

**ACCT 743**  
**Accounting for Mergers, Acquisitions, and Complex Financial Structures**  
**Fall Semester 2021**

*Aut disce aut discede* (either learn or depart)

**Instructor**

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**General course information**

ACCT 743 serves as the Wharton School's "advanced accounting" course. Advanced accounting is a conventional topic found at most schools that have an accounting concentration. For example, approximately 20% of the material on the CPA exam concerns topics in advanced accounting; some advanced accounting material can also be found on the CFA exam. While the course material in advanced accounting is conventional, nonetheless it is very technical, and thus students who register for the course will be challenged.

The focus in ACCT 743 is on *preparing* financial statements for business combinations at the time of an acquisition, and *preparing* financial statements for consolidated entities subsequent to an acquisition. As such, the course is recommended for students who, in their careers, anticipate that they will be required either to *prepare* pro forma consolidated statements for prospective acquisitions, or *analyze* the consolidated statements of existing complex financial structures. Nonetheless, one cannot overemphasize the extent to which the course adopts a **PREPARER'S** perspective – not a **USER'S** perspective. Students interested in a **USER'S** perspective on financial statements along with a case-oriented approach (as well as broader coverage of financial accounting topics in general) should register for ACCT 742 (242) "Financial Reporting and Business Analysis" (typically offered both semesters) and/or ACCT 747 "Financial Disclosure Analytics" (offered in the Spring Semester).

It is also important to emphasize that ACCT 743, as is standard for an advanced accounting course, ignores taxes: in effect, the topic presumes that there are no corporate taxes of any variety. Students interested in tax considerations in conjunction with mergers and acquisitions should register for ACCT 897 (297) "Taxes and Business Strategy" (offered in the Spring Semester).

**Course organization**

ACCT 743 is structured around 4 "learning modules" (LMs). Each LM requires students achieve some proficiency in a specific accounting technique related to mergers and acquisitions. Each LM has associated with it 5 lectures that lead into a quiz designed to test that module's course material.

### Textbook (required)

The textbook (TB) for this course is *Advanced Accounting*, 13<sup>th</sup> Edition, by Floyd A. Beams, Joseph H. Anthony, Bruce Bettinghaus, and Kenneth Smith (Pearson). Pearson also has available for purchase an electronic text (eBook): use the link <https://www.pearson.com/store/p/advanced-accounting/P100001430024/9780134631721> (see also <https://www.vitalsource.com/textbooks?sort=&term=9780134472140>).

### Requirements to receive course credit

There are two possible ways to receive course credit.

- Register to take the course for a “grade”; here, a student is required to complete all 4 scheduled quizzes.
- Register for the course “pass/fail” (P/F); here, a student is only required to complete any 3 of the 4 scheduled quizzes. An attractive feature of the P/F option is that it allows a student to complete all coursework requirements by November 11 (the date of Quiz #3).

### Course website

The website for ACCT 743 can be found on Canvas: <https://canvas.upenn.edu/courses>. All course material except for the TB itself will be posted on the Canvas website. For example, course material for class **XX** will be put a folder titled “Course material: Class #**XX**” in the “Files” section of the website. Course material in Files also includes:

- Solutions to the TB exercises and problems in *Beams et al.* (in a separate folder).
- Practice quiz questions (in a class folder that *precedes* an upcoming quiz).
- Quiz answers and summary performance statistics for this semester’s quizzes as soon as grading has been completed (in a separate folder).

### Quiz schedule and point distribution

The following table summarizes the quiz schedule.

Quiz	Date	Time Allotted	Points
Quiz #1	September 16	90 minutes	50 pts.
Quiz #2	October 7	90 minutes	50 pts.
Quiz #3	November 11	90 minutes	50 pts.
Quiz #4	December 9	90 minutes	50 pts.
Total Points			200 pts.

For-all-intents-and-purposes, the course material covered on each quiz is not cumulative.

*There are no “make-up” quizzes!* Potential conflicts with quiz dates should be brought to our attention at the beginning of the semester, and will be dealt with on a case-by-case basis. In the event of a documented medical emergency, a proportional adjustment will be made to performances on other quizzes to back into the 200-pt. total.

## Schedule of Assignments

The **Schedule of Assignments** begins below: the following is a list of abbreviations used in the schedule.

- “**Beams et al.**” is a reference to the course textbook, *Advanced Accounting*, 13<sup>th</sup> Edition, Floyd A. Beams, Joseph H. Anthony, Bruce Bettinghaus, and Kenneth Smith (Pearson).
- “**rev**” is a reference to documents authored by Robert E. Verrecchia.
- “**Exercises**” is a reference to exercises and problems in *Beams et al.* For example, “P 6-9” is a reference to Problem 9 at the end of chapter 6 of *Beams et al.* Suggested solutions to all exercises and problems in *Beams et al.* will be posted on Canvas. If there are no **Exercises** listed for a particular class, this means that none have been assigned.
- “**Ø**” is a symbol for topics that will be discussed in class but not tested in any of the quizzes. Effectively, these discussions are for students’ own edification (enlightenment). These topics include the following.
  - “Tax Considerations in Mergers” (discussed in class on September 14).
  - “Corporate Liquidations & Reorganizations” (discussed in class on October 5).
  - “Noncontrolling Interest Revisited” (discussed in class on November 9).

## Schedule of Assignments

August 31 Class #1	<b>Business Combinations (Part I: Mergers)</b> 1) <i>Beams et al.</i> , Chapter 1 2) <i>Class #1 Exercises</i> , rev	<b>Exercises</b> E 1-3, E 1-4, E 1-5
September 2 Class #2	<b>Business Combinations (Part II: Non-Mergers)</b> 1) <i>Beams et al.</i> , Chapter 1 2) <i>Class #2 Exercises</i> , rev	<b>Exercises</b> P 1-1, P 1-3, P-4
September 7 Class #3	<b>Financial Statements for Investments</b> 1) <i>Beams et al.</i> , Chapter 2 2) <i>Plant, Sun, and Star Exercises #3-6</i> , rev	<b>Exercises</b> E 2-12, P 2-6, P 2-9, P 2-12
September 9 Class #4	<b>Introduction to Consolidated Investments</b> 1) <i>Beams et al.</i> , Chapter 3 2) <i>Class #4 Exercises</i> , rev 3) Practice quiz questions from 2020 for Quiz #1	<b>Exercises</b> P 3-1, P 3-7, P 3-11
September 14 Class #5	<b>Tax Considerations in Mergers (Ø)</b>	
September 16 Class #6	<b>Quiz #1:</b> Course material from classes #1-4 ( <i>Beams, et al.</i> , Chapters 1-3)	

## Schedule of Assignments

September 21 Class #7	<b>Consolidation Techniques and Procedures</b> 1) <i>Beams et al.</i> , Chapter 4, pp. 99-111 2) <i>Class #7 Exercises</i> , rev	<b>Exercises</b> P 4-6, P 4-9, P 4-11
September 23 Class #8	<b>Intercompany Transactions – Inventories</b> 1) <i>Beams et al.</i> , Chapter 5 2) <i>Class #8 Exercises</i> , rev	<b>Exercises</b> P 5-1, P 5-4, P 5-9
September 28 Class #9	<b>Intercompany Transactions – Depreciable and Non-depreciable Assets</b> 1) <i>Beams et al.</i> , Chapter 6 2) <i>Class #9 Notes &amp; Exercises</i> , rev 3) <i>Review of Chapters 1-6, Beams et al.</i> , rev	<b>Exercises</b> P 6-1, P 6-6, P 6-9
September 30 Class #10	<b>Preferred Stock, EPS, Consolidated EPS</b> 1) <i>Beams et al.</i> , Chapter 10, pp. 309-320 2) <i>EPS Exercises</i> , rev 3) Practice quiz questions from 2020 for Quiz #2	<b>Exercises</b> P 10-2, P 10-6, P 10-9
October 5 Class #11	<b>Corporate Liquidations and Reorganizations (Ø)</b> 1) <i>Beams et al.</i> , Chapter 18 2) <i>Fresh-Start Accounting: What Is the Implication on Reported Earnings of Companies Emerging from Chapter 11?</i> , Soo Kim (WG '06), 2006 3) <i>SEC Disclosure, Filing Requirements for Public Companies in Chapter 11</i>	
October 7 Class #12	<b>Quiz #2:</b> Course material from classes #7-10 ( <i>Beams, et al.</i> , Chapters 1-6 + Earnings Per Share)	

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October 26 Class #13	<b>Crossholdings</b> 1) <i>Beams et al.</i> , Chapter 9 2) <i>Crossholdings Exercises</i> , rev 3) Practice quiz questions from 2020 for Quiz #4	<b>Exercises</b> P 9-1, P 9-3, P 9-6
October 28 Class #14	<b>Derivatives and Foreign Currency (FC)</b> 1) <i>Beams et al.</i> , Chapters 12 and 13	<b>Exercises</b> P 13-5, P 13-6, P 13-8
November 2 & 4 Classes #15 & 16	<b>FC Translation &amp; Remeasurement</b> 1) <i>Beams et al.</i> , Chapter 14 2) <i>Translation and Remeasurement Exercises</i> , rev 3) Practice quiz questions from 2020 for Quiz #3	<b>Exercises</b> P 14-1, P 14-9, P 14-5, P 14-6
November 9 Class #17	<b>Noncontrolling Interest Revisited (Ø)</b> 1) <i>Starbucks Case on Noncontrolling Interest</i> , rev	
November 11 Class #18	<b>Quiz #3:</b> Course material from classes #13-16 ( <i>Beams et al.</i> , Chapters 9, 12-14)	
November 16 Class #19	<b>Changes in Stock Ownership</b> 1) <i>Beams et al.</i> , Chapter 8 2) <i>Ownership Dilution</i> , Katherine Daly (WG' 09), 2009 3) <i>Dilution Exercises</i> , rev	<b>Exercises</b> P 8-2, P 8-3, P 8-4
November 18 Class #20	<b>Intercompany Transactions – Debt</b> 1) <i>Beams et al.</i> , Chapter 7 2) <i>Intercompany Debt Exercises</i> , rev	<b>Exercises</b> P 7-1, P 7-3, P 7-6
November 30 Class #21	<b>Interpreting Consolidated Data</b> 1) <i>Beams et al.</i> , Chapter 7 2) <i>Interpreting Consolidated Data Exercises</i> , rev	<b>Exercises</b> P 7-4
December 2 & 7 Class #22 & 23	<b>Capstone Cases</b> 1) Porous & Solid (Practice Quiz) 2) Practice quiz questions from 2020 for Quiz #4	
December 9 Class #24	<b>Quiz #4:</b> Course material from classes #19-23 ( <i>Beams et al.</i> , Chapters 5-8)	