

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
FINANCIAL ACCOUNTING
ACCT 620, FALL 2007**

Professor:

Stanley Baiman
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Office Hours:

Monday/Wednesday 3:15 – 4:30 and by appointment

Course objectives:

The course objective is to provide prospective users of financial information an understanding of financial accounting fundamentals. The course focuses on developing the technical skills needed to apply accounting procedures and rules so as to develop an understanding of how economic events are recorded in the financial statements. In addition, it focuses on interpreting financial statements. This course also emphasizes how judgment and choice among different accounting methods, as well as accounting regulation, can influence the reported numbers. While some understanding of the preparers' perspective is necessary, this course focuses on the users' perspective.

Course website:

The web site address for this course is:

<https://webcafe.wharton.upenn.edu/eRoom/acct/620-fa07-1>

Course Material:

Homework assignments and Cases:

- These materials are available on the course website, in the Course Materials folder on the desktop.

Required Textbooks:

- The bookstore is selling a *packet* which contains the following required text material:
 1. Libby, Libby, and Short, Financial Accounting, McGraw-Hill Irwin, (fifth edition). Referred to as LLS in the syllabus.
 2. Bishop-Lane and Schrand, MBA Companion to Accompany Libby, Libby and

Short's Financial Accounting 5/e. Referred to as MBA Companion in the syllabus.

3. Solution Manual to Libby, Libby and Short's Financial Accounting 5/e.
4. Libby, Libby, and Short, Financial Accounting Student Supplement, McGraw-Hill Irwin, (fifth edition).

Class Notes and PowerPoint Slides:

- The class notes and PowerPoint slides for each session will be available on the course website no later than the evening before the class session. These are located in the folder "Prof. Baiman's Sections", on the desktop.

Practice Problems and Solutions:

- Additional practice problems and solutions are available for downloading from the course website, in the Supplemental Readings folder within the Course Materials folder.

Optional Reading:

- Anthony, R.N. and L. Breitner, Essentials of Accounting, Prentice Hall, 8th edition. This is available at the bookstore.
- Supplemental Readings. These are available for downloading from the course website. It is not mandatory that you read these materials. We provide them solely as an alternative source of accounting material that you may find useful to supplement the class material and Libby textbook. They are available in the Supplemental Readings folder within the Course Materials folder.

Articles:

- Articles are referenced in your class notes. These are from the business press and illustrate points which will be discussed in class. Although it is not mandatory that you read these articles, you should at least scan them because they provide some context for the points that we will be discussing in class. They are available in the Articles folder of the class website.

Grading Policy:

Final grades will be determined using the following weights (out of 85 points):

First In-Class Quiz	10 pts.
Second In-Class Quiz	25 pts.
Final Exam	35 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 for the Second In-Class Exam **improves** relative to the mean-adjusted score for the First In-Class Exam, then the weight on the First In-Class Exam is reduced by 5 pts. (from 10 to 5) and the weight on the Second In-Class Exam is increased by 5 pts (from 25 to 30). Likewise, if a student's mean-adjusted score for Final Exam **improves** relative to the mean-adjusted score for the Second In-Class Exam, then the weight on the Second In-Class Exam is reduced by 10 pts. (either from 25 to 15 or from 30 to 20 depending on the relative performance on the First In-Class Exam) and the weight on the Final Exam is increased by 10 pts. (from 35 to 45).

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

Exams and Quizzes:

The First In-Class Quiz is on Wednesday, October 3 and covers the material in lectures #1 through #7, inclusive. The Second In-Class Quiz is on Wednesday, November 7th and covers the material in lectures #8 and #10 through #15, inclusive. The Final Exam is scheduled by the University Registrar and covers the material in lectures #17 through #24, inclusive.

All exams are closed-book, but you will be allowed to bring to each exam one 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.

It is the student's responsibility to attend the examinations at the times and places that are specified. **Make-up examinations will not be provided except in extraordinary circumstances.** An unauthorized absence from an examination will result in a grade of zero for that examination.

If a student cannot attend an examination, it is his/her responsibility to notify Academic Services and the instructor prior to the exam (or as soon as possible). **Only Academic Services** 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 will be given in **January, 2008** during the official make-up exam period. You will receive a final grade of "Incomplete" for the course pending the completion of the make-up exam.

If the student feels that an exam has been incorrectly graded, he/she should return the exam to the professor **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 regraded.**

Homework:

There are seven 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 in as your own. Doing so will be considered an act of cheating. The homework assignments are available on the Accounting 620 web café website. All but the first homework will be submitted **electronically via the online system described below, and must be submitted by 9 a.m. on the due date. The first homework will be handed in at the start of the class on Sept. 24.**

For the electronically submitted and graded homeworks, it is important that you submit the answers in the form indicated by the question. *In particular, make sure that you submit the answers in the denomination requested (thousands of dollars or millions of dollars, etc.) and in the precision requested (rounded to the nearest third decimal, etc.).* **I strongly suggest that you submit your homework answers well in advance of the 9 a.m. deadline. Close to the deadline the number of students trying to access the online system may become so great that the system freezes up, preventing the inputting of answers. If you are unable to complete the online homework form by 9 a.m. on the due date, please do not try to hand in a hard-copy to your instructor. It will not be accepted.** The scores assigned to each homework range from 0 (indicating poor performance) to 2 (indicating superior performance). *To see your homework scores log on to the online system.* They will not be posted to MyGrades until the end of the term.

In computing a student's final grade, only his or her **five highest homework scores** will be counted.

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

	<u>Date Homework Due</u>
Homework 1	Sept. 24 – This homework is to be handed in at the start of class
Homework 2	Oct. 15
Homework 3	Oct. 31
Homework 4	Nov. 6
	Note that this is a Tues.
Homework 5	Nov. 19
Homework 6	Nov. 28
Homework 7	Dec. 5

The solutions will be posted on the class web site on the same day that the homework is handed in.

Instructions for accessing and completing the ACCT 620 Online Homework

- Use Wharton's web café (webcafe.wharton.upenn.edu) to enter the café for your course (ACCT620).
- Login using your Wharton user name and password. If you have any problems, contact [the web admin](#).
- Click on the icon for Homework and login using your last name, your Penn ID number, and your section number.
Your Penn ID number is the middle 8 digits on your PennCard
- When completing the questions, make sure to submit answers in the format requested (i.e., dollar amounts, capitals, etc.). **Do not include commas or other non-numeric characters.** Answers not submitted in the proper format will be marked wrong by the automatic grading mechanism and will NOT be re-graded by the instructor or the TA. Review the page before submitting your answers.
- Once you have completed the questions, you may go back and check your answers.
- The answers and grades page will display the final set of answers you submitted.

- You may submit answers as many times as you like, however, **ONLY THE FINAL SET OF ANSWERS WILL BE GRADED!**
- If you resubmit your answers, make sure you answer each and every question again. Questions not answered on your final attempt will be seen as not having been answered by the automatic grading mechanism and will be marked wrong. These will **NOT** be re-graded by the professor or the TA using your answers from an earlier attempt.
- Your grade will only be posted after the assignment due date on the online system, not in MyGrades. If your grade is not listed, your assignment has not been graded yet.
- If you have any questions or problems using or accessing the system, please email the [administrator](#), NOT the Professor.
- **DO NOT WAIT UNTIL THE LAST DAY TO TRY TO COMPLETE THE ASSIGNMENT. IF YOU WAIT UNTIL THE LAST DAY AND HAVE A PROBLEM ACCESSING THE ONLINE ASSIGNMENT, YOU MAY NOT HAVE TIME TO COMPLETE IT.**

Class Participation and Conduct:

Class participation grades are based on what you add to the learning experience of the entire class. No contribution or contributions that are obvious, confusing or peripheral will result in zero points. Consistently discourteous behavior (see below) will result in the student receiving zero class participation points. Students who consistently make contributions that facilitate discussions, help to clarify technical points, or provide new insights will receive 5 points. Contributions between these two ranges will receive 1-4 points, accordingly.

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

- Class starts and ends exactly on time.
If a unique situation arises such that you must come in late, please inform me ahead of time and sit in an open aisle seat close to the front of the classroom
- Students sit according to a seating chart
A seating chart for each section will be posted on the class website
- Students remain in attendance for the duration of class, except in emergency

If a unique situation arises such that you must leave early, please inform me ahead of time and sit in an open aisle seat close to the front of the classroom. **Please do not return to class later in the class period.**

- Students display name tents
- All phones and other electronic devices are turned off

In addition to the above:

- Do not carry on private conversations.
- Use of computers is restricted to class materials.

Class Structure and Required Student Preparation:

To achieve the objective of helping students become effective financial statement users, the course strikes a balance between the teaching of accounting mechanics and the analysis of financial statements. The readings from the text present the basic mechanics, which must be mastered to become an effective user of financial statements. To reinforce the concepts presented, there are two sets of practice problems: assigned problems from the text (LLS) which cover both the basic mechanics as well as more complicated illustrations. In addition, the optional supplemental readings include practice problems using information extracted directly from published financial statements to allow students to familiarize themselves with using real statements. In addition Cases based on real financial statements are assigned and will be discussed in class on the indicated dates. **Students should come to class having done the assigned reading and having worked the assigned problems. On days where it is not possible to complete the assigned readings and practice problems prior to class, it is STRONGLY recommended that the student complete these tasks prior to the next class.** Many students will find that failure to stay up-to-date on the readings and practice problems results in a downward spiral where the students gets further and further behind, followed by frustration, and in extreme cases, followed by an inability to catch up and successfully complete the course.

Teaching Assistants and Review Sessions:

The course teaching assistants will have the following office hours:

Monday, Tuesday and Wednesday	4:30 pm – 6:30 pm	JMHH 360
Friday	10 am – noon	JMHH 360

During these times the TAs will assist with questions about concepts, assigned problems or homework problems. In addition to these regularly scheduled office hours, the TAs will conduct review sessions before the quizzes and final exam. Dates and locations for these review sessions will be posted on the class website. The TAs are:

Kumar Dhuvur

Katrine Iversen

Kaushik Kapisthalam

Jamie Merriman

Kang Ong

Fred Saad

Class Schedule: All of the topics listed below will be covered.

Key

- LLS refers to the Libby, Libby and Short textbook (fifth edition).
- LLS x-y means problem y in chapter x of the LLS

1	W	9/5	<p>Introduction</p> <p>Class Notes: Class Notes #1</p> <p>LLS Reading: Chapters 1, 2</p> <p>LLS Problems: Exercises (E): 1-1, 1-3, 1-4, 1-5, 1-9 Cases and Projects (CP): 1-2</p> <p>Add. Reading: A Tower of Babel in Accounting</p>
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2	M	9/10	<p>Mapping Business Activity into Financial Statements; Links among Financial Statements</p> <p>Class Notes: Class Notes #2</p> <p>Case #1: Animatronics (Q1 – Q4)</p> <p>LLS Reading: Chapter 4, 5</p> <p>LLS Problems: Mini-exec (M): 2-4, 2-5 Exercises (E): 2-2, 2-4, 2-5, 2-8, 2-13, 4-4, 4-11, 4-12, 4-13 Problems (P): 2-5, 4-2, 4-8</p>
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3	W	9/12	<p>Economics vs. Accounting; Introduce Revenue Recognition</p> <p>Class Notes: Class Notes #3</p> <p>LLS Reading: Chapter 3</p> <p>LLS Problems: Mini-exec (M): 6-1 Exercises (E): 6-1, 6-4 Problems (P): 6-1</p>
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4	M	9/17	<p>Revenue Recognition; Accrual Accounting and the Matching Principle</p> <p>Class Notes: Class Notes #4</p> <p>Case # 2: United Frequent Flyer Program</p> <p>LLS Reading: Chapter 3; Chapter 6 p. 283-289; Chapter 6 Supplement B</p> <p>LLS Problems: Mini-exec (M): 3-2, 3-7, 3-8 Exercises (E): 3-5, 3-13, 3-14, 3-18 Problems (P): 3-6, 3-7 Case and Projects (CP): 4-5, 4-7</p> <p>Add. Reading: Death by Accounting</p>

5	W	9/19	Statement of Cash Flows
			Class Notes: Class Notes #5
			Case # 3: International Shipholding
			Case # 1 Animatronics (Q5)
			LLS Reading: Chapter 13
			LLS Problems: Exercises (E): 13-3, 13-4, 13-13
			Problems (P): 13-4

Statement of Cash Flows (continued)

6	M	9/24	***NOTE: DUE TO A 10AM SCHEDULED FIRE DRILL, THE 9AM SECTION WILL BEGIN AT 8:30AM. THE 10:30AM AND 1:30PM SECTIONS WILL BE HELD AT THE REGULARLY SCHEDULED TIME***
			Class Notes: Class Notes #6
			Case # 4: Vulcan Materials
			LLS Reading: Chapter 13 and Supplements A and B
			LLS Problems: Exercises (E): 13-1, 13-8, 13-10, 13-16, 13-19
			Problems (P): 13-2

Homework #1 due at 9 a.m.

7	W	9/26	Introduction to Financial Statement Analysis
			Class Notes: Class Notes #7
			LLS Reading: Chapter 14
			LLS Problems: Exercises (E): 14-13, 14-14, 14-15

8	M	10/1	Accounts Receivable
			Class Notes: Class Notes #9
			Case # 5: Adams Golf
			LLS Reading: Chapter 6
			LLS Problems: Exercises (E): 6-9, 6-15, 6-16, 6-18, 6-19, 6-21
			Problems (P): 6-4
			Cases and Problems (CP): 6-4

9	W	10/3	First In-Class Quiz: Accounting Process, Statement of Cash Flows, and Introduction to FSA
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Covers sessions 1- 7, inclusive. **Note that Quiz 1 does not cover the material in Session 8**

10	M	10/8	Inventory and Cost of Goods Sold Class Notes: Class Notes #10 Case # 6: Amazon.com LLS Reading: Chapter 7 LLS Problems: Exercises (E): 7-3, 7-11, 7-13, 7-18 Problems (P): 7-9 Add. Reading: Big Oil's Accounting, Costly Inventory Lesson
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11	W	10/10	Inventory and Cost of Goods Sold (continued) Class Notes: Class Notes #11 Case # 7: General Electric LLS Reading: Chapter 7 and Supplement A LLS Problems: Exercises (E): 7-9, 7-14, 7-16, 7-20 Problems (P): 7-8, 7-10
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12	M	10/15	Long-Lived Assets Class Notes: Class Notes #12 LLS Reading: Chapter 8 LLS Problems: Mini-exec (M): 8-8, 8-10 Exercises (E): 8-5, 8-9, 8-13, 8-17, 8-23 Homework #2 due at 9 a.m.
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13	M	10/29	Long-Lived Assets (continued) Class Notes: Class Notes #13 Case # 8: AOL (Part A) LLS Reading: Chapter 8 and Supplement A LLS Problems: Problems (P): 8-5, 8-7, 8-9 Cases and Projects (CP): 8-8, 8-9
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14	W	10/31	Long-Term Debt Class Notes: Class Notes #14 & 15 LLS Reading: Chapters 9, 10 LLS Problems: Exercises (E): 9-8, 10-14, 10-6, 10-7, 10-19, 10-4, 10-11 Problems (P): 9-4, 9-5, 9-7, 10-6 Alt. Problems (AP): 10-7 Cases and Projects (CP): 10-4 Present value exercises: Exercises (E): 9-14, 9-15, 9-16, 9-23 Homework #3 due at 9 a.m.
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15	M	11/5	Long-Term Debt (continued) and Review for Exam Class Notes: Class Notes #14 & 15 Case # 9: Atlantic Richfield
	T	11/6	Homework #4 due at 9 a.m.
16	W	11/7	Second In-Class Quiz: Accounts Receivable/Inventory/Long-Lived Assets/Long-Term Debt Covers sessions 8 & 10- 15, inclusive.
17	M	11/12	Leases Class Notes: Class Notes #17 & 18 LLS Reading: MBA Companion Section 1 LLS Problems (MBA Companion): Exercises (E): 1-5, 1-6 Problems (P): 1-1, 1-3 Cases and Projects (C) 1-1
18	W	11/14	Leases (continued) Class Notes: Class Notes #17 & 18 Case # 10: AMR Corp LLS Problems (MBA Companion): Problems (P): 1-1, 1-3 Cases and Projects (C) 1-1
19	M	11/19	Accounting for Taxes Class Notes: Class Notes #19 & 20 LLS Reading: MBA Companion Section 2; Chapter 9 Supplements A & B LLS Problems (MBA Companion): Exercises (E): 2-1, 2-2, 2-3 Problems (P): 2-1 Homework #5 due at 9 a.m.

20 W 11/21 **Accounting for Taxes (continued)**
 Class Notes: Class Notes #19 & 20
 Case # 11: AOL (Part B)
 LLS Reading: MBA Companion Section 2; Chapter 9 Supplements A & B
 LLS Problems(MBA Companion):
 Cases and Projects (C): 2-1, 2-2
 Add. Reading Lifting the Veil

21 M 11/26 **Stockholders' Equity**
 Class Notes: Class Notes #21
 LLS Reading: Chapter 11
 LLS Problems: Exercises (E): 11-3, 11-6, 11-12, 11-16, 11-22
 Problems (P): 11-5, 11-6
 Add. Reading Stock-Options Expensing Rule Can Spur Cash-Flow
 Confusion
 No Rain on the Stock Options Parade
 What Seller Wants a Low Price

22 W 11/28 **Marketable Securities**
 Class Notes: Class Notes #22 & 23
 LLS Reading: Chapter 12
 LLS Problems: Exercises (E): 12-2, 12-3, 12-4, 12-11
 Problems (P): 12-3, 12-7

Homework #6 due at 9 a.m.

23 M 12/3 **Marketable Securities and Other Investments**
 Class Notes: Class Notes #22 & 23
 Case # 12: Coca-Cola
 Case # 13: Vet Centers of America
 LLS Reading: Chapter 12 and Supplement A
 LLS Problems: Exercises (E): 12-9
 Problems (P): 12-8, 12-10
 Cases and Projects (CP): 12-5

24 W 12/5 **Conclusion**

Homework #7 due at 9 a.m.

Final Exam

Covers sessions 17-24, inclusive.
