

ACCT 612
Introduction to Financial Accounting (Accelerated)
Fall Semester 2018

Instructor

Robert E. Verrecchia

Office: 1322 Steinberg Hall-Dietrich Hall (SH-DH)

Office Hours: Please arrange a time to meet by contacting me via my e-mail address.

e-mail: verrecchia@wharton.upenn.edu

Course objectives

The goal of ACCT 612 is to improve our understanding of the *disclosure* firms provide in their financial reports about their results of operations. Please review the **Schedule of Assignments** below for a list of specific topics covered. If you decide to register for this course, please note that you should prepare the solution to the problem assigned for the 1st class on August 28, Robo-Pup, Inc. (2018), *in advance* of the class.

Let's talk about this course

Students can fulfill their accounting requirement in one of three ways: 1) taking one of either ACCT 611 or ACCT 613, which are both full-semester courses; 2) placing into ACCT 612, which is a half-semester course; or 3) waiving the requirement entirely (by exam or credential). ACCT 613 is an 'all purpose' financial accounting with some treatment of managerial accounting topics toward the end of the course. Alternatively, ACCT 611 is a financial accounting course designed primarily for a student with interests in finance. ACCT 612 attempts to cover 75% of the material in ACCT 611 – but in half the time. This means two things: 1) like ACCT 611, ACCT 612 is best suited for a student with interests in finance; and 2) the pace of ACCT 612 is fast. Some students may not like *fast!* Just because a student places into ACCT 612 does not mean that he-or-she is required to take it. About 10% of the students who initially sign up for ACCT 612 transfer out and sign up for one of the full-semester courses (either ACCT 611 or ACCT 613). The MBA Office allows students the option to transfer out of ACCT 612 as late as September 17 (with no penalty). But once again, a student is not *required* to take ACCT 612 even if he-or-she places initially into the course: a student should take the course best suited to his-or-her learning needs.

Now let's talk about grades

So as to minimize the anxiety associated with grades, LTs, 'flunking out,' etc., I have attempted to make grading as straightforward and transparent as possible. Grades will be based on 274 pts.

1. A 2-hour midterm exam scheduled for September 13 worth 110 pts.
2. A 2-hour final exam scheduled for October 11 worth 120 pts.
3. Class attendance, where each class attended is worth 2 pts. (for a total of 24 pts.)¹
4. *Volunteering* to discuss cases in class, where 'volunteers' can earn up to a total of 20 pts. as a course 'class participation' score based on the quality and frequency of their discussion.

I emphasize the word 'volunteering' because if for whatever reason a student does not feel comfortable speaking up in class, he-or-she is not required to so.

¹ Attendance is done via the Wharton Connect app. Links to download the app, as well as a link to the browser version of the app, are available at: <https://whartonstudentsupport.zendesk.com/hc/en-us/articles/202525593-Wharton-Connect>.

Grading curve

Because of the accelerated nature of ACCT 612, the MBA Office typically assigns the course a more favorable grading curve: a grade point average of **3.4** and a **LT** percentage of **4%**. However, both these numbers are at the discretion of the MBA Office, and involve a variety of factors that cannot be predicted in advance (e.g., the number of students who drop the course).

Course website

The website for ACCT 612 can be found on Canvas: <https://canvas.upenn.edu/courses>.

Course material on Canvas includes:

- Lecture slides in PDF format (available in advance of the scheduled class date)
- Solutions to the assigned textbook exercises and problems
- Cases for in-class discussion (along with solutions *after* the case is discussed)
- Supplementary reading material
- A seating chart (seating will be assigned randomly in advance)

Textbook

Dyckman, T., M. Hanlon, R. Magee, and G. Pfeiffer, *Financial & Managerial Accounting for MBAs*, Wharton Custom 2nd Edition (2017) Cambridge Business Publishers.² This textbook has been customized for use in ACCT 611, 612, and 613 (in conjunction with offering a substantial discount to students). New textbooks have a scratch-off access code on the inside cover of the book. Students can “apply” this code to gain access to online resources for ACCT 612 by going through the link <https://mybusinesscourse.com/?code=7417-51071>.

Support and assistance

ACCT 612 has been assigned three teaching assistants (TAs).

- Janet Park, pjanet@wharton.upenn.edu
- Anant Shukla, anants@wharton.upenn.edu
- Matt Forester, mfores@wharton.upenn.edu

Each TA is required to provide 2 hrs. of office-hour assistance (tutoring) each week starting the 2nd week of the semester. *One* of the TAs will be available for office hrs. each week in SH-DH 420, which is in the basement/ground floor of SH-DH (depending upon which entrance one uses). The other *two* TAs to be available in reserve for assistance, but must be contacted directly and arrangements made to meet (with the understanding that each TA is only required to provide a total of 2 hrs. of assistance each week).

In addition to TA assistance, I have set up a link on Canvas called “Feedback” that allows a student to comment (or complain) about any aspect of the course in ‘real time,’ and preserve his/her anonymity. I will monitor the feedback, and attempt to address any issues as soon as is practical.

² There is an earlier Wharton Custom 1st Edition (2014) of this textbook that might be obtainable at less cost. It is also possible to find copies of the textbook on reserve at Lippincott Library. I encourage students to have access to some reference source even if it is an earlier edition.

Midterm and Final exams

The Midterm exam is scheduled for September 13 from 6-8 pm and will focus on the course material in Classes #1-6. I am available for any 'last minute' questions in my office (SH-DH 1322) between 3-5 pm on September 13. The Final exam is scheduled for October 11 from 6-8 pm and will focus on the course material in Classes #7-12. I have scheduled a review for the Final exam from 4:30-5:30 pm on October 10.

Exam preparation

In preparing for exams, I recommend the following hierarchy.

1. Carefully review the lecture slides that accompany each class;
2. Understand the questions and solutions to the cases that are covered in class;
3. Do assigned exercises and problems in the textbook;
4. Read the assigned material in the textbook;
5. Examine the disclosure of companies other than those discussed in class.

Both the Midterm and Final exams are closed book, closed notes, no electronic devices, etc.: in effect, students can only take to the exams writing materials and calculators.

The MBA Office sets the times and dates for the Midterm and Final exams. Students who are unable to attend a scheduled exam must notify the MBA Office in advance. If the MBA Office authorizes an excused absence, a make-up exam will be administered in January, 2019, during the official 'make-up' exam period whose date is set by the Registrar: a student will receive a grade of **Incomplete** pending the completion of the 'make-up' exam. An unauthorized absence from an exam will result a student receiving a grade of **0** on the exam.

After each exam, suggested solutions will be posted on Canvas. *Requests to re-grade exams are strongly discouraged!* Exams are a collaborative process between an instructor and students; if a student has a valid inquiry about how a specific question was graded, he or she must submit: 1) the original copy of the exam; and 2) a *detailed* explanation of the issue/controversy/error. Re-grading requests will only be honored up to 72 hours after exams have been made available.

Transferring out of ACCT 612

Students can transfer out of ACCT 612 and into either ACCT 611 or ACCT 613 (*assuming capacity remains!*) without penalty until 5 pm on Monday, September 17. We will attempt to make results from the Midterm exam available on-or-before September 17 so as to allow students feedback before making the decision.

Classroom etiquette involving questions

While I encourage questions in class, ACCT 612 concerns disclosure under current US-Generally Accepted Accounting (US-GAAP) standards. As such, it does not concern either tax or International Financial Reporting Standards (IFRS) standards. If you have a pressing question about tax issues, please ask me *after* class or in an e-mail. Better yet, register for Professor Jennifer Blouin's very excellent "Taxes and Business Strategy" course (ACCT 897) offered in the Spring semester. If you have a pressing question about IFRS standards, please consult the "US GAAP versus IFRS" document produced by Ernest & Young included in the Class #1 course materials.

Schedule of Assignments

August 28 Class #1	Statement of Cash Flows
	Slides: Class #1
	TB Reading: Chapter 4
	TB Problems: E4-35, E4-39, E4-42, E4-44
	Assigned Problem: Robo-Pup, Inc. (Mechanics of Statement of Cash Flows; 2018)
	Supp. Reading: US-GAAP vs IFRS; The 109,894-Word Annual Report; Murky GE Accounting.

August 30 Class #2	GAAP vs. Tax Code (IRS)
	Slides: Class #2
	TB Reading: Chapter 10, p. 484-491
	TB Problems: M10-22, E10-32, P10-40, P10-41, P10-42, C10-47
	Supp. Reading: The Devilish Detail; Fuzzy-Math Accounting; It's Funny How Companies See Clearly; SEC Challenging Multinationals; Sony Profits Are Far Off with Write-Down; Motorola Deal Offers Google Tax Benefits; Losses Lurk in Trump Tax Plan

September 4 Class #3	Revenue Recognition
	Slides: Class #3
	TB Reading: Chapter 6, p. 270-281
	TB Problems: M6-14, M6-24, E6-32, E6-40, E6-41
	Case #1: United Airlines (Revenue Recognition; 2017)
	Supp. Reading: Got'em, Gotham; Let's Quit the Chest-Beating about Car Sales; A Revenue Growth Crutch for com.Score; How Hampton Creek Sold Silicon Valley on a Fake-Mayo Miracle; Sunrun Sales Data Seen as Skewed; U.S. Probes MiMedx's Federal Contracts, Accounting; The Dozy Watchdogs; Yes, It's Accounting...; New Accounting Rule Change

Schedule of Assignments (continued)

September 6 Class #4	Accounts Receivable	
	Slides:	Class #4
	TB Reading:	Chapter 6
	TB Problems:	M6-18, M6-20, E6-33, E6-34
	Case #2:	Vitamin Shoppe, Inc. (Accounts Receivable; 2018)
	Supp. Reading:	China Has a \$590 Billion Problem with Unpaid Bills

September 11 Class #5	Inventory and Cost of Goods Sold (COGS)	
	Slides:	Class #5
	TB Reading:	Chapter 7
	TB Problems:	M7-15, M7-19, M7-23, E7-26, E7-29, E7-31
	Case #3:	Syngenta (Inventory; 2018)
	Supp. Reading:	Fade to BlackBerry; Big Oil's Accounting Methods

September 13 Class #6	Review for Midterm Exam	
	TB Reading:	Chapter 4
	TB Problems:	P4-46, P4-48, P4-54
	Case #4:	Calloway Golf (Statement of Cash Flows; 2016)
	Assigned Problem:	Popstar (Cash Flows Exercise; 2017)

September 13	Midterm Exam*: 6-8 pm (SH-DH 350)	
	Topics Covered:	Classes #1-6

*Students may retrieve their midterm exams from the accounting suite (SH-DH 1300) starting at 10am on Monday, September 17

September 18 Class #7	Long-Lived Assets	
	Slides:	Classes #7 & 8
	TB Reading:	Chapter 8
	TB Problems:	M8-11, M8-14, E8-24, P8-36
	Supp. Reading:	Streaming TV or Movie?

Schedule of Assignments (continued)

September 20 Class #8	Long-Lived Assets (continued)	
	Slides:	Classes #7 & 8
	TB Reading:	Chapter 8
	TB Problems:	M8-17, M8-21, E8-28, E8-31, P8-39
	Case #5:	AAON, Inc. (Disposition of Assets; 2017)
	Supp. Reading:	Write-Downs Abound as Prices Keep Oil in the Ground; Sprint Takes \$1.9 Billion Write-Down; SEC Makes B&N Justify Goodwill

September 25 Class #9	Long-Term Debt	
	Slides:	Class #9
	TB Reading:	Chapter 9
	TB Problems:	M9-22, M9-23, M9-31, E9-47, P9-53, P9-56
	Supp. Reading:	Citigroup Finds a Profit; Morgan Stanley to Post a Loss from Bonds

September 27 Class #10	Leases	
	Slides:	Class #10
	TB Reading:	Chapter 10, p. 460-472
	TB Problems:	M10-13, M10-15, E10-23, E10-26
	Case #6:	Starbucks (Debt; 2016)
	Supp. Reading:	New Accounting Rules Ruffle the Leasing Market; Co-Working Startups Eye New Growth Driver: Accounting Change; Leases Suffer Identity Crisis; Northeast Airlines Financials; Crowded Skies

October 2 Class #11	Marketable Securities and Intercorporate Investments	
	Slides:	Classes #11 & 12
	TB Reading:	Chapter 12, p. 562-587
	TB Problems:	M12-11, M12-12, E12-24, E12-38, E12-39
	Case #7:	Southwest Airlines (Leases; 2016)
	Supp. Reading:	Buffett's 'Nightmare' Begins; Banks Face a Mark-to-Market Challenge; Bank Quandary: Valuing the Assets

Schedule of Assignments (continued)

October 4
NO CLASS!

Fall Break

October 9
Class #12

Marketable Securities and Intercorporate Investments (continued)

Slides: Class #11 & 12
TB Reading: Chapter 12, p. 562-587
TB Problems: M12-14, M12-15, E12-28, E12-29, E12-34
Case #8: Starbucks (Noncontrolling Interest; 2017)
Supp. Reading: Forget Going Public, U.S. Companies Want to Get Bought; Big Fox Shareholder; \$25.7B: Total value of goodwill write-downs in 2014; Buyers Beware: The Goodwill Games; Out of time (Carillion)

October 10

Review for Final Exam: 4:30-5:30 pm (SH-DH 109)

October 11

Final Exam*: 6-8 pm (SH-DH 350)

Topics Covered: Primary emphasis Classes #7-12

*Students may retrieve their final exams from the accounting suite (SH-DH 1300) starting at 10am on Monday, October 22
