

# Accounting 742: Problems in Financial Reporting

## **Course Objectives**

Accounting 742 is designed to increase your ability to extract and interpret information in financial statements. We will focus on developing your accounting analysis skills, as well as your ability to utilize those skills in assessing a firm's underlying business strategy and underlying economic performance. For example, after taking this course, you should be able to use the disclosures in a firm's financial report to determine its accounting policy for a particular type of transaction and be able to determine how that policy choice affects its primary financial statements. Given your understanding of the drivers of the statements, you should be able to assess what, if anything, those statements communicate about the firm's strategy and economic performance.

## **Preparation and Performance, Homework, Exam, and Project**

### *Class Preparation*

Prior to each class, you will complete some class preparation questions on Canvas via a web interface. With the exception of Session 1, these questions must be completed by 8:00 AM the day of class. The goal of the class preparation questions is simple – to induce you to prepare for class. Note that the class discussion in most cases will build off of the class preparation questions (many of which are very simple), as opposed to just going over the answers to the class preparation questions. To obtain credit for engaging in class preparation, you must complete the preparation materials when they are due. No exceptions.

### *Homework*

There will be five homework sets during the semester. The homework sets will be somewhat cumulative in the sense that you are responsible for all topic areas covered up to and including that set, although each set will be heavily skewed towards the topics covered since the prior set. Some sets will be quite short, and others will be a bit longer. Note that you may be asked about material that relates conceptually to what we have covered, even if we did not directly cover that material. You may discuss the homework with other individuals. If you allow others to do your homework for you, however, you will forego the opportunity to learn (and to prepare for the final exam).

### *Final Exam*

There will be one exam during the course, the final exam. The final exam will be delivered in a four-hour window via Canvas and you can take it from any location where you can access to the Internet. You may not discuss (very broadly defined) the exam with any other individuals except for me during the entire exam window – no exceptions. You can use any written reference resources including your notes, GAAP guides, textbooks, and material on the web.

### *Project*

You will prepare an Accounting Analysis project with a group of 2 to 4 fellow students (each group can have no less than 2 and no more than 4 students – no exceptions). Details regarding the Accounting Analysis Project are provided in the Accounting Analysis Project assignment on Canvas.

## **Grading**

Grades will be based upon the following allocation scheme:

Class Preparation and Performance	15%
Homework	25%
Final Exam	35%
Project	25%

***Note: To pass the course you must pass the final exam.***

## **Class Materials**

### ***Canvas***

#### ***Class Preparation Materials***

In advance of each class you should work through the material required for the pre class quiz associated with that class. The quiz can be found in the assignments tab of the Canvas site. The files associated with each class can be found in the files tab, and there will be a folder for each class. Within each folder will be three subfolders. The subfolder labeled Pre Class Materials will include cases, problems, or teaching notes that should be read prior to class. These items can be linked from the quiz page as well. The subfolder labeled In Class Materials will contain class slides as well as any other material we will cover in class that is not included in the Pre Class Materials. The class slides will be available at 6:00 PM the evening before class. The Post Class Material Subfolder contains material distributed during class, brief technical notes for the cases or problems discussed, and optional readings related to what was covered in class. This material will be made available at the end of the day that the class session is held.

#### ***Homework Materials***

There will be three homework sets that will be due during the course. The materials will be accessible in the folders titled Homework 1, Homework 2, Homework 3, Homework 4, and Homework 5. The homework answers will be submitted online as a Canvas quiz (but its homework nonetheless). The online quiz and material for each homework will be made available at least one week before the homework is due.

#### ***Exam Materials***

There will be a final exam during the exam period, which will also be delivered via Canvas. The exam will be delivered via Canvas as a Canvas quiz (but it is a final exam nonetheless) and will be accessed via the assignments tab. The exam will be based upon a single set of financial statements. Those statements will be made available on Monday, November 27.

#### ***Your Introductory Text or a GAAP Guide***

There is no text for the class. Your introductory text can provide a useful reference for some of the material we will cover. You also might find a GAAP guide useful for reference purposes. More than one publisher offers a GAAP Guide (e.g., CCH and Wiley). In general, a GAAP Guide provides a good overview of technical accounting by topic area as well as references to the Accounting Standards Codification (ASC). Note that most students, however, survive just fine on the class materials and the occasional web search.

### ***FASB Accounting Standards Codification (ASC)***

You will also have access to the Financial Accounting Standards Board's (FASB's) searchable accounting standards codification (ASC). The ASC is a great reference for technical accounting, although it is not necessarily the user-friendly. (It becomes friendlier with use.) To access the FASB site go to

<http://www2.aaahq.org/ascLogin.cfm>

The user name is AAA51620 and the password is 7QENg9J.

### **Instructor Availability**

My office is in 1321 SHDH, my phone number is (215) 573-7533, and my email address is [pef@wharton.upenn.edu](mailto:pef@wharton.upenn.edu). Office hours are by appointment. Please contact me in advance to make an appointment. You are also welcome to stop by to see me at any time. If you stop by and I have other commitments, I will be happy to make an appointment with you for later in the day.

In addition, I would be happy to host groups of 3 to 5 students for lunch on Tuesdays of each week. If you would like to sign up a *group* for a lunch, please let me know via email, telephone or just after class. We will work out a mutually agreeable date and you will select the location for the lunch.

Accounting 742: Problems in Financial Reporting  
 Fall 2016  
 Summary Class Schedule

Session	Day	Date	Topics
1	Wednesday	08/30	Introduction and Audit Report
2	Wednesday	09/06	Accruals, Cash Flows, and Ratio Analysis
3	Monday	09/11	Accounting for Taxes I
4	Wednesday	09/13	Accounting for Taxes II
	<b>Sunday</b>	<b>09/17</b>	<b>Homework 1 Due by Midnight</b>
5	Monday	09/18	Revenue Recognition
6	Wednesday	09/20	Revenue Recognition: Accounting Changes
7	Monday	09/25	Revenue Recognition: Change in Business Model
8	Wednesday	09/27	Revenue Recognition: Franchises
9	Monday	10/02	Revenue Recognition: Receivables/Securitizations
10	Wednesday	10/04	Revenue Recognition: Deferrals
11	Monday	10/09	Revenue Recognition: Sources and Segments
12	Wednesday	10/11	Expense Recognition
	<b>Sunday</b>	<b>10/15</b>	<b>Homework 2 Due by Midnight</b>
13	Monday	10/16	Expense Recognition: Inventory and Cost of Goods Sold
14	Wednesday	10/18	Expense Recognition: When?
15	Monday	10/23	Expense Recognition: Capitalization vs. Expensing
16	Wednesday	10/25	Expense Recognition: Capitalization vs. Expensing
	<b>Sunday</b>	<b>10/29</b>	<b>Homework 3 Due by Midnight</b>
17	Monday	10/30	Contracts, Commitments, and Contingencies/Leases
18	Wednesday	11/01	Earnings and Earnings per Share
19	Monday	11/06	Contingent Compensation
20	Wednesday	11/08	Long-Term Debt and Fair Value Accounting
21	Monday	11/13	Pensions and Other Post Employment Benefits
22	Wednesday	11/15	Derivatives and Hedging
	<b>Sunday</b>	<b>11/19</b>	<b>Homework 4 Due by Midnight</b>
23	Monday	11/20	No Class
	<b>Sunday</b>	<b>11/26</b>	<b>Projects Due by Midnight</b>
24	Monday	11/27	Active Investments: Control and Significant Influence
25	Wednesday	11/29	Multinationals
26	Monday	12/04	Intangibles
27	Wednesday	12/06	Accounting and Organizational Form
	<b>Sunday</b>	<b>12/10</b>	<b>Homework 5 Due by Midnight</b>
28	Monday	12/11	Summary and Conclusion
	<b>Friday</b>	<b>12/15</b>	<b>Final Exam (6:00 PM to 10:00 PM)</b>