

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
FINANCIAL ACCOUNTING
ACCT 620, FALL 2010**

Professor:

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Office Hours:Monday/Wednesday 3:15 –
4:30 and by appointmentMonday/Wednesday 3:15 –
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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 website address for this course is:

<https://webcafe.wharton.upenn.edu/eRoom/acct/620-fa10-1>

Course Material:**Homework assignments and Cases:**

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

Required Textbooks:

- Dyckman, Magee and Pfeiffer, Financial Accounting, Cambridge Business Publishers, (3rd edition). Referred to as DMP in the syllabus. In the class schedule below, you will find practice problems from the textbook assigned to reinforce the material covered on each topic. Solutions to all of the problems in the Dyckman et al. book are included in the Course-Wide folder in the class website.

Class Notes:

- The class notes for the course are common across all instructors. They are available within the Course-Wide Materials folder on the desktop of the course website. They are also in a bulk pack which is available from Study.net.

Exam Practice Problems and Solutions:

- Previous exams and solutions are available for downloading from the course website, in the Exam Practice Questions folder within the Course-Wide Materials folder.

Additional Problems and Solutions:

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

Articles:

- Articles are sometimes referenced in your course syllabus and class notes. These are from the business press and provide context for issues which will be discussed in class. They are available in the Articles folder within the Course-Wide Materials folder of the class website.

Grading Policy:

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

Midterm Exam	35 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 on the Final Exam **improves** relative to the mean-adjusted score on the Midterm Exam, then the weight on the Midterm Exam is reduced by 10 pts. (from 35 to 25) 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:

The Midterm Exam is on November 3 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 *tentatively* scheduled for Thursday, December 16, 3 – 5 pm. **However, the date and time may be changed.**

All exams are closed-book, but you are 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, 2011** 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.

The graded mid-term exam will be returned to the student mail folders. Scores will be posted to MyGrades. If the 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 regraded.**

Homework:

There are eight 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 Accounting 620 web café website. All homeworks will be submitted **electronically via the online system described below, and must be submitted by 5pm on the due date.**

For the 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 whole thousands of dollars, etc.).* **We strongly suggest that you submit your homework answers well in advance of the 5pm deadlines. 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 5pm on the due date, please do not try to hand in a hard-copy to your instructor. It will not be accepted.** The score assigned to each homework represents the percentage of the questions asked which were correctly answered – all questions are equally weighted. Thus, the scores will range from 0 to 1. Homework scores will be posted to MyGrades.

In computing a student's final grade, only his/her **six highest homework scores** will be counted. Therefore, you may choose to complete only six out of the eight homeworks, or alternatively, you may choose to complete seven or eight homeworks with only the six highest scores being counted in your grade (i.e., in this latter case, we will simply ignore the lowest one or two homework scores).

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

	<u>Date Homework Due</u>
Homework 1	Oct. 5
Homework 2	Oct. 15
Homework 3	Oct. 19
Homework 4	Nov. 12
Homework 5	Nov. 18
Homework 6	Nov. 24
Homework 7	Nov. 30
Homework 8	Dec. 10

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

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).
- Click on the Assessment icon and login using your Wharton user name and password. *Your Penn ID number is the middle 8 digits on your PennCard.* If you have any problems, contact webcafe@wharton.upenn.edu.
- When completing the questions, make sure to submit answers in the format requested (i.e., dollar amounts, capitals, rounding to nearest whole millions, etc.). **Do not include commas.** Answers not submitted in the proper format will be marked wrong by the automatic grading mechanism. Review the page before submitting your answers.
- Once you have completed the questions, you may go back and check your answers.
- You may submit answers as many times as you like, however, **ONLY THE FINAL SET OF ANSWERS IS SAVED BY THE ONLINE SYSTEM AND THEREFORE ONLY THE FINAL SET OF ANSWERS WILL BE GRADED!**
- **If you resubmit your answers, make sure you answer each and every question again. Because earlier versions of your answers are not saved by the system, 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.**
- Your grade will be posted after the assignment due date in MyGrades. If your grade is not listed, your assignment has not been graded yet.
- If you have any problems accessing or using the Assessment program or any questions regarding one of your reported scores, please address your questions to webcafe@wharton.upenn.edu (your professor and the TAs will not be able to help you regarding these issues).
- **PLEASE DO NOT WAIT UNTIL THE DUE DATE 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. 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 result receiving zero class participation points. Contributions between the endpoints will receive 1-4 points, accordingly. Students should display name tents to make it easier for the professor to keep track of participation.

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 “Concert Rules”:

- Class starts and ends 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 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 me ahead of time and sit in an open aisle seat close to the exits of the classroom. Please do not return to class later in the class period.
- Students should sit according to a seating chart
A seating chart for each section will be posted on the class website
- All phones and other electronic devices should be turned off, with the exception of computers. Use of computers, however, must be strictly for ACCT620 class materials.
- Please do not carry on private conversations during class.

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, practice problems from the text (DMP) have been listed for each class session (see below). These problems cover both the basic mechanics as well as more complicated illustrations. Solutions to these textbook problems are available in the Course-Wide Materials folder in the course website.

In addition, Cases based on real financial statements are assigned for many class sessions and will be discussed in class on the indicated dates. ***Most of these cases are taken from prior exams. Students should come to class having completed the assigned reading and having attempted to work the assigned cases and at least a few of the assigned problems (the remaining problems should be worked through prior to the next class). On days where it is not possible to complete assigned readings, cases and practice problems prior to class, the***

student should 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 student 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	4:30 pm – 6:30 pm
Tuesday	4:30 pm – 6:30 pm
Wednesday	4:30 pm – 6:30 pm
Friday	10 am – noon

All TA office hours will be in SH-DH 215 except for 11/16 which will be held in JMHH F65.

During the TA office hours 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 midterm and final exam. **There will be no TA office hours on days on which there are review sessions.** Dates and locations for these review sessions will be posted on the class website. The TAs are:

Nicolas Bentz
Rahul Nath

Kevin Martin
Cristina Silva

Bruce Mc Alpine
Samuel Taylor

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

Key

- DMP refers to the Dyckman et al. textbook (3rd edition).
- DMP x-y means problem y in chapter x of the DMP textbook

1	W	9/8	Introduction Class Notes: Class Notes #1 DMP Reading: Chapter 1, including Appendix 1A DMP Problems: E1-27, P1-35, P1-41 Add. Reading: A Tower of Babel in Accounting, Accountants Misled
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2	M	9/13	Mapping Business Activity into Financial Statements; Links among Financial Statements Class Notes: Class Notes #2 Case #1: Animatronics (Q1 – Q4) DMP Reading: Chapters 2, 3 DMP Problems: Chapter 2: M2-14, M2-18, M2-19, M2-20, M2-25, M2-29, E2-35, E2-45 Chapter 3: P3-40, P3-41, P3-42, P3-43, P3-47, P3-48, P3-49, P3-51, P3-45, C3-55
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3	W	9/15	Economics vs. Accounting; Introduce Revenue Recognition Class Notes: Class Notes #3 DMP Reading: Ch. 2, p.38-42, 47-48; Ch 9, p. 389-400 DMP Problems: M9-18, M9-32, E9-36, E9-37, E9-38
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4	M	9/20	Revenue Recognition; Accrual Accounting and the Matching Principle Class Notes: Class Notes #4 Case # 2: United Frequent Flyer Program DMP Reading: Chapter 6, p. 257 - 266 DMP Problems: E6-28, Add. Reading: Accounting Shift to Lift Demystify Lehman's Shell Game

5	W	9/22	Statement of Cash Flows
			Class Notes: Class Notes #5
			Case # 1: Animatronics (Q5)
			DMP Reading: Chapter 4, Including Appendix 4A
			DMP Problems: M4-25, M4-27, M4-29, E4-34, E4-36, E4-37, E4-39, E4-42, E4-43, P4-45, P4-47, P4-49

6	M	9/27	Statement of Cash Flows (continued)
			Class Notes: Class Notes #6
			Case # 3: Callaway Golf
			DMP Reading: Chapter 4
			DMP Problems: M4-26, E4-35, P4-46, P4-48, P4-50, P4-51, P4-52
			Add. Reading: WSJ – Cash Flow Lies

7	W	9/29	Introduction to Financial Statement Analysis (FSA)
			Class Notes: Class Notes #7
			DMP Reading: Chapter 5
			DMP Problems: M5-22, M5-23, E5-26, E5-29, E5-33

8	M	10/4	Accounts Receivable
			Class Notes: Class Notes #8
			Case # 4: Carter's Inc.
			DMP Reading: Chapter 6, p 266-278, Appendix 6A
			DMP Problems: M6-18, M6-19, M6-20, M6-23, E6-33, E6-34, E6-35, E6-38, E6-37, C6-49
			Add. Reading: Demystify Lehman's Shell Game

Tu	10/5	Homework #1 due at 5pm on Tuesday, October 5th
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9	W	10/6	Inventory and Cost of Goods Sold Class Notes: Class Notes #9 & 10 pages 1 - 8 Case # 5: Amazon.com DMP Reading: Chapter 7, including Appendix 7A DMP Problems: M7-15, M7-19, M7-21, M7-23, E7-26, E7-27, E7-28 Add. Reading: Big Oil's Accounting, Costly Inventory Lesson
10	M	10/11	Inventory and Cost of Goods Sold (continued) Class Notes: Class Notes #9 & 10 pages 9 - end Case # 6: Snap-On Tools DMP Reading: Chapter 7 DMP Problems: E7-29, E7-30, E7-31, P7-34, P7-35, C7-37, C7-38 Add. Reading: Letter to Select Committees, 3_24_09 Blue Dogs
11	W	10/13	Long-Lived Assets Class Notes: Class Notes #11 & 12 pages 1 – 11 DMP Reading: Chapter 8 DMP Problems: M8-13, M8-15, E8-22, E8-23, E8-24, E8-27, E8-33, P8-36
F	10/15	Homework #2 due at 5pm on Friday, October 15th	
12	M	10/18	Long-Lived Assets (continued) Class Notes: Class Notes #11 & 12 pages 11 – end Case # 7: Snap-On Tools DMP Reading: Chapter 8 DMP Problems: E8-29, E8-30, E8-35, P8-38, P8-39 Add. Reading: Wachovia Reports
Tue	10/19	Homework #3 due at 5pm on Tuesday, October 19th	

13 M 11/1 Long-Term Debt

Class Notes: Class Notes #13 & 15 pages 1 - 12
 DMP Reading: Chapter 9, Appendix A
 DMP Problems: M9-21, M9-22, M9-24, M9-29, M9-32, E9-39, E9-40, E9-42, E9-43, E9-44, E9-45, E9-46, E9-47, E9-48, P8-52, P9-54, P9-55, P9-56, P9-59

14 W 11/3 In-Class Midterm Exam: Class Material Through Long-Lived Assets
 Covers sessions #1 - #12, inclusive. – **Note that session 13 material is NOT covered on the Midterm**

15 M 11/8 Long-Term Debt (continued)

Class Notes: Class Notes #13 & 15 pages 12 - end
 Case # 8: Carter's Inc.
 DMP Problems: C9-62, C9-63
 Add. Reading: Morgan Stanley to Post a Loss, Citigroup Finds a Profit

16 W 11/10 Leases

Class Notes: Class Notes #16 & 17 pages 1 - 10
 DMP Reading: Ch. 10, p. 435 - 445
 DMP Problems: M10-12, M10-13, E10-23, E10-24
 Add. Reading: New Accounting Rules Ruffle the Leasing Market

F 11/12 Homework #4 due at 5pm on Friday, November 12th

17 M 11/15 Leases (continued)

Class Notes: Class Notes #16 & 17 pages 11 - end
 Case # 9: Safeway
 DMP Problems: E10-25, E10-26, E10-27, P10-33, P10-34, P10-35, P10-36, C10-4, C10-47
 Add. Reading: CFO Lease Article

18 W 11/17 Accounting for Taxes

Class Notes: Class Notes #18 & 19 pages 1 - 11
 DMP Reading: Chapter 10, p. 456 - 463
 DMP Problems: M10-22, P10-39, P10-40, P10-41, P10-42, P10-43, P10-44

Th 11/18 **Homework #5 due at 5pm on Thursday, November 18th**

19 M 11/22 Accounting for Taxes (continued)

Class Notes: Class Notes #18 & 19 pages 11 - end
 Case # 10: Safeway
 DMP Problems: C10-48
 Add. Reading: GM Loses 39 Billion,
 Lifting the Veil

20 W 11/24 Stockholders' Equity

Class Notes: Class Notes #20
 Case #11: Pepsico
 DMP Reading: Chapter 11, including Appendix 11A
 DMP Problems: E11-40, E11-41, E11-43, E11-45, E11-49, E11-50, E11-52,
 P11-56, P11-58
 Add. Reading: Stock-Options Expensing Rule Can Spur Cash-Flow
 Confusion
 What Seller Wants a Low Price

W 11/24 **Homework #6 due at 5pm on Wednesday, November 24th**

21 M 11/29 Marketable Securities

Class Notes: Class Notes #21 & 22 pages 1 - 11
 DMP Reading: Chapter 12, including Appendix 12A and 12B
 DMP Problems: M12-11, M12-12, M12-13, M12-21, E12-24, E12-29
 Add. Reading: Are the Bean Counters to Blame?
 Banks Face Mark-To-Market Challenge
 Confronting High Risks and Banks

T 11/30 **Homework #7 due at 5pm on Tuesday, November 30th**

22 W 12/1 **Marketable Securities and Other Investments**

Class Notes: Class Notes #21 & 22 pages 12 - end
Case # 12: Peet's Coffee
DMP Reading: Chapter 12, including Appendices 12A and 12B
DMP Problems: E12-30, E12-32, E12-33, E12-37, E12-38, E12-39, P12-45

23 M 12/6 **Pensions and Other Post-Retirement Benefits**

Class Notes: Class Notes #23
DMP Reading: Ch. 10, p. 446 - 455
DMP Problems: M10-12, M10-13, E10-23, E10-24
Case # 13 Johnson & Johnson

24 W 12/8 **Conclusion and Review**

F 12/10 **Homework #8 due at 5pm on Friday, December 10th**

Thu 12/16 **Final Exam: 3 – 5 pm**
Covers sessions #13 - #24, inclusive.

**The date and time for the final exam are tentative and may be
changed by the registrar**
