

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
FINANCIAL ACCOUNTING
ACCT 620, FALL 2005**

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 with an understanding of accounting fundamentals. In fulfilling this objective, the course focuses on developing technical skills to apply accounting procedures and rules in order 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-fa05-1>

Course Material:

Homework assignments and Cases:

- These materials will be available from Wharton Reprographics and will also be available on the course website, in the Course Materials folder on the desktop.

Required Textbooks:

- Libby, Libby, and Short, Financial Accounting with MBA Supplement, McGraw-Hill Irwin, 2004 edition (fourth edition). Available at the bookstore. Referred to as LLS in the syllabus.
- Libby, Libby, and Short, Financial Accounting Student Supplement, McGraw-Hill Irwin, 2004

edition (fourth edition). Available at the bookstore.

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 (or may not) 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 on the desktop of the class webcafe site.

In addition, course material will be distributed during the semester. You will be billed a fee for these course handouts by the university at the end of the semester.

Grading Policy:

Final grades will be determined using the following weights (out of 90 points):

First In-Class Exam	10 pts.
Second In-Class Exam	25 pts.
Final Exam	35 pts.
Homework	15 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 First In-Class Exam **improves** relative to the mean-adjusted score for the Second 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 core grade distribution.

Exams and Quizzes:

The First In-Class Exam is on Monday, October 3 and covers the material in lectures #1 through #7, inclusive. The Second In-Class Exam is on Wednesday, November 9th and covers the material in lectures #9 through #15, inclusive. The Final Exam is tentatively scheduled for Wednesday, December 21, 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 piece of paper with notes. This piece of 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, 2006** 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 six homework assignments. Homework assignments will be graded based on effort: 2 points for attempting all problems, 1 point for low effort or missing problems, and no points for late or no submission. The four highest point assignments will determine a student's homework grade. The problem sets may be discussed in groups. Even though the material may have been discussed in a group, the **SOLUTION submitted by each student MUST BE HIS/HER OWN INDIVIDUAL WORK**. It is not acceptable to copy another student's work and turn it in as your own. Doing so will be considered an act of cheating.

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

	<u>Date Homework Due</u>
Homework 1	Sept. 26
Homework 2	Oct. 17
Homework 3	Nov. 7
Homework 4	Nov. 21
Homework 5	Nov. 30
Homework 6	Dec. 7

Each student is to hand in the homework problem set at the beginning of class. The solutions will be posted on the class web site on the same day that the homework is handed in.

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 prior to the start of the first class
- 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. **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 – Wednesday	4:30 pm – 6:30 pm	JMHH F70
Friday	10 am – noon	JMHH F70

During these times the TAs will assist with questions about concepts, assigned problems or homework problems. The TAs are:

Rajesh Gazula	Ajay Bijoor	Bridget Weishaar
Vikram Krishnan	Vikram Deswal	Bianca Curioni

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

Key

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

1	W	9/7	<p>Introduction LLS Reading: Chapters 1, 2 LLS Problems: Exercises (E): 1-1, 1-3, 1-4, 1-5, 1-9 Cases and Projects (CP): 1-1</p>
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2	M	9/12	<p>Mapping Business Activity into Financial Statements; Links among Financial Statements Case #1: Chemalite LLS Reading: Chapter 4, 5 LLS Problems: Mini-exec (M): 2-5, 2-6 Exercises (E): 2-2, 2-4, 2-5, 2-8, 2-13, 4-4, 4-9, 4-10, 4-11 Problems (P): 2-5, 4-2, 4-8</p>
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3	W	9/14	<p>Economics vs. Accounting; Introduce Revenue Recognition LLS Reading: Chapter 3; Chapter 6 p. 283-290; Chapter 6 Supplement B LLS Problems: Mini-exec (M): 6-1 Exercises (E): 6-1, 6-4 Problems (P): 6-1 Add. Reading: SAB 101 Accounting for Baseball</p>
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4	M	9/19	<p>Revenue Recognition; Accrual Accounting and the Matching Principle Case # 2: International Shipholding Case # 3: United Frequent Flyer Program LLS Reading: Chapter 3 LLS Problems: Mini-exec (M): 3-3, 3-8, 3-9 Exercises (E): 3-5, 3-12, 3-13, 3-17 Problems (P): 3-6, 3-7 Case and Projects (CP): 4-5, 4-7</p>
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5	W	9/21	<p>Statement of Cash Flows LLS Reading: Chapter 13 LLS Problems: Exercises (E): 13-2, 13-3, 13-12 Problems (P): 13-4</p>

Statement of Cash Flows (continued)

6 M 9/26 *****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*****

Case # 4: TBA
 LLS Reading: Chapter 13 and Supplements A and B
 LLS Problems: Exercises (E): 13-1, 13-8, 13-10, 13-15, 13-19
 Problems (P): 13-2

Homework #1 due at the beginning of class

7 W 9/28 **Introduction to Financial Statement Analysis**
 LLS Reading: Chapter 14
 LLS Problems: Exercises (E): 14-9, 14-10, 14-11

8 M 10/3 **First In-Class Exam: Accounting Process, Statement of Cash Flows, and Intro to FSA**
 Covers sessions 1- 7, inclusive.

9 W 10/5 **Accounts Receivable**
 Case # 5: Adams Golf
 LLS Reading: Chapter 6
 LLS Problems: Exercises (E): 6-9, 6-12, 6-13, 6-17, 6-18, 6-20
 Problems (P): 6-4
 Cases and Problems (CP): 6-5

10 M 10/10 **Inventory and Cost of Goods Sold**
 Case # 6: Amazon.com
 LLS Reading: Chapter 7
 LLS Problems: Exercises (E): 7-1, 7-9, 7-11, 7-15
 Problems (P): 7-9

11 W 10/12 **Inventory and Cost of Goods Sold (continued)**
 Case # 7: General Electric
 LLS Reading: Chapter 7 and Supplement A
 LLS Problems: Exercises (E): 7-7, 7-8, 7-12, 7-17
 Problems (P): 7-6, 7-10

12	M	10/17	Long-Lived Assets Homework #2 due at the beginning of class LLS Reading: Chapter 8 LLS Problems: Mini-exec (M): 8-8, 8-10 Exercises (E): 8-6, 8-9, 8-13, 8-17, 8-23
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13	M	10/31	Long-Lived Assets (continued) Case # 8: AOL (Part A) LLS Reading: Chapter 8 and Supplement A LLS Problems: Problems (P): 8-6, 8-8, 8-10 Cases and Projects (CP): 8-8, 8-9
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14	W	11/2	Long-Term Debt LLS Reading: Chapters 9, 10 LLS Problems: Exercises (E): 9-12, 10-6, 10-9, 10-10, 10-11, 10-12, 10-15 Problems (P): 9-3, 9-5, 9-7, 10-6 Alt. Problems (AP): 10-6 Cases and Projects (CP): 10-5 Present value exercises: Exercises (E): 9-9, 9-10, 9-13, 9-18
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15	M	11/7	Long-Term Debt (continued) and Review for Exam Case # 9: Atlantic Richfield Homework #3 due at the beginning of class
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16	W	11/9	Second In-Class Exam: Financial Statement Analysis/Accounts Receivable/Inventory/ Long-Lived Assets/Long-Term Debt Covers sessions 8- 15, inclusive.

17	M	11/14	Leases LLS Reading: MBA Companion Section 1 LLS Problems: Exercises (E): 1-5, 1-6 Problems (P): 1-1, 1-3 Cases and Projects (C) 1-1
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18	W	11/16	Leases (continued) Case # 10: AMR Corp LLS Problems: Problems (P): 1-1, 1-3 Cases and Projects (C) 1-1
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19	M	11/21	Accounting for Taxes LLS Reading: MBA Companion Section 2; Chapter 9 Supplements A & B LLS Problems: Exercises (E): 2-1, 2-2, 2-3 Problems (P): 2-1 Homework #4 due at the beginning of class
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20	W	11/23	Accounting for Taxes (continued) Case # 11: AOL (Part B) LLS Reading: MBA Companion Section 2; Chapter 9 Supplements A & B LLS Problems: Cases and Projects (C): 2-1, 2-2
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21	M	11/28	Stockholders' Equity LLS Reading: Chapter 11 LLS Problems: Exercises (E): 11-3, 11-6, 11-7, 11-8, 11-14 Problems (P): 11-5, 11-6

22 W 11/30 **Marketable Securities**
LLS Reading: Chapter 12
LLS Problems: Exercises (E): 12-2, 12-3, 12-4, 12-11
Problems (P): 12-3, 12-7

Homework #5 due at the beginning of class

23 M 12/5 **Marketable Securities and Other Investments**
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 12/7 **Conclusion**
Homework #6 due at the beginning of class

W 12/21 **Final Exam (Time and Location TBA)**
Covers sessions 17-24, inclusive.
