

INTRODUCTION TO FINANCIAL ACCOUNTING
ACCT 611
FALL 2019
(VERSION 8/24/19)



INSTRUCTOR

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OFFICE HOURS:

Monday/Wednesday 2:30 pm – 3:30 pm, or by appointment

COURSE DESCRIPTION:

Financial accounting is concerned with the preparation and public dissemination of financial reports designed to reflect corporate performance and financial condition. By providing timely, relevant, and reliable information, these reports facilitate the decision-making of investors, creditors, and other interested parties.

This course provides a base level of knowledge needed by corporate managers and executives to understand and discuss corporate financial statements and reports. The course will familiarize you with the basic principles and practices of financial accounting by studying the concepts that underlie corporate financial statements. The course begins with an overview of the procedures necessary to prepare and understand the balance sheet, income statement, and statement of cash flows. The remainder of the course examines the accounting for the most common and significant transactions of a firm, such as accounts receivable and revenue recognition, inventories, long-term assets, debt, income taxes, investments, and stockholder's equity.

COURSE WEBSITE:

The website for this course is on Canvas: <https://canvas.upenn.edu/courses/1467738>

COURSE MATERIALS:

- **Textbook:** Dyckman, T., M. Hanlon, R. Magee, G. Pfeiffer, A. Hartgraves, and W. Morse, *Financial & Managerial Accounting for MBAs*, 3. Ed., Wharton Custom Edition, 2019, Cambridge Business Publishers. This textbook is especially customized for our course, covers all the chapters in the class, and is available only in the Penn Bookstore. In the detailed schedule below, practice problems from the textbook are assigned to reinforce the material covered for each topic. Solutions to the problems in the textbook are posted on the course website.

Material on Course Website:

- **Lecture Slides:** the lecture slides will be made available in advance of class (at least one week before the scheduled date).
- **Homework Assignments** (for submission on Canvas) and **Cases** (for in-class discussion)

- **Exam Practice Problems and Solutions** (from old exams)
- **Articles:** business press articles are sometimes provided on Canvas and provide context for issues discussed in class.

GRADING POLICY:

Final grade of each student will be determined based on the higher of the following two weighting schemes (total: 100 points):

	<u>Option I</u>	<u>Option II</u>
Midterm Exam	35%	30%
Final Exam	35%	40%
In-Class Quizzes (Best 4 out of 5)	20%	20%
Homework	10%	10%

Grading will follow the following curve that adheres to the schools mandated grade guidelines: No more than 20% of the class will receive A+ or A, no more than 25% of the class will receive A-, and 10% of the class will receive B- or below. Note that mandated grade guidelines allow up to 5% failing grades. Historically this course does give some failing grades each year. I reserve the right to raise/lower your course grade by one level based on my subjective assessment of your participation and contributions to the class discussions; such an adjustment is *rare*. For equal and fair treatment, any request for a grade adjustment for reasons other than grading errors will be disregarded.

MIDTERM & FINAL EXAMS:

The midterm exam is scheduled for **Wednesday, October 16th from 6 pm to 8 pm**, 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 scheduled for **Monday, December 16th from 6 pm to 8 pm**. Although it is rare for this date and time to change, it has happened, and the University Registrar reserves the right to do so.

Exams are closed-book, but you are allowed to bring to each exam **one double-sided piece** of 8 ½" x 11" paper with notes. This paper may contain handwritten or typed (any font and size) notes. You are allowed to use a regular calculator (but not the calculator app on your phone) during the exams.

It is the student's responsibility to attend examinations at the times and places specified. If you cannot attend an examination, **it is your responsibility to notify the MBA Office** and the professor prior to the exam (or as soon as possible). **Only** the MBA Office 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 is given in January 2020 during the official make-up exam period set by the Registrar. You will receive a final grade of "Incomplete" for the course pending the completion of the make-up exam. An unauthorized absence from an examination will result in a grade of zero for that examination.

The graded midterm exam will be returned to the student mail folders. The graded final exam can be picked up at the reception area of the accounting suite (SH-DH 1300) until the first week of spring semester classes (you will need to bring your student ID to collect the exam). Exam scores will be posted online. If you feel that an exam has been incorrectly graded, you should return the exam to the professor – *not a TA* – **within one week** of the return of the exam. Requests made after that will not be considered. You should submit the original copy of the completed examination together with a **written** note that explains the point of contention. **The entire exam will be re-graded.**

IN-CLASS QUIZZES:

There are **five** in-class quizzes during the course of the semester, which will be held on the dates indicated below and in the class schedule. **Quizzes are given at the beginning of the class** (late arrivals will not be accommodated with extra time, so be punctual). Each quiz will take about 15 minutes, and will consist of 4-5 questions (primarily multiple choice). The quizzes will be closed-book and no notes will be allowed. The material covered in each quiz is set out in the syllabus below.

In computing your final grade, only the **four highest quiz scores** will be counted (i.e., the lowest quiz score will be dropped from the computation of your grade). If for some reason you are unable to attend class on one of the five quiz days, we will simply count the four quizzes that are completed. **No make-up quizzes will be given.** The quiz solutions and scores will be posted on the class web site within a day or so of taking the quiz. The dates for the five in-class quizzes are as follows:

Quiz 1:	Monday, September 16 th
Quiz 2:	Wednesday, September 25 th
Quiz 3:	Wednesday, October 30 th
Quiz 4:	Monday, November 11 th
Quiz 5:	Wednesday, November 20 th

HOMEWORK ASSIGNMENTS:

There are three homework assignments with due dates indicated below and in the class schedule. Please work on these assignments individually before consulting with anyone for help. You may discuss these assignments with others but each individual must submit his or her own solution. Copying another student's work or submitting it as your own will be considered an act of cheating. The homework assignments will be available on the course website. They must be submitted **via Canvas by the due date and time listed below**. Deadlines are strict, so please make sure to meet them. **Please do not hand in a hard copy as it will not be accepted.** Scores and solutions for homework assignments will be posted online on the course website within a day of the deadline.

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

Homework 1:	Friday, September 27 th (6 pm)
Homework 2:	Friday, October 11 th (6 pm)
Homework 3:	Wednesday, December 2 nd (6 pm)

CLASSROOM CONDUCT:

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 following:

- Please sit in the same seat each class session.
- Please display name tents.
- Class starts and ends on time. If a unique situation arises such that you must come in late, please inform your professor ahead of time and sit in an open aisle seat close to the door you arrived through.
- You 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 your professor before class and sit in an open aisle seat near the exits of the classroom.
- Please do not carry on private conversations during class.
- All phones/electronic devices should be turned to silent. The use of computers/tablets must be strictly for the purpose of this class.

STUDENT PREPARATION:

You should come to class having reviewed the daily class slides and, on days with an assigned article or case study, having read these materials and worked through the case questions. It is also recommended that you read the suggested chapter sections from the textbook either before or immediately after the class, and work through at least some of the suggested practice problems from the textbook.

TEACHING ASSISTANTS AND REVIEW SESSIONS:

There are six teaching assistants for the course. Each of these TAs is a second-year MBA student who performed extremely well in the introductory financial accounting course last year. The TAs will hold regular office hours on four out of five days every week (except during breaks or for holidays) based on the schedule posted on the course website. The typical weekly office hour schedule is as follows (For details and updates see the schedule posted on the course website):

Monday	(SH-DH 1206)	4:30 pm – 6:00 pm
Tuesday	(SH-DH 1206)	4:30 pm – 6:00 pm
Wednesday	(SH-DH 1206)	4:30 pm – 6:00 pm
Friday	(SH-DH 215)	10:00 am – noon

During office hours, one of the TAs will be present and will assist with questions about concepts, assigned problems/cases, or homework problems (however, they will not give you the solution to the homework assignments). Note that the TAs are jointly servicing both ACCT611 and ACCT613, so you may encounter students from both courses attending the same office hours.

The six TAs for the course are as follows:

Shane Bouchard	shanerb@wharton.upenn.edu
William Chan	wchan1@wharton.upenn.edu
Elissa Cmundt	ecmundt@wharton.upenn.edu
Alexander Hansen	aphansen@wharton.upenn.edu
Katharina Schwarz	schwarzk@pennlaw.upenn.edu
Leticia Navarro Viedma	leticia@wharton.upenn.edu

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				
ACCT 613 Financial & Managerial Accounting	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	W	W	W		
Homework Problem Sets	A	A		A			A	D	D	D		
In-Class Quizzes	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				
Other comments:												
<p>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.</p> <p>Should you have questions, please contact your ethics liaison or professor.</p>												

Every topic we will cover in this course builds on the topics that precede it. Therefore, this course requires constant attention and consistent effort. Batch processing will almost surely be inefficient, frustrating, and unproductive. I strongly encourage you to keep up with the class.

Let the fun begin!

TENTATIVE CLASS SCHEDULE

	Date	Topic	Textbook Reading	In-Class Case	Practice Problems
1	8/28	▪ Introduction	Chapter 1		M1-24, E1-28, E1-29, P1-38, P1-40
2	9/4	▪ Mapping Business Activity into Financial Statements	Chapters 2 and 3	Animatronics (Q1 – Q4)	M2-18, M2-19, M2-26, E2-35, E2-44, M3-22
3	9/9	▪ Mapping Business Activity into Financial Statements (cont'd)	Chapters 2 and 3	Animatronics (Q1 – Q4)	P2-66, M3-24, E3-32, P3-42, P3-49
4	9/11	▪ Balance Sheet Presentation ▪ Revenue Recognition and the Matching Principle	Chapter 2, p. 54-56 Chapter 6, p. 270-279		M6-14, M6-24, E6-33, E6-40
5	9/16	▪ Quiz 1-Covers Sessions 1-4 ▪ Revenue Recognition and the Matching Principle (cont'd)	Chapter 2, p. 54-56 Chapter 6, p. 270-279	Revenue Recognition Vignettes	M6-17, E6-27, E6-31, E6-41
6	9/18	▪ Statement of Cash Flows	Chapter 4	Animatronics (Q5)	M4-23, M4-26, M4-31, E4-34, E4-38, E4-41, E4-44
7	9/23	▪ Statement of Cash Flows (cont'd)	Chapter 4	Callaway Golf	P4-51, P4-54
8	9/25	▪ Quiz 2-Covers Sessions 5-7 ▪ Accounts Receivable	Chapter 6	Omicell	M6-18, M6-20a-b, E6-34, E6-35, E6-38
FRIDAY, 9/27			Homework 1 is due at 6pm (Covers Accounts Receivable and Inventory)		
9	9/30	▪ Inventory and Cost of Goods Sold	Chapter 7 Chapter 17, p. 830-835	TBD	M7-15, M7-19, M7-20, E7-26, E7-29, E7-31, M17-14
10	10/2	▪ Long-Lived Assets	Chapter 8		M8-11, M8-14, E8-24, P8-36
11	10/7	▪ Long-Lived Assets (cont'd)	Chapter 8	TBD	M8-17, E8-29, E8-35, P8-39
12	10/9	▪ Intro to Financial Statement Analysis (FSA)	Chapter 5		M5-14, M5-18, M5-24, E5-32, E5-33, E5-34
FRIDAY, 10/11			Homework 2 is due at 6pm (Covers Long-Lived Assets and Statement of Cash Flows)		
FALL BREAK					
WEDNESDAY 10/16			MIDTERM EXAM (6 pm – 8 pm) Covers Sessions 1 through 12 (inclusive)		

	Date	Topic	Textbook Reading	In-Class Case	Practice Problems
13	10/21	▪ Long-Term Debt	Chapter 9 Appendix A (Time Value of Money)		M9-21, M9-22, M9-28, M9-31, M9-34, E9-40
14	10/23	▪ Long-Term Debt (cont'd)	Chapter 9	Starbucks	M9-23, M9-26, E9-47, P9-53
15	10/28	▪ Leases	Chapter 10, p. 462-476		M10-13, M10-15, E10- 26, E10-27
16	10/30	▪ Quiz 3-Covers Sessions 13-15 ▪ Accounting for Income Taxes	Chapter 10, p. 486-497		M10-23, E10-34, P10- 41
17	11/4	▪ Accounting for Income Taxes (cont'd) ▪ Shareholders' Equity	Chapter 10, p. 486-497 Chapter 11	PepsiCo	P10-35, P10-42, M11- 20, M11-21
18	11/6	▪ Shareholders' Equity (cont'd)	Chapter 11	PepsiCo	M11-25, M11-35, E11- 45, E11-54
19	11/11	▪ Quiz 4 -Covers Sessions 16-18 ▪ Passive Investments	Chapter 12, p. 580-595		M12-11, M12-12, M12-20, E12-24
20	11/13	▪ Intercorporate Investments	Chapter 12, p. 596-609 Appendix 12A & 12B		M12-15, M12-16, E12- 31, E12-32
21	11/18	▪ Intercorporate Investments (cont'd)	Chapter 12, p. 596-609 Appendix 12A & 12B	Starbucks	M12-17, M12-18, E12- 28, E12-34, E12-42
22	11/20	▪ Quiz 5 -Covers Sessions 19-21 ▪ Pensions and Other Post- Employment Benefits	Chapter 10, p. 477-486	Johnson & Johnson	M10-18, M10-19, M10-21, E10-31
WEDNESDAY, 12/2			Homework 3 is due at 6pm (Covers Owners' Equity, Marketable Securities, and Pensions)		
23	12/2	▪ Pensions and Other Post- Employment Benefits (cont'd) ▪ Contingencies and Warranties	Chapter 10, p. 477-486 Chapter 9, p.418-421		P10-38, P10-39, E9- 38, E9-39, E9-43, P9- 51
24	12/4	▪ Final Review and Course Wrap-up		TBD	
MONDAY, 12/16			FINAL EXAM (6 pm – 8 pm) Covers Sessions 13 through 24 (inclusive)		