes
7	Thurs Feb 1	No Class – Quiz 1 Due	
8	Tues Feb 6	Stock Based Compensation - Accounting	Google – Part 1
9	Thurs Feb 8	Stock Based Compensation – Valuation and Incentives	Google – Part 2 Valuing a Stock Option
10	Tues Feb 13	Earnings Per Share and Dilution	Ciber
11	Thurs Feb 15	Investments and their costs Intl differences	Land Securities
12	Tues Feb 20	Intangible Investments	Pfizer
13	Thurs Feb 22	Financial Assets - Fair Value and Unrealized Gains and Losses	Morgan Stanley
14	Tues Feb 27	Income Taxes	Ebix
15	Thur Mar 1	No Class – Quiz 2 Due	
	Mar 5-9	NO CLASS – SPRING BREAK	
16	Tues Mar 13	EBIDTA and other Performance Measures	TBA
17	Thurs Mar 15	Derivatives	American Airlines
18	Tues Mar 20	Risk Disclosures	American Airlines
19	Thurs Mar 22	Debt and Debt Securities– Market vs Book Values	Royal Bank of Scotland
20	Tues Mar 27	Leases, and Convertible Debt	CVS-Caremark
21	Thurs Mar 29	No Class – Quiz 3 Due	
22	Tues Apr 3	Pensions and OPEB	American Airlines
23	Thurs Apr 5	Debt Covenants	TBA
24	Tues Apr 10	Consolidations	Coca Cola
25	Thurs Apr 12	SPE's and Variable Interest Entities	Alza
26	Tues Apr 17	IPO's and Early Stage Companies	Zynga
27	Thurs Apr 19	No Class – Quiz 4 Due	
28	Tues Apr 24	Course Summary and Group Projects Due	TBA