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| **Accounting: Financial Accounting**  **BACC 2401**  **Fall 2009**  **Full-Time MBA Program** | **Harry Evans**  **238A Mervis Hall**  **648-1714**  **E-MAIL: [jhe@katz.pitt.edu](mailto:jhe@katz.pitt.edu)** |

**Office Hours**: Feel free to see me in my office. Alternatively, use e-mail or a phone call to leave me a message, and I will get back to you promptly.

Secretary: Ms. Joan Ballas (648-1436), 238 Mervis Hall, jeballas@katz.pitt.edu

Teaching Assistant: Mr. Patrick Martin, doctoral student in accounting, prmartin@katz.pitt.edu

**Syllabus**

**Course Title**: BACC 2401, Financial Accounting

**Credits**: 3

**TEXT**: *Financial Accounting* by Stickney, Weil, Schipper & Francis 13th edition, Thomson-Southwestern, 2010.

**LECTURE NOTES** Available on web via Blackboard.

**SUPPLEMENTS:** **PPG 2008 Annual Report** - will be distributed and used as a source of firm practices at various points in the course.

**PREREQUISITES**: Determination, intellectual curiosity, and a “take ownership” attitude. **COURSE OBJECTIVE/DESCRIPTION**: This course is designed to enable managers to understand and use financial accounting information i.e., to be able to speak in terms of general relationships, as well as to understand the more important technical details. To maximize your returns from this course, you must **think conceptually, i.e., you must see the unifying themes that organize the accounting details**.

**How to access Blackboard**

**http://courseweb.pitt.edu**

Type your University Computer Account username and password (as described during MBA Orientation) and click the login button. If you do not know your username and password, you can get them at any university computer lab with your ID card. The closest lab to Mervis Hall is across the street in Posvar Hall.

**BLACKBOARD = COURSEWEB – web-based course information from your instructor; once you are in Blackboard**

* Syllabus – see “Syllabus”
* Detailed assignment notes – see “Assignments”
* Lecture notes – see “Course Documents”
* Recent prominent accounting articles – see “Course Documents”

**BEYOND THE TEXTBOOK –** Besides our excellent text, we will also learn from:

1. “**Be prepared**” - the Summary Assignment Schedule lists text material you are to study and “Be prepared” to discuss in class. Assume that you are the manager responsible for the firm or firms in question. Prepare to answer questions from your boss, your firm’s board of directors or financial analysts. You will learn by using your accounting knowledge.

##### Homework – One MLT will be assigned to most homework assignments. That MLT’s job is become experts in the particular context of the assigned problems.

1. **Lecture Notes** – on Blackboard; you may add notes in class on the slides either on your computer or on a copy of the lecture notes that you print out.
2. **IFRS (International Financial Reporting Standards)** – firms around the world are either using IFRS now or shifting to IFRS soon. U.S firms appear likely to join the process soon, so we will study IFRS and how they compare to US GAAP (Generally Accepted Accounting Principles).

E. **Wall Street Journal** – I recommend that you subscribe, read, and relate to our course.

##### F. Accounting Scandals - Many recent news stories describe corporate accounting problems. I will post a set of readings on Blackboard covering a sample of such firms, including WorldCom. You should read the articles in light of the following issues:

##### 1. Describe how each of the sample firms’ practices violated GAAP.

2. Compare the firms’ practices in terms of how clearly and unambiguously they violated GAAP. That is, discuss whether some practices could be defended as aggressive but acceptable.

3. Describe the mechanisms that exist to control such accounting problems and how they operate. Include ethical behavior of managers as one of the mechanisms.

**GETTING ADDITIONAL ASSISTANCE:** Help is available in various forms including the following. The key is to act quickly and aggressively to stay on track.

* Feel free to see me before or after class, at my office (238A Mervis) or email me ([jhe@katz.pitt.edu](mailto:jhe@katz.pitt.edu)).
* Solutions to Assigned Problems – Solutions to all problems (assigned and other) are available on Blackboard.
* Help sessions - Mr. Patrick Martin (prmartin@katz.pitt.edu), a Katz accounting doctoral student, on Fridays – time and location will be announced. These sessions will focus on answering your questions and reviewing key material rather than introducing new material. Check the Katz calendar in case the help sessions are pre-empted for a special event.
* Working with other students in the class, perhaps from your MLT. Another student often has the best insight into your questions.

**EVALUATION METHODS\***:

Midterm exam #1……………….… 30%

Midterm exam #2……………….… 30%

Comprehensive Final exam……….. 40%

\* Class participation (e.g., be prepared), and homework will be considered in borderline cases. Homework grades are: ✓+ (complete and correct), ✓(generally complete and correct), ✓ - (significant errors or omissions), L (late).

**ACADEMIC INTEGRITY**: I consider academic integrity to be ***extremely important***. I expect you to feel the same way. All work on exams must be your own. I encourage you to compare homework solutions with your study group, so long as all students contribute. I request that you do your assignments in pencil and that any notes you make in class on your assignment be done in pen.

**DISABILITY**

*If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and Disability Resources and Services (DRS), 216 William Pitt Union, (412) 648-7890/(412) 383-7355 (TTY), as early as possible in the term. DRS will verify your disability and determine reasonable accommodations for this course.*

**SUMMARY ASSIGNMENT SCHEDULE**

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| **MEETING** | **DATE** | **READINGS**  **(to be completed prior to class)** | **NOTES AND WRITTEN ASSIGNMENTS**  **(To be turned in except when noted otherwise)** |
| 1 | Tues.9/1 | Ch. 1: Introduction  Ch. 2: Accounting Cycle and accounting procedures | 1-18,19,20,26,33 (Today’s questions are for discussion and will not be collected).  Be prepared to discuss Siemens AG-see problem 1.1 for Self-Study, p.21. The solution begins on p.29. |
| 2 | Thurs.9/3 | Ch. 3: Balance Sheet | 2-12,27,34 (use T-accounts for 2-34), 35 (use T-accounts for 2-35)  **MLT 1/MLT 2/MLT 3**  Be prepared to discuss problems 2-34 and 2-35, which relate Regaldo’s Department Store’s economic events to their Balance Sheet and Income Statement. |
| 3 | Tues.9/8 | Ch. 4: Income Statement | 3-12,14,22,24 **MLT 6/MLT 4/MLT 5**  Be prepared to discuss problem 3-35, p.142-144, which compares the Balance Sheets of six prominent firms. |
| 4 | Thurs.9/10 | Ch. 5: Statement of Cash Flows | 4-11,13,18,30 **MLT 8/MLT 7/MLT 9**  Be prepared to discuss Exhibits 4.3 – 4.6, p.161-163, which compare revenues and expenses for four prominent retail firms. |
| 5 | Tues.9/15 | Ch. 5: Statement of Cash Flows | 5-22,23,25,42  **MLT 11/MLT 10/MLT 12** |
| 6 | Thurs.9/17 | Ch. 6: Financial Statement Analysis | 5-33, 34,43 **MLT 13/MLT 14/MLT15**  Be prepared to discuss Exhibit 5.15, p.211, which compares cash flows for four prominent firms. |
| 7 | Tues.9/22 | Ch. 6: Financial Statement Anal.  Ch. 7: Receivables | 6-11,13,14,16  **MLT 17/MLT 16/MLT18** |
| 8 | Thurs.9/24 | Ch. 7: Receivables | 6-17,19,25 and 7-31,34  **MLT 19/MLT 20/MLT 21**  Be prepared to discuss problem 6-27, which analyzes the profitability and risk of Target Corporation.  Look over problem 7.1 Self- Study, p.315, which examines revenue recognition issues for Sony and Best Buy. |
| 9 | Tues.9/29 | Integrate chapters 1-6 | 2008 first midterm exam – to be completed prior to class to evaluate how well prepared you are. Problem will not be collected. |
| X | Thurs.10/1 | Bob Kelly, Chairman & CEO of the Bank of New York Mellon – 9am “Thought Leaders in Business” | The usual Friday help session will meet on Thurs. during normal class period. |
| 10 | Fri.10/2 | Midterm Exam 1 - Chapters 1-6  -closed book, closed notes | 8:00 – 10:30am |
| 11 | Tues.10/6 | Ch. 8: Working Capital, Inventories | 8-22,26 **MLT 22/MLT 23/MLT 24**  For all problems in the remainder of the course, I recommend that you use T-accounts rather than journal entries. |
| 12 | Thurs.10/8 | Ch. 8: Working Capital, Inventories | 8-31,37,38 **MLT 26/MLT 25/MLT 27**  Be prepared to discuss VAF handout problem; finish any parts that were not completed in class |
| 13 | Tues 10/13 | Ch. 9: Long-Lived Assets and look over sample average ratios by industry on Blackboard | 9-14,19,20 **MLT 30/MLT 28/MLT 29**  Be prepared to discuss Nordstrom’s Balance Sheet in Exhibit 1.1 (p.8) and Scania’s Balance Sheet in Exhibit 1.5 (p.12-13). |
| 14 | Thur 10/15 | IFRS (International Financial Reporting Standards) | Mr. Jack Klingler from Alcoa Corporation will lead our discussion of IFRS. |
| 15 | Tues.10/20 | Ch. 9: Long-Lived Assets | 9-24,27 **MLT 32/MLT 31/ MLT 33**  Be prepared to discuss Exhibit 9.3, p. 444, which analyzes WalMart’s use of fixed assets. |
| 16 | Thur10/22 | Ch. 10: Liabilities – Bonds and Leases | 10-20,21 **MLT 35/MLT 34/MLT 36**  Use T-accounts to show entries when bond issued and at first two interest payments. |
| **NO CLASS ON TUES OCT 27 BECAUSE OF CAREER TREKS** | | | |
| 17 | Thurs.10/29 | Ch.10: Liabilities – Bonds and Leases | 10-28,34 **MLT 37/MLT 38/MLT 39**  Be prepared to discuss Exhibit 10.7 (p.485) which compares the accounting for operating versus capital leases. |
| 18 | Tues.11/3 | Ch. 11: Other liabilities | 11-28 **MLT 1/MLT 2/MLT 3**  Be prepared to discuss Exhibits 11.11 – 11.13, p.538-540, dealing with Burns Corporation’s deferred income taxes. |
| 19 | Thurs.11/5 | Ch. 11: Other Liabilities | . |
| 20 | Tues.11/10 | Ch. 12: Marketable Securities and Derivatives | 12-12,15,18  Work the 2008 second midterm exam. Be prepared to discuss the exam in class but your work will not be collected |
| X | Thurs.11/12 |  | The usual Fri. help session will meet on Thur. during normal class period. |
| 21 | Fri. 11/13 | EXAM 2 on Chapters 7-11 (also relying on material from Chapters 1-6) | 8:00 – 10:30am |
| 22 | Tues.11/17 | Ch.13: Investments | 13-15,16,21 **MLT 6/MLT 4/ MLT 5** |
| 23 | Thurs.11/19 | Discussion of PPG 2008 annual report | Be prepared to apply course knowledge to PPG annual report. |
| 24 | Tues.11/24 | Class discussion of readings on Accounting and Ethics | Be prepared to discuss accounting and ethics material. |
| **Weds. 11/25 – Sun. 11/29 – THANKSGIVING RECESS** | | | |
| 25 | Tues.12/1 | Ch. 14: Shareholders’ Equity | 14-22,24,30 **MLT 8/MLT 7/ MLT 9** |
| 26 | Thur.12/3 | Ch. 14: Shareholders’ Equity  Ch. 15: Another Look at SCF | 14-33 **MLT 11/MLT 10/MLT 12**  Be prepared to discuss Exhibit 14.6 on page 694, based on Citigroup’s Statement of Changes in Shareholders’ Equity. |
| 27 | Tues.12/8 | Ch.15: Another Look at SCF  Ch 16: Synthesis | 15-13 **MLT 13/MLT 14/MLT 15** (Two notes: in part (7) of the problem itself, “$4,000” should be “$15,000” and in the solution “Interest Expense Greater than Cash Paid for Interest” should be “Interest Expense Less than Cash Paid for Interest”)  Be prepared to discuss problem 16-3. First, for each question, think about where to find relevant information on the Balance Sheet and Income Statement. |
| 28 | Thurs.12/10 | Review | Be prepared to discuss Mosenbirlin comprehensive review problem; will not be turned in. |
| **Week of Dec 14-18** | **Comprehensive final exam – date and location to be announced** | | |