

**INTRODUCTION TO FINANCIAL ACCOUNTING  
ACCT 611  
FALL 2018**



**Instructor**

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**Office Hours:**

Monday/Wednesday 2:00 pm – 3:00 pm or by appointment

**Course Objectives:**

The role of financial accounting is the accumulation, analysis, and presentation of relevant financial data of an enterprise to serve the needs of creditors, investors and other external decision makers. The objective of this course is to become familiar with the basic principles and practices of financial accounting by studying the concepts that underlie corporate financial statements. The course begins with an overview of the procedures necessary to prepare and understand the balance sheet, income statement, and statement of cash flows. The remainder of the course examines the accounting for the most common and significant transactions of a firm, such as accounts receivable and revenue recognition, inventories, long-term assets, debt, income taxes, investments, and stockholder's equity. Although a solid understanding of the rules and procedures required to construct financial statements is essential, this course emphasizes the analysis of financial statements and other financial disclosures.

**Course Location and Website:**

The course will meet in **Vance B10**.

The website for this course is on Canvas: <https://canvas.upenn.edu/courses/1417164>

**Course Material:**

- **Textbook (required):** Dyckman, T., M. Hanlon, R. Magee, G. Pfeiffer, A. Hartgraves, and W. Morse, *Financial & Managerial Accounting for MBAs*, 2. Ed., Wharton Custom Edition, 2016, Cambridge Business Publishers. This textbook is especially customized for our course, covers all the chapters in the class, and is available only in the Penn

Bookstore. 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). Solutions to the problems in the textbook are posted on the course website.

### **Material on Course Website:**

- **Lecture Slides:** the lecture slides will be made available in advance of class (at least one week before the scheduled date).
- **Homework Assignments** (for submission on Canvas)
- **Exam Practice Problems and Solutions** (from old exams)
- **Articles:** business press articles are sometimes referenced in the course syllabus and provide context for issues, which will be discussed in class.

### **Grading Policy:**

Final grades will be determined using the following weights (**total: 100 points**):

Midterm Exam	35 pts.
Final Exam	35 pts.
In-Class Quizzes	15 pts.
Homework	10 pts.
Class Participation	5 pts.

The grading scheme will be re-weighted to take into consideration improvement in student performance over the semester. If a student’s mean-adjusted score on the Final Exam (i.e., adjusted for the mean class score) **improves** relative to the mean-adjusted score on the Midterm Exam, then the weight on the Midterm Exam is reduced by 5 pts. (from 35 pts. to 30 pts.) and the weight on the Final Exam is increased by 5 pts (from 35 pts. to 40 pts.).

Final course grades adhere to the school mandated grade guidelines. **Note that this allows for up to 5% failing grades. Historically this course does give some failing grades each year.**

### **Midterm & Final Exams:**

The midterm exam is scheduled for **Thursday, October 11<sup>th</sup> from 6 pm to 8 pm** (rooms **TBD**), and covers the material in lectures #1 through #12, inclusive. The final exam is scheduled by the University Registrar and covers the material in lectures #13 through #24, inclusive. The final exam has been scheduled for **Friday, December 14<sup>th</sup> from 3 pm to 5 pm**. Although it is rare for this date and time to change, it has happened, and the University Registrar reserves the right to do so.

Exams are closed-book, but you are allowed to bring to each exam one piece of 8 ½" x 11" paper with notes. This paper may contain handwritten or typed (any font and size) notes. You may write on both sides. You are allowed to use a regular calculator during the exams.

It is the student's responsibility to attend examinations at the times and places specified. If a student cannot attend an examination, **it is his/her responsibility to notify the MBA Office** and the instructor prior to the exam (or as soon as possible). **Only** the MBA Office may grant a student authorization to be absent from an examination; **there are no exceptions to this rule**. In the event of an *authorized* absence from any exam, a make-up exam is given in **January 2019** during the official make-up exam period set by the Registrar. You will receive a final grade of "Incomplete" for the course pending the completion of the make-up exam. An unauthorized absence from an examination will result in a grade of zero for that examination.

The graded mid-term exam will be returned to the student mail folders. The graded final exam can be picked up at the reception area of the accounting suite (SH-DH 1300) until the first week of spring semester classes (you will need to bring your student ID to collect the exam). Exam scores will be posted online. If a student feels that an exam has been incorrectly graded, he/she should return the exam to the professor – *not a TA* – **within one week** of the return of the examination (requests made after that will not be considered). The student should submit the original copy of the completed examination together with a **written** note that carefully explains the point of contention. **The entire exam will be re-graded.**

### In-Class Quizzes:

There are **five** in-class quizzes during the course of the semester, which will be held on the dates indicated below and 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 about 15 minutes, and will consist of 4-5 questions (primarily multiple choice). The quizzes will be closed-book and no notes will be allowed. The material covered in each quiz is set out in the syllabus below.

In computing a student's final grade, only the **four highest quiz scores** will be counted (i.e., the lowest quiz score will be dropped from the computation of your grade). If for some reason you are unable to attend class on one of the five quiz days, we will simply count the four quizzes that are completed. **No make-up quizzes will be given.** The quiz solutions and scores will be posted on the class web site within a day or so of taking the quiz. The dates for the five in-class quizzes are as follows:

Quiz 1:	Monday, September 17 <sup>th</sup>
Quiz 2:	Wednesday, September 26 <sup>th</sup>
Quiz 3:	Wednesday, October 31 <sup>st</sup>
Quiz 4:	Monday, November 12 <sup>th</sup>
Quiz 5:	Wednesday, November 28 <sup>th</sup>

**Homework Assignments:**

There are four homework assignments with due dates indicated below and in the class schedule. The homework assignments may be discussed in groups. However, the solution submitted by each student must be his/her own individual work. It is not acceptable to copy another student's work and submit it as your own. Doing so will be considered an act of cheating. The homework assignments will be available on the course website. They must be submitted **via Canvas by the due date and time listed below. Please do not hand in a hard copy to me or the TAs. It will not be accepted.** Scores and solutions for homework assignments will be posted online on the course website shortly after the submission deadline.

The due dates and times for the homework problem sets are as follows:

Homework 1:	Wednesday, October 3 <sup>rd</sup> (6 pm)
Homework 2:	Wednesday, October 10 <sup>th</sup> (6 pm)
Homework 3:	Friday, November 9 <sup>th</sup> (6 pm)
Homework 4:	Friday, December 7 <sup>th</sup> (6 pm)

**Class Participation and Conduct:**

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 5 points. No contribution or contributions that are obvious, confusing, or peripheral will result in zero points. Consistently discourteous behavior (see below) will also result in zero class participation points. Contributions between the endpoints will receive between 1 and 4 points, accordingly. Please display name tents to make it easier for me to keep track of participation (I'm not great with names – sorry, and thank you!).

Both as a courtesy to your fellow students and the professor, and to ensure that everyone has the greatest opportunity to learn, please observe the following:

- Students should sit in the same seat each class session to help me keep track of where everyone is.
- Class starts and ends on time. If a unique situation arises such that you must come in late, please inform your professor ahead of time and sit in an open aisle seat close to the door you arrived through.
- Students should remain in attendance for the duration of class, except in an emergency. If a unique situation arises such that you must leave early, please inform your professor before class and sit in an open aisle seat near the exits of the classroom.
- All phones and other electronic devices should be turned off, with the exception of computers/tablets. Use of computers/tablets, however, must be strictly for the purpose of this class.
- Please do not carry on private conversations during class.

**Student Preparation:**

Students should come to class having reviewed the daily class slides and, on days with an assigned article or case study, having read 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.

**Teaching Assistants and Review Sessions:**

There are six teaching assistants for the course. All of the TAs is a second-year MBA student who performed extremely well in the introductory financial accounting course last year. The TAs will hold regular office hours on four out of five days every week (except during breaks or for holidays) based on the schedule posted on the course website. The typical weekly office hour schedule is as follows:

Monday	4:30 pm – 6:30 pm
Tuesday	4:30 pm – 6:30 pm
Wednesday	4:30 pm – 6:30 pm
Friday	10:00 am – noon

Office hours will generally be held in SHDH 215 but will occasionally be held in other locations. (For details see the schedule posted on the course website). During office hours, one of the TAs will be present and will assist with questions about concepts, assigned problems/cases, or homework problems (however, they will not give you the solution to the homework assignments). Note that the TAs are jointly servicing both ACCT611 and ACCT613, so you may encounter students from both courses attending the same office hours.

The six TAs for the course are as follows:

Yves Vontobel	<a href="mailto:vontobel@wharton.upenn.edu">vontobel@wharton.upenn.edu</a>
Sherrise Pond	<a href="mailto:spond@wharton.upenn.edu">spond@wharton.upenn.edu</a>
Carter Bielen	<a href="mailto:cbielen@wharton.upenn.edu">cbielen@wharton.upenn.edu</a>
Kyle Trombley	<a href="mailto:ktrom@wharton.upenn.edu">ktrom@wharton.upenn.edu</a>
Swati Ganeti	<a href="mailto:swatig@wharton.upenn.edu">swatig@wharton.upenn.edu</a>
Caitlin Van Kooten	<a href="mailto:cvankoot@wharton.upenn.edu">cvankoot@wharton.upenn.edu</a>

**Ethics Matrix:**

The Wharton MBA Code of Ethics typically requests an Ethics Matrix for each class to provide ground rules and ethical guidelines for course materials and assistance from classmates or others. Below is the completed matrix for this course. If you have any questions about the matrix, please feel free to ask me.

ACCT 613 Financial & Managerial Accounting	Materials							People				
	Approved calculator	Laptop / other electronics	Summary sheet of notes	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
In-Class Readings & Cases	A	A		A			A	W	W	W		
Homework Problem Sets	A	A		A			A	D	D	D		
In-Class Quizzes	A											
Midterm & Final Exams	A		A									
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
<b><u>Other comments:</u></b>												
The information above covers many common situations but will not cover every circumstance. Remember: The <a href="#">Wharton MBA Code of Ethics</a> that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others.  Should you have questions, please contact your ethics liaison or professor.												

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

**Key:** TB refers to the Dyckman et al. textbook (Wharton custom edition); x-y means problem y in chapter x of the textbook.

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1	Wed 8/29	<b>Introduction</b>	Slides: Session 1 TB Reading: Chapter 1 TB Problems: M1-24, E1-28, E1-29, P1-38, P1-40 Add. Reading: Basics of Accounting Are Vital to Survival; Tesla Loss Widens as Spending Jumps
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2	Wed 9/5	<b>Accounting Process; Mapping Business Activity into Financial Statements</b>	Slides: Session 2 Case: Animatronics (Q1 – Q4) TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: M2-18, M2-19, M2-26, E2-35, E2-46 Chapter 3: M3-22, M3-24, E3-32, E3-38 Add. Reading: Apple Warns EU Investigation Could Result in Back Taxes; Driverless Car is Officially a Risk
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3	Mon 9/10	<b>Economics vs. Accounting; Balance Sheet Presentation; Introduction to Accrual Accounting</b>	Slides: Session 3 TB Reading: Chapters 2 and 3 TB Problems: Chapter 2: P2-60, P2-66 Chapter 3: P3-42, P3-49 Add. Reading: How Binge Viewing Could Rock Netflix Stock; How to Value Intangible Assets
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4	Wed 9/12	<b>Revenue Recognition; Accrual Accounting and the Matching Principle</b>	Slides: Session 4 Case: United Airlines TB Reading: Chapter 6, p. 270-281 TB Problems: M6-14, M6-24, E6-33, E6-40, E6-41 Add. Reading: Accounting Shift Would Lift Tech Profits; Zynga Explains Method for Recording Real Revenue; Boeing Hits a Milestone; SEC Investigating Smirnoff Maker; Tech Startups Woo Investors; Microsoft Financials
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5	Mon	9/17	<b>Statement of Cash Flows</b>
		Slides:	Sessions 5 & 6
		Case:	Animatronics (Q5)
		TB Reading:	Chapter 4
		TB Problems:	M4-23, M4-26, M4-31, E4-34, E4-38, E4-41, E4-44
		Add. Reading:	Chevron Needs to Boost Cash Flow to Cover Dividend;
		<b>Quiz #1:</b>	<b>10-20 minute quiz, covering Sessions #1 - #4</b>

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6	Wed	9/19	<b>Statement of Cash Flows (continued)</b>
		Slides:	Sessions 5 & 6
		Case:	Callaway Golf
		TB Reading:	Chapter 4
		TB Problems:	P4-51, P4-54
		Add. Reading:	Murky GE Accounting Clouds Cash Flows

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7	Mon	9/24	<b>Introduction to Financial Statement Analysis (FSA)</b>
		Slides:	Session 7
		TB Reading:	Chapter 5
		TB Problems:	M5-14, M5-24, E5-27, E5-33, P5-45
		Add. Reading:	Working Capital Scorecard: Suppliers Can Wait; The 109,894-Word Annual Report; Home Depot Working Capital; PepsiCo Financials

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8	Wed	9/26	<b>Accounts Receivable (begin)</b>
		Slides:	Session 8
		Case:	Vitamin Shoppe
		TB Reading:	Chapter 6
		TB Problems:	M6-18, M6-20, E6-34, E6-35
		Add. Reading:	Accounting Issues at WorldCom; At Nortel, Warning Signs Existed Months Ago; China Has a \$590 Billion Problem With Unpaid Bills
		<b>Quiz #2:</b>	<b>10-20 minute quiz, covering Sessions #5 - #7</b>

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9 Mon 10/1 **Accts Rec (cont'd) and Inventory & Cost of Goods Sold (begin)**

Slides: Sessions 9 & 10  
 TB Reading: Chapter 7  
 TB Problems: M7-15, M7-19, M7-22, E7-26, E7-29, E7-31  
 Add. Reading: Oil Price Rally, Accounting Method Push Down Oil Inventories; Unraveling Inventory's Riddle

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10 Wed 10/3 **Inventory & Cost of Goods Sold (cont'd)**

Slides: Sessions 9 & 10  
 Case: Syngenta  
 TB Reading: Chapter 17, p. 17-1 to 17-19  
 TB Problems: M17-14, M17-15, E17-21, E17-25, E17-26  
 Add. Reading: Rush to Defend Tax Rule On Inventory and Profits; Supplement to LIFO vs. FIFO

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Wed 10/3 **Homework #1 (due at 6 pm)**

(Topics covered: Accounts Receivable and Inventory & COGS)

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11 Mon 10/8 **Long-Lived Assets**

Slides: Sessions 11 & 12  
 TB Reading: Chapter 8  
 TB Problems: M8-11, M8-14, E8-24, P8-36  
 Add. Reading: IFRS Spells Write-Downs; Moore's Law Meets GAAP Accounting; For U.S. Firms, Figuring out GAAP Is Not The Only Challenge;

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12 Wed 10/10 **Long-Lived Assets (cont'd)**

Slides: Sessions 11 & 12  
 Case: Aaon, Inc.  
 TB Problems: M8-17, M8-21, E8-29, E8-32, E8-35  
 Add. Reading: Sprint Takes Write-Down as Brand Value Loses Value; Trucking Industry's Tale of Woe; The Big Mystery: What's Big Data Really Worth?

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Wed 10/10 **Homework #2 (due at 6 pm)**

(Topics covered: Statement of Cash Flows and Long-Lived Assets)

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Thu 10/11 **Midterm Exam (6 pm – 8 pm; rooms TBD)**

(Topics covered: Sessions #1 - #12, inclusive)

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13 Mon 10/22 **Long-Term Debt (begin)**

Slides: Sessions 13 & 14  
 TB Reading: Chapter 9, Appendix A (Time-Value of Money)  
 TB Problems: M9-21, M9-22, M9-29, M9-31, M9-34, E9-39  
 Add. Reading: CVS Bets Big With \$40 Billion Bond Sale; Citigroup Finds a Profit; Morgan Stanley to Post a Loss from Bonds; Mountain Of Debt Felled Toys 'R' Us

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14 Wed 10/24 **Long-Term Debt (cont'd) and Leases (begin)**

Slides: Sessions 13 & 14; Session 15  
 Case: Starbucks  
 TB Problems: M9-23, M9-26, E9-47, P9-53  
 Add. Reading: WeWork Raises \$1 Billion in Debt; How did Argentina pull off 100-year bond sale?

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15 Mon 10/29 **Leases (cont'd)**

Slides: Session 15  
 TB Reading: Chapter 10, p. 460-474  
 TB Problems: M10-13, M10-15, E10-23, E10-26  
 Add. Reading: Demystify the Lehman Shell Game; Coming to a Balance Sheet Near You; Leases Suffer Identity Crisis; Northeast Airlines Financials

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16 Wed 10/31 **Accounting for Income Taxes (begin)**

Slides: Sessions 16 & 17  
 TB Reading: Chapter 10, p. 484-492  
 TB Problems: M10-22, E10-33, P10-40, P10-41, P10-43  
 Add. Reading: Tax Twist: At Some Firms, Cutting Corporate Tax Rates May Cost Billions; Sony Profits Are Far Off with Write-Down

**Quiz #3: 10-20 minute quiz, covering Sessions #13 - #15**

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17 Mon 11/5 **Accounting for Income Taxes (cont'd)**

Slides: Sessions 16 & 17  
 Case: General Motors  
 TB Problems: E10-32, P10-42, C10-47  
 Add. Reading: Piles of Overseas Profits Investors Cannot Touch; Pfizer Piles Profits Abroad; SEC Challenging Multinationals on Plans for Foreign Earnings; Foreign Tax Reserves Are 'Crack Cocaine'

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18 Wed 11/7 **Owners' Equity (begin)**

Slides: Sessions 18 & 19  
 TB Reading: Chapter 11  
 TB Problems: M11-20, M11-21, M11-25, E11-45  
 Add. Reading: Apple's 7-for-1 Stock Split Is 'Very Unusual'; Mark Zuckerberg Gets to Control Facebook a While Longer

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Fri 11/9 **Homework #3 (due at 6 pm)**

(Topics covered: Long-Term Debt, Leases, and Taxes)

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19 Mon 11/12 **Owners' Equity (cont'd) and Earnings Per Share (EPS)**

Slides: Sessions 18 & 19  
 Case: Pepsico  
 TB Reading: Chapter 11  
 TB Problems: M11-35, E11-54  
 Add. Reading: Boeing's Buyback Spending; A Case of 'Quadrophobia'; SEC Probes Whether Companies Rounded Up EPS; The Repurchase Revolution; Accounting Blurs Profit Picture; Valeant's Fantastic(al) Numbers

**Quiz #4: 10-20 minute quiz, covering Sessions #16 - #18**

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20 Wed 11/14 **Marketable Securities**

Slides: Session 20  
 TB Reading: Chapter 12, p. 562-575  
 TB Problems: M12-11, M12-12, M12-20, E12-24, E12-26  
 Add. Reading: Buffett's 'Nightmare' Begins as Earnings Include Stock Swings; Bank Quandary – Valuing the Assets; Distortions in Baffling Financial Statements

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21 Mon 11/26 **Intercorporate Investments and Segment Reporting (begin)**

Slides: Sessions 21 & 22  
 TB Reading: Chapters 12, p. 575-588; Appendix 12A & 12B  
 TB Problems: M12-15, M12-16, E12-31, E12-32  
 Add. Reading: Buyers Beware: The Goodwill Games; The fragile temporality of Carillion’s accumulation model; Vivendi must say on Monday whether it controls Telecom Italia

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22 Wed 11/28 **Intercorporate Investments and Segment Reporting (cont’d)**

Slides: Sessions 21 & 22  
 Case: Starbucks  
 TB Reading: Back Chapter 12, p. 688-699  
 TB Problems: M12-17, M12-18, E12-28, E12-34, E12-43  
 Add. Reading: The Importance of Segment Data; FASB Rethinks Business Segment Reporting

**Quiz #5: 10-20 minute quiz, covering Sessions #19 - #21**

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23 Mon 12/3 **Pensions and Other Post-Employment Benefits (OPEB)**

Slides: Session 23  
 Case: Johnson & Johnson  
 TB Reading: Chapters 10, p. 475-484  
 TB Problems: M10-17, M10-19, M10-20, E10-29, P10-38  
 Add. Reading: U.S. Corporate Pension Plans’ Funding Deficit; S&P 500 Companies Post Record Levels of Pension Underfunding; Americans Are Dying Younger, Saving Corporations Billions

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24 Wed 12/5 **Capstone Case and Review**

Case: Target Corp. Comprehensive Capstone Case

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Fri 12/7 **Homework #4 (due at 6 pm)**

(Topics covered: Owners’ Equity, Marketable Securities, and Pensions)

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Fri 12/14 **Final Exam (3 pm – 5 pm; rooms TBD)**

(Topics covered: Sessions #13 - #24, inclusive)

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