

The Wharton School
University of Pennsylvania

ACCT 6130

Fundamentals of Financial and Managerial Accounting

Spring 2024

Instructor

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Office hours

Wednesdays, 2:30-4:00pm and by appointment.

Course objectives: This course provides an introduction to both financial and managerial accounting and emphasizes the analysis and evaluation of accounting information from the perspective of both investors and managers in the processes of planning, decision-making, and control. A large aspect of the course covers the fundamentals of financial accounting. The objective is to provide an overview of financial accounting and external reporting, including basic accounting concepts and principles, as well as the structure of the income statement, balance sheet, and statement of cash flows. The course also introduces elements of managerial accounting and emphasizes the development and use of accounting information for internal decisions. Topics include cost behavior and analysis, product costing, and relevant costs for internal decision making. This course is recommended for students who will be using accounting information for making strategic decisions in manufacturing and service operations, as well as those interested in financial services, general consulting, thinking of starting their own businesses, or simply seeking a broad understanding of corporate disclosure and financial reporting as it relates to shareholders, creditors, managers, and other users of financial information (so frankly, it's recommended for virtually anyone and everyone!).

Required Course Materials

Textbook (TB): M. Hanlon, R. Magee, G. Pfeiffer, Kulp, X. and Drago, A., Financial & Managerial Accounting for Decision Makers, Wharton Custom Text, Fourth Edition, 2024, Cambridge Business Publishers.

Materials on Course Website, “Canvas site” (<https://canvas.upenn.edu/courses/TBD>): Log in to “Canvas” with your PennKey and password. On this site you will find:

- Lecture slides
- Course Packs (CP)
 - Notes Sections - includes an outline and condensed notes for each topic.
 - Problems Sections - includes financial statement applications to be discussed in class, additional practice problems, and case questions to be prepared outside of class.
 - Articles – relevant news articles for each topic
- Cases via Study.Net
- Announcements
- Discussion Board
- Homework Assignments
- Solutions
- Old Exams
- Recordings
- Zoom links, as needed
- Grades

Grading

Your course grade will be determined as follows:

Class engagement	10 pts.
Homework assignments (5 total)	20 pts.
Midterm exam	30 pts.
Final exam	40 pts.
Total	<u>100 pts.</u>

Homework: There will be 6 online homework assignments during the term, of which I will count your top 5 scores. These are simple and are designed to ensure that you are keeping up with the material. They will also give you an early signal of whether you need to put more work into preparing for the course. You will find these assignments in Canvas under “Quizzes.” Each assignment is worth 4 pts.

Class Engagement:

There are several ways you can engage in class.

- a. *Contribute to class discussion:* Students who consistently make contributions that facilitate discussion, help to clarify technical points, or provide new insights will receive the maximum class participation grade. **You cannot contribute if you are not there, so attendance matters.** Further, contributions that are obvious, peripheral, or beyond the scope of the class will result in no points.

Please note that there are no penalties for “wrong” answers; it is the attempt to thoughtfully reason through or identify a problem that is valued and adds to the learning experience for everyone. Reward is **not given for quantity** of comments. In fact, students who monopolize the conversation may have points deducted! With almost 100 students in each class, everyone cannot comment substantively each class meeting, but you should be a contributor in at least one of the cases as well as some of the other problems and articles we discuss in class.

- b. *Participate in polls during and prior to class.* Staying engaged in class is helpful for your learning and the learning of others. This is a great way to shore up the class discussion component.
- c. *Post relevant articles* on the Canvas site that help students (and me!) understand the real-world implications of topics discussed in class. These should be from credible sources, not repetitive of classmates’ posts or class discussion, and generally not considered “spam” or inappropriate by any of us.
- d. *Answer questions on the discussion board.* If you know the answer to one of your classmates’ questions and I or the TAs have not responded yet, helping them out is a great way to add to the learning of the entire class.

Cases: Cases are designed to reinforce your understanding of material covered in class (i.e., as review) and to give you an appreciation of the complexities involved in actual financial statements and financial and managerial reporting issues that is necessary if you want to be a “sophisticated” user of financial information.

There are **five** cases that we will discuss in class. You should read the cases and work through the case questions prior to class. You may discuss the case in groups. During case discussions I will use polls and warm calling to assess if you understand the material and motivate an interesting discussion. Your contribution to the discussion of cases will determine part of your class engagement grade.

AI Policy

You may not use generative AI or the work of others (plagiarism) when completing homework assignments or preparing cases. This will be considered a violation of the Wharton Code of Ethics and will be reported to the MBA Ethics Committee.

Perhaps more importantly, you will not learn optimally if you engage in this behavior. Working through issues on your own, or in group discussions, will solidify your understanding and allow you to take the knowledge with you!

Class Protocol: The classroom is intended to be a place where the student's opportunity to learn is maximized. My hope is to create an environment where students feel free to share their views, where students are comfortable expressing confusion or disagreement, and where participants respect the opinions and time of all others in the room. As a starting point to achieve this, I require all of us to abide by the following set of norms at Wharton:

From the Wharton Learning Agreement:

- Arrive on time and ready to begin. I had a teacher a while ago who had a sign hanging in the classroom that said, “**Early is on time and on time is late.**” That’s a good motto to live by.
- Please do not go in and out of the classroom. Leaving is disturbing to everyone around you.
- Display your name plate.
- Turn off and put away your phone. If you must keep a phone on by reason of a personal emergency, you should inform me before class begins.
- Do not use your laptop or tablet for anything other than class while in class. I know it’s tempting, but it’s also distracting to those around you. And it’s kind of rude.

This course will be using Wharton’s Attendance and Video Request module in Canvas. You will use this module to:

- Check into class for attendance.
- Submit an absence excuse request for days that you miss class.
- Submit a class video access request to view a recording of a class lecture.

You can find the Attendance and Video Request module in the left navigation list of the Canvas Couse site, called “Attendance and Video Requests.” Please make sure to review the information on using the [attendance module in the Wharton Computing Knowledge Base](#) so you are ready to check in when you arrive.

Although you must have an excused absence to request timely access to a class video recording, all students will be provided with access to the full set of class video recordings shortly before the midterm and final exam periods to allow you to use the videos for studying purposes.

Finally, I want to get to know you!! So, I will use a **seating chart** for each class. Please be sure you view the seating chart prior to class. I also ask that you use **Name Coach** on the Canvas site to help me understand how to pronounce your name.

Midterm and Final Exams

The mid-term and final exams are closed book, but students may bring one 8½ x 11 sheet of paper with notes written on it. In addition, each exam will be based in part on an excerpt of a financial statement and students should print out a copy of that excerpt and have it, with their notes on it, available during the exam.

The midterm exam is scheduled for **Wednesday, February 21 from 7pm to 9pm**. The final exam is not cumulative; however, the material is, in some sense, cumulative. The final exam is scheduled for **Thursday, April 25 from 7pm – 9pm**. You must take the exams at the scheduled times and places (see the schedule at the end of this syllabus). Make-up examinations will not be provided except in extraordinary circumstances. If you cannot take an exam at the scheduled time and place, you must **notify me and the MBA Program Office prior to the exam** (or as soon as possible in the case of unexpected medical emergencies). **An unauthorized absence from an exam will result in a grade of zero for that exam.**

Grading disputes: You may disagree with the point allocation on exams. All grading disputes must be appealed in writing within one week following the return of the exam (unless otherwise noted). A request for a re-grade will not be considered if it is submitted more than one week after the return of the exam (or after the specified deadline). To have an exam re-graded, you must submit your original exam with a written description of your disagreement with the initial grade which describes why you think your answer is correct. Requests such as “please regrade my exam” or “please regrade Question 5” without a description of why will not be honored. I reserve the right to review the entire exam.

Teaching assistants

There are four teaching assistants for the course, all our MBA students who performed extremely well in introductory accounting last year or last semester. They will help me answer your questions via the discussion board on the Canvas site, hold office hours, and assist with most of the grading. **A weekly office hour schedule will be posted on Canvas.**

During office hours the TA will assist with questions about concepts and assigned problems/cases.

The TAs for the course are:

Sachin Doshi	doshisac@wharton.upenn.edu
Ben Kirshner	bkirsh@wharton.upenn.edu
Shahryar Nayyer	nayyers@wharton.upenn.edu
Yash Punjabi	yash.punjabi.wg24@wharton.upenn.edu

Pro Tips for Preparing for Class:

Like anything, you get better at accounting with practice! Here is my suggestion for the best way to prepare for class:

- **Prior to class, read the material assigned for the day.** This will include portions of the required textbook or Notes course pack. The text material presents the basic mechanics that must be mastered before one can become an effective user of financial statements. The course pack includes notes on each topic. Students who don't feel the need to work through the examples in the textbook chapter may find the notes to be "quicker." However, students with weaker backgrounds or who are struggling with a topic are advised to work through the material in the text. The notes should be a useful summary of the material for later use (exams and life after Wharton).
- **Prior to class, do some assigned text problems.** This will allow you to know if you understand what you read and to ask helpful questions in class. You are not expected to work through each of the textbook and course pack practice problems before class. Extra problems are there for practice and to help you check (or double check) your mastery of the material after class. Solutions to textbook problems are posted on Canvas.
- **After class, work through the course pack practice problems.** These often require more involved analysis than the textbook problems. These materials also include examples extracted directly from published financial statements to allow students to familiarize themselves with using real statements rather than simplified 'textbook' examples. In many instances, these problems are from prior exams. We will often spend some portion of the class time discussing these problems. The course pack practice problems also provide a great way to review for the exams. The solutions to these practice problems are included in the course pack.
- **Prior to class, read any case that is assigned for discussion.** These are usually more in-depth and have greater nuance, and will represent the culmination of a topic.
- **To prepare for an exam or homework assignment, work through additional course pack problems and old exams.** Remember, accounting is a subject you can only truly learn by **working problems**. The material in the course is cumulative and it takes some time to soak in. You cannot wait until the night before the exams and expect to successfully cram and memorize. This will not help you on the exams, and it certainly will not help you retain anything after the course is over.

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.

	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			A	W	W	W		
Homework Problem Sets	A	A	A	A			A	D	D	D		
In-Class Quizzes/Polls	A	A	A	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				
<u>Other comments:</u>												
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics 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**Key**

- TB refers to the Hanlon, et al. textbook.
- CP refers to readings or problems in the Notes or Problems Course Pack.

1	Tue	01/16	Introduction	Readings:	TB: Chapter 1 CP: Introduction Notes
				Problems:	TB: M1-24, E1-29, E1-30, P1-38 CP: None
2	Thu	01/18	Balance Sheet and Accounting Mechanics	Readings:	TB: Chapter 2, pages 1 – 12 CP: Accounting Process - Balance Sheet Notes
				Problems:	TB: M2-17, M2-26, E2-34, E2-46 CP: Eli Lilly, Travelers Insurance, Harker Co.
3	Tue	01/23	Income Statement and More Accounting Mechanics	Readings:	TB: Chapter 2, pages 12 – 30. Chapter 3 CP: Accounting Process - Income Statement Notes
				Problems:	TB: M2-18, M2-19, M2-28, E2-35, P2-57, P2-58, P2-66, M3-23, M3-24, M3-27, M3-28, E3-39, E3-40, E3-49, P3-56 CP: ABC Merchandise
4	Thu	01/25	Revenue Recognition	Readings:	TB: Chapter 6, pages 1 – 14 CP: Revenue Recognition Notes
				Problems:	TB: M6-14, M6-16, M6-26, E6-34, E6-37, E6-48, E6-50 CP: Rolls Royce, Salesforce.com
Mon 01/29 Homework 1 due at 11:59pm Topic: Dual Entry Accounting					
5	Tue	01/30	Statement of Cash Flows	Readings:	TB: Chapter 4 CP: Statement of Cash Flow Notes
				Problems:	TB: M4-24, M4-26, M4-31, E4-35, CP: Simple Inc., Gains and Losses, ABC Merchandise
6	Thu	02/01	Statement of Cash Flows, continued	Readings:	TB: Chapter 4 CP: Statement of Cash Flow Notes
				Problems:	TB: E4-40, E4-42, E4-44, P4-51, P4-54 CP: Psilos, Hershey

7	Tue	02/06	Accounting Foundations: Wrap up and Financial Statement Analysis
		Readings:	TB: Chapter 5 CP: Financial Statement Analysis Notes
		Problems:	TB: M5-15, M5-16, M5-17, E5-31 CP: Kohls & Dillards
		Case:	Chemalite, Inc.

Wed 02/07 Homework 2 due at 11:59pm Topic: Primary Financial Statements

8	Thu	02/08	Accounts Receivable
		Readings	TB: Chapter 6, pages 14 – 28 CP: Accounts Receivable Notes
		Problems:	TB: M6-18, M6-19, M6-21, M6-22, E6-39, E6-41, E6-45 CP: DHC, Inc., Larcker Liquor, Cisco

9	Tue	02/13	Inventory
		Readings:	TB: Chapter 7, Appendix 7A CP: Inventory Notes
		Problems:	TB: M7-15, M7-16, M7-23, E7-33, E7-34 CP: Best Furniture, ICF, American Greetings

Wed 02/14 Homework 3 due at 11:59pm Topic: A/R & Inventory
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10	Thu	02/15	Long-lived Assets: Property, plant, and equipment
		Readings:	TB: Chapter 8, pages 1 – 17 CP: Long-Lived Assets Notes
		Problems:	TB: M8-11, M8-15, E8-29, P8-44 CP: DISH Network

Mon 02/19 Review Session (Remote via Zoom, 5:00pm – 6:30pm)
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11	Tue	02/20	In-class Midterm Review
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Wed 02/21 Midterm Exam, 7p – 9p (Sessions 1-10, through Long-lived Assets (PPE))

12	Thu	02/22	Long-lived Assets: Intangible assets
		Readings:	TB: Chapter 8, pages 17 – 24 CP: Long-Lived Assets Notes
		Problems:	TB: E8-36, E8-37, C8-51 CP: Pfizer
13	Tue	03/12	Long-term Debt: Present Value, Notes, and Mortgages
		Readings:	TB: Chapter 9 CP: Long-term Liabilities Notes
		Problems:	TB: M9-26, M9-36, M9-39, M9-42, E9-45 CP: Munson Grocery
		Case:	Intangible Asset Valuation at Liberty Media
14	Thu	03/14	Long-term Debt: Bonds
		Readings:	TB: Chapter 10 (“Leases”), pages 1 – 14 CP: Long-term Liabilities Notes
		Problems:	TB: M9-29, E9-44, E9-45, E9-58, P9-67, M10-15, M10-16, P10-47 CP: LTD, Inc., B&G Foods
15	Tue	03/19	Long-term Debt: Contingent Liabilities
		Readings:	TB: Chapter 10 (“Leases”), pages 1 – 14 CP: Long-term Liabilities Notes
		Problems:	TB: M9-29, E9-44, E9-45, E9-58, P9-67, M10-15, M10-16, P10-47 CP: Delta Airlines
Wed 03/20 Homework 4 due at 11:59pm Topic: LT Assets & LT Debt			
16	Thu	03/21	Accounting for Taxes
		Readings:	TB: Ch. 10 (“Income Taxes”), pages 25 - 39 CP: Income Taxes Notes
		Problems:	TB: M10-30, E10-43, E10-44 CP: ABC Merchandise revisited
17	Tue	03/26	Accounting for Taxes, continued/Stockholders’ Equity (begin)
		Readings:	TB: Chapter 11 CP: Stockholders’ Equity Notes
		Problems:	TB: P10-52, P10-53 CP: Kohl’s

18	Thu	03/28	Stockholders' Equity, continued
		Readings:	TB: Appendix 11A CP: Stockholders' Equity Notes
		Problems:	TB: M11-20, M11-21, M11-22, M11-26, M11-35, M11-40, M11-41, E11-62 CP: Coca-Cola

19	Tue	04/02	Managerial Accounting & Cost Concepts
		Readings:	TB: Ch. 13, 14 (pages 1 – 12 and 21-23) and 15 CP: Managerial Accounting and Cost Concepts Notes
		Problems:	TB: M13-15, E13-24, M14-11, M14-14, E14-28 M15-14, M15-19, E15-33, P15-39 CP: Lobster Fishing in Maine

Wed 04/03	Homework 5 due at 11:59pm	Topic: Taxes and Stockholder Equity
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20	Thu	04/04	Cost Concepts, continued
		Problems:	TB: M16-12, M16-15, M16-20, E16-28, E16-33 CP: Forest Gump

21	Tue	04/09	Product Costing/Activity-based Costing
		Readings:	TB: Chapter 17, pages 1 – 22 CP: Activity Based Costing Notes
		Problems:	TB: M17-14, M17-16, E17-26, E17-30, E17-31, P17-45 CP: Best Furniture revisited

22	Thu	04/11	Activity-based Costing/Customer Profitability
		Readings:	TB: Chapter 18, CP: Activity-based Costing Notes
		Problems:	TB: M18-10, M18-16, E18-21, E18-25, E18-29, E18, 30 CP:

Cases: Wilkerson Manufacturing, Johnson Beverage

23	Tue	04/16	Transfer Pricing
		Readings:	TB: Ch. 23, pages 8 – 14 CP: Transfer Pricing Notes
		Problems:	TB: M23-17, M23-18, M23-19, E23-25, E23-27, P23-40 CP: Penn's Pens

Case: Caribbean Brewers (if time, else finish on Thursday, 4/18)

Wed 04/17	Homework 6 due at 11:59pm	Topic: Costing
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24	Thu	04/18	Finish Transfer Pricing/Course Wrap up/Final Exam Review
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Mon 04/22	Review Session (Remote via Zoom, 5:00pm – 6:30pm)
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Thu 04/25	Final Exam, 7-9pm (Sessions 11-24, Intangible Assets through Transfer Pricing)
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