

**ACCT 612**  
**Introduction to Financial Accounting (Accelerated)**  
**Fall Semester 2019**

**Instructor**

Robert E. Verrecchia

Office: 1322 Steinberg Hall-Dietrich Hall (SH-DH)

Office Hours: Please arrange a time to meet by contacting me via my e-mail address.

e-mail: [verrecchia@wharton.upenn.edu](mailto:verrecchia@wharton.upenn.edu)

**Course objectives**

The goal of ACCT 612 is to improve our understanding of the *disclosure* firms provide in their financial reports about their results of operations. Please review the **Schedule of Assignments** below for a list of specific topics covered. If you decide to register for this course, please note that you should prepare the solution to the problem assigned for the 1<sup>st</sup> class on August 27, Robo-Pup, Inc. (2018), *in advance* of the class.

**Important announcement**

This is the last time ACCT 612 will be offered. In the future, students who fail to achieve a full waiver of the accounting core requirement will be required to take either ACCT 611 or ACCT 613 (both of which are full-semester courses). Indeed, some thought was given to not offering ACCT 612 *this* year. However, we recognized that some students in *last* year's entering MBA class may have secured the waiver to take ACCT 612 *last* year, but elected to defer taking the course until *this* year: we are offering ACCT 612 this year to accommodate those students. The important point is that if a student secures a waiver to take ACCT 612 *this* year and fails to exercise this option *this* year, the student will be required to take a full-semester course *next* year.

Because this is the last time we intend to offer this course, I intend to streamline the delivery of the course material. Specifically, there will only be one, 2-hr. exam on October 4. This exam will be cumulative over all the course material; henceforth I will refer to it as the 'final exam.' Importantly – and unlike prior years – there is no midterm exam. In addition, I will re-assign all of the questions on *last* year's midterm and final exams as a series of 4 'problem exercises.' See the **Table of Assignments** on the last page of this syllabus for the due dates for each exercise. The first 3 'problem exercises' will be posted on Canvas at least a week before their due date. The 4<sup>th</sup> 'problem exercise' will serve as the take-home component of the final exam: students will be asked to turn in the 4<sup>th</sup> 'problem exercise' at the time of the final exam (where it will be graded along with the final). As soon as each of the exercises (and the final exam) are graded, we will post suggested solutions and summary statistics of performance on Canvas.

The 'problem exercises' are open-book, open-notes, etc.: the only requirement is that they must be done individually. The 'in-class' portion of the final exam will be graded based on 110 pts., the take-home portion of the final exam will be graded based on 20 pts., and each of the 3 'problem exercises' will be graded based on 40 pts., for a total of 250 pts. Finally, I will dispense with any attendance requirement. That said, I reserve the privilege of stepping up-or-down grades 'one

grade' based on a student's point total, based on my subjective assessment of the student's attendance and participation in class discussions.<sup>1</sup>

### **Let's talk about this course**

Students can fulfill their accounting core requirement in one of three ways: 1) taking one of either ACCT 611 or ACCT 613, both of which are full-semester courses; 2) placing into ACCT 612, which is a half-semester course; or 3) waiving the requirement entirely (by exam or credential). ACCT 613 is an 'all purpose' financial accounting with some treatment of managerial accounting topics toward the end of the course. Alternatively, ACCT 611 is a financial accounting course designed primarily for a student with interests in finance. ACCT 612 attempts to cover 75% of the material in ACCT 611 – but in half the time. This means two things: 1) like ACCT 611, ACCT 612 is best suited for a student with interests in finance; and 2) the pace of ACCT 612 is fast. Some students may not like *fast*! Just because a student places into ACCT 612 does not mean that he-or-she is required to take it. About 10% of the students who are initially placed in ACCT 612 transfer out and sign up for one of the full-semester courses (either ACCT 611 or ACCT 613). The MBA Office will allow students to transfer out of ACCT 612 as late as September 16 (with no penalty). But once again, a student is not *required* to take ACCT 612 even if he-or-she initially places into the course: a student should take the course best suited to his-or-her learning needs.

### **Grading curve**

Because of the accelerated nature of ACCT 612, the MBA Office typically assigns the course a more favorable grading curve: a grade point average of **3.4** and a **LT** percentage of **4%**. However, both these numbers are at the discretion of the MBA Office, and involve a variety of factors that cannot be predicted in advance (e.g., the number of students who drop the course).

### **Course website**

The website for ACCT 612 can be found on Canvas: <https://canvas.upenn.edu/courses>.

Course material on Canvas includes:

- Lecture slides in PDF format (available in advance of the scheduled class date)
- Solutions to the assigned textbook exercises and problems
- Cases for in-class discussion (along with solutions *after* the case is discussed)
- Supplementary reading material

### **Textbook**

The textbook for the course is Dyckman, T., M. Hanlon, R. Magee, and G. Pfeiffer, *Financial & Managerial Accounting for MBAs*, Wharton Custom 3<sup>rd</sup> Edition (2020) Cambridge Business Publishers.<sup>2</sup> This textbook has been customized for use in ACCT 611, 612, and 613 (in conjunction with offering a substantial discount to students). New textbooks have a scratch-off

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<sup>1</sup> Let me provide an example of how this will work. Based on the total points earned on the final exam and exercises, let us assume a student is in the final grade range of 'B+.' Based on the student's attendance and class participation, I reserve the privilege of stepping-up the student's grade to an 'A-,' stepping-down the student's grade to a 'B,' or simply giving the student a grade of 'B+' (based on the point total).

<sup>2</sup> There are earlier editions of this textbook that might be available at less cost; there are also copies on reserve at Lippincott Library. I encourage students to have access to some reference source even if it is an earlier edition.

access code on the inside cover of the book. Students can “apply” this code to gain access to online resources for ACCT 612 by going through the link <https://mybusinesscourse.com/?code=7417-51071>.

### **Support and assistance**

I have secured the services of three teaching assistants (TAs).

- Diya Bashin, [dbhasin@wharton.upenn.edu](mailto:dbhasin@wharton.upenn.edu)
- Wyatt Brothers, [wyattb@wharton.upenn.edu](mailto:wyattb@wharton.upenn.edu)
- Ronak Mehta, [Ronak.Mehta.wg20@wharton.upenn.edu](mailto:Ronak.Mehta.wg20@wharton.upenn.edu)

Each TA is required to provide 2 hrs. of tutoring each week. *One* of the TAs will be available for office hrs. each week in SH-DH<sup>3</sup> 420, which is in the basement/ground floor of SH-DH (depending upon which entrance one uses). The other *two* TAs to be available on an ‘at need’ basis, but must be contacted directly and arrangements made to meet (with the understanding that each TA is only required to provide a total of 2 hrs. of assistance each week).

### **Final exam**

The final exam is scheduled for October 4 from 10 am-12 noon in SH-DH 351: the exam is cumulative over all the course material. Please notify me *immediately* if you have a conflict with the time-or-date of the final exam. An unauthorized absence from an exam will result a student receiving a failing grade in the course.

### **Exam preparation**

In preparing for the final exams I recommend the following hierarchy.

1. Carefully review the lecture slides that accompany each class;
2. Understand the questions and solutions to the cases that are covered in class;
3. Do assigned exercises and problems in the textbook;
4. Read the assigned material in the textbook;
5. Examine the disclosure of companies other than those discussed in class.

### **Transferring out of ACCT 612**

Students can transfer out of ACCT 612 and into either ACCT 611 or ACCT 613 (*assuming capacity remains!*) without penalty until 5 pm on Monday, September 16: to transfer, just contact the MBA Program Office.

### **Classroom etiquette involving questions**

While I encourage questions in class, ACCT 612 concerns disclosure under current US-Generally Accepted Accounting (US-GAAP) standards. As such, it does not concern either tax or International Financial Reporting Standards (IFRS) standards. If you have a question about tax issues, please ask me *after* class or in an e-mail. Better yet, register for Professor Jennifer Blouin’s “Taxes and Business Strategy” course (ACCT 897) offered in the Spring semester. If you have a question about IFRS standards, please consult the “US GAAP versus IFRS” document produced by Ernest & Young included in the Class #1 course materials.

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<sup>3</sup> SH-DH is an abbreviation for Steinberg Hall-Dietrich Hall.

## Schedule of Assignments

August 27 Class #1	<b>Statement of Cash Flows</b> Slides: Class #1 TB Reading: Chapter 4 TB Problems: E4-35, E4-39, E4-42, E4-44, P4-46, P4-48 Assigned Problem: Robo-Pup, Inc. (Mechanics of Statement of Cash Flows; 2018) Supp. Reading: US-GAAP vs IFRS; The 109,894-Word Annual Report; Murky GE Accounting.
August 29 Class #2	<b>GAAP vs. Tax Code (IRS)</b> Slides: Class #2 TB Reading: Chapter 10, p. 486-497 TB Problems: M10-23, E10-32, P10-41, P10-42, P10-43, C10-47 Supp. Reading: Don't Let Warren Politicize Accounting; Fuzzy-Math Accounting; It's Funny How Companies See Clearly; SEC Challenging Multinationals; Motorola Deal Offers Google Tax Benefits; Sony Profits Are Far Off with Write-Down; Losses Lurk in Trump Tax Plan; The Devilish Detail
September 3 Class #3	<b>Revenue Recognition</b> Slides: Class #3 TB Reading: Chapter 6, p. 270-283 TB Problems: M6-14, M6-24, E6-33, E6-40, E6-41 Case #1: Calloway Golf (Statement of Cash Flows; 2016) Supp. Reading: Got'em, Gotham; Let's Quit the Chest-Beating about Car Sales; A Revenue Growth Crutch for com.Score; How Hampton Creek Sold Silicon Valley on a Fake-Mayo Miracle; Sunrun Sales Data Seen as Skewed; Do Ride-Sharing Customers Sit in Front?; U.S. Probes MiMedx's Federal Contracts, Accounting; The Dozy Watchdogs; Yes, It's Accounting; New Accounting Rules Change

## Schedule of Assignments (continued)

September 5 Class #4	<b>Accounts Receivable</b> Slides: Class #4 TB Reading: Chapter 6, p.283-291 TB Problems: M6-18, M6-20, E6-34, E6-35 Case #2: United Airlines (Revenue Recognition; 2017) Supp. Reading: Kroger; Hertz Accounting Scandal; China Has a \$590 Billion Problem with Unpaid Bills
September 10 Class #5	<b>Inventory and Cost of Goods Sold (COGS)</b> Slides: Class #5 TB Reading: Chapter 7 TB Problems: M7-15, M7-19, M7-23, E7-26, E7-29, E7-31 Case #3: Vitamin Shoppe, Inc. (Accounts Receivable; 2018) Supp. Reading: Fade to BlackBerry; Big Oil's Accounting Methods
September 12 Class #6	<b>Long-Lived Assets (start)</b> Slides: Classes #6 & 7 TB Reading: Chapter 8 TB Problems: M8-11, M8-14, E8-24, P8-36 Case #4: Syngenta (Inventory; 2018) Supp. Reading: Streaming TV or Movie?; Write-Downs Abound as Prices Keep Oil in the Ground; Profit Warning
September 17 Class #7	<b>Long-Lived Assets (finish)</b> Slides: Classes #6 & 7 TB Reading: Chapter 8 TB Problems: M8-16, M8-21, E8-28, E8-31, P8-39 Exercise: Turn in Problem Exercise #1 Supp. Reading: Sprint Takes \$1.9 Billion Write-Down; SEC Makes B&N Justify Goodwill
September 19 Class #8	<b>Long-Term Debt (start)</b> Slides: Classes #8 & 9 TB Reading: Chapter 9 TB Problems: M9-22, M9-23, M9-31, E9-47 Case #5: AAON, Inc. (Disposition of Assets; 2017) Supp. Reading: Citigroup Finds a Profit; Morgan Stanley to Post a Loss from Bonds

## Schedule of Assignments (continued)

September 24 Class #9	<b>Long-Term Debt (finish) &amp; Leases (start)</b> Slides: Classes #8 & 9 and #9 & 10 TB Reading: Chapter 9 and Chapter 10, p. 462-476 TB Problems: P9-53, P9-56 Exercise: Turn in Problem Exercise #2 Supp. Reading: New Accounting Rules Ruffle the Leasing Market; Co-Working Startups Eye New Growth Driver; Accounting Change; Leases Suffer Identity Crisis;
September 26 Class #10	<b>Leases (finish)</b> Slides: Classes #9 & 10 TB Reading: Chapter 10, p. 462-476 TB Problems: M10-13, M10-15, E10-24, E10-27 Case #6: Starbucks (Debt; 2016) Supp. Reading: Northeast Airlines Financials
October 1 Class #11	<b>Marketable Securities and Intercorporate Investments (start)</b> Slides: Classes #11 & 12 TB Reading: Chapter 12, p. 580-608 TB Problems: M12-11, M12-12, M12-15, E12-24, E12-29, Exercise: Turn in Problem Exercise #3 Supp. Reading: Buffett's 'Nightmare' Begins; Banks Face a Mark- to-Market Challenge; Bank Quandary: Valuing the Assets
October 3 Class #12	<b>Marketable Securities and Intercorporate Investments (finish)</b> Slides: Classes #11 & 12 TB Reading: Chapter 12, p. 580-608 TB Problems: E12-28, E12-34, E12-38, E12-39 Discussion: Starbucks (Noncontrolling Interest; 2017) Supp. Reading: Forget Going Public, U.S. Companies Want to Get Bought; Big Fox Shareholder; \$25.7B: Total value of goodwill write-downs in 2014; Buyers Beware: The Goodwill Games; Out of time (Carillion)
October 4	<b>Final Exam: 10am-12noon (SH-DH 351)</b>

<b>Classes &amp; Assignment Due Dates</b>	<b>Table of Assignments</b>	<b>Required to turn in 'hard copy'</b>
Class #1 August 27	Robo-Pup, Inc. (Mechanics of Statement of Cash Flows; 2018)	No
Class #2 August 29	No assignment	No
Class #3 September 3	Case #1: Calloway Golf (Statement of Cash Flows; 2016)	No
Class #4 September 5	Case #2: United Airlines (Revenue Recognition; 2017)	No
Class #5 September 10	Case #3: Vitamin Shoppe, Inc. (Accounts Receivable; 2018)	No
Class #6 September 12	Case #4: Syngenta (Inventory; 2018)	No
Class #7 September 17	Problem Exercise #1	Yes
Class #8 September 19	Case #5: AAON, Inc. (Disposition of Assets; 2017)	No
Class #9 September 24	Problem Exercise #2	Yes
Class #10 September 26	Case #6: Starbucks (Debt; 2016)	No
Class #11 October 1	Problem Exercise #3	Yes
Class #12 October 3	No assignment	No
Final Exam October 4	Problem Exercise #4: Take home problems for final exam	Yes*

\*Turn in at final exam