Accounting 502
Principles of Financial Accounting
Fall 2009

<table>
<thead>
<tr>
<th>Professor:</th>
<th>Bill Lanen</th>
<th>Greg Miller</th>
<th>Dave Wright</th>
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<td>(Sections):</td>
<td>(1 and 2)</td>
<td>(3, 4, and 5)</td>
<td>(6)</td>
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<tr>
<td>Office Hours:</td>
<td>By Appointment</td>
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Course Materials:
- ACC 502 Coursepack, **Required**

Other course materials will be distributed as part of the coursepack, posted on C-Tools, or handed out during class. Lecture notes will be handed out during class for that day’s lecture.

Course Content and Objectives:

ACC 502 is the first in a series of financial accounting classes offered at the MBA level at the Ross School of Business at the University of Michigan (Ross). This MBA core course focuses on the nature of the financial reporting process and the basic accounting principles, conventions, and concepts underlying the extant reporting environment of “Generally-Accepted Accounting Principles” (GAAP) basis financial statements. The course is designed to help students develop the skills to combine an understanding of accounting theory with business knowledge in order to use accounting successfully to represent the underlying economics of the firm. In addition, the course will require students to make managerial decisions both regarding the creation of accounting information and using that information for business decisions. This level of understanding should include insights into the
fundamental strengths and limitations of the financial reporting process. Although the primary goal of the course will be to develop these analytical abilities, the class will also provide students with basic bookkeeping skills required to successfully use accounting as a business tool.

The knowledge obtained in this class will provide you with an important set of tools that are vital for anyone who will be expected to use financial statements or accounting information in their careers. That includes the vast majority of MBAs. While the material has been chosen to provide students with a strong base for understanding accounting and the economics of the firms, it is only a beginning of this knowledge. In fact, this course will focus on the relatively straightforward economic transactions of a firm (such as sales, long term property and stock transactions) to facilitate the process of building an understanding of the underlying theory of accounting.

As most MBAs will need to develop an understanding of the fuller set of firm transactions, we strongly recommend that students plan on taking accounting electives that will investigate the more complex activities of a firm as well. These courses include ACC 564, which explores some of the more complex corporate financial reporting issues, for example pension accounting and deferred taxes, not covered in ACC 502. ACC 564 also begins to build an ability to adjust actual financial statements in such a way as to make sound economic decisions from an external perspective. After completing ACC 564 students will have the requisite knowledge to continue in several more advanced accounting courses. ACC 565 will build on the knowledge in prior courses to consider the accounting for and economics of financial structuring transactions such as securitization and derivatives. Students also can build on their base accounting skills by taking ACC 711 and 713, which concentrate less on accounting and more on financial statement analysis along with the role that financial statement information plays in capital markets. This set of electives will allow students to tailor their additional accounting education to their future career aspirations.

Course Prerequisites:

This course assumes no prior knowledge of accounting. If you do have previous accounting expertise (classes or experience) and have retained that knowledge, please consider waiving the class. However, keep in mind that this class is substantially different from most traditional undergraduate financial accounting classes in its focus. Certified Public Accountants (CPAs) or equivalent are automatically waived and, in fact, are prohibited by school policy from taking the class for credit.
Course Grading:

Grades will be based on two quizzes, a final examination, class participation, and case recommendation/information memos as follows:

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<thead>
<tr>
<th></th>
<th>Date</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Quiz #1</td>
<td>Wednesday, September 16</td>
<td>10%</td>
</tr>
<tr>
<td>Quiz #2</td>
<td>Wednesday, October 7</td>
<td>10%</td>
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<tr>
<td>Final examination</td>
<td>Thursday, October 22</td>
<td>45%</td>
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<tr>
<td>Participation</td>
<td>Every class!</td>
<td>25%</td>
</tr>
<tr>
<td>Case memos</td>
<td>As assigned</td>
<td>5%</td>
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<tr>
<td>Total</td>
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<td>100%</td>
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Since this is a core course it is graded on a strict “curve,” i.e., 25% EX; 35% GD; 35% PS; 3-5% LP. Consistency will be maintained across all sections of the class.

If you find an error in the grading of an quiz or exam, please resubmit the work to your instructor and provide a written explanation of your concerns. Your work will be reevaluated and the score recalculated where appropriate.

Note that the final examination is cumulative.

Conduct of the Course:

The “crisis approach” to study is not appropriate for this course. There is a “building block” effect and failure to keep up with the material will adversely affect your performance. Many of the Corporate Strategy, Finance and Marketing courses rely upon your ability to read, interpret, and evaluate financial statements in the manner taught in the accounting sequence.

A class-by-class outline of the course is provided. The case for a particular day will be discussed in detail in class and should be completed prior to the assigned day. To facilitate students’ ability to complete the cases, the accounting topic of the case will have been lectured in the class session prior to the case (with the obvious exception of the first day—that case will not require a prior lecture but should be completed in full prior to the first class session). It is your responsibility to use the material from this lecture plus the suggested reading to prepare sufficiently for the case discussions. Please keep in mind that there generally is not a single solution to a case. Rather, the case process introduces students to the broader thought process and complexity of accounting in a way that is closer to the “real world” than pure lectures or textbook problem solving. Thus, it is more important for students to be able to explain their thought process than to have come to the “correct” numbers.

For students who feel extra practice would be useful, the book includes a large selection of practice problems from the text. These problems will not
be discussed in class. However, solutions to the problems will be provided on-line. You also may ask your instructor or the course tutor about any of these problems.

Warning: Difficulties encountered by students can usually be traced to a failure to grasp the fundamental concepts early in the course. We cannot overemphasize the trouble you will encounter should you fall behind, fail to read the chapters, prepare the cases, participate in discussions, or miss classes.

Case Memos:

To help structure student preparation of cases, we will provide a set of study questions on C-Tools and require students to submit a brief answer to one of those questions prior to the beginning of the class session via C-Tools. The purpose of these questions is to focus your analysis of the case and to facilitate class discussion of the case. For the submitted answer, there is no one “right” answer (although there might be answers that are “wrong”). We will only assess whether the answer (a) addresses the question and (b) uses information from the case.

It is important to note that we may not cover all questions explicitly in each case discussion. However, they have been designed to help students think through the issues and thus students should use them in structuring their approach to cases and in considering their discussion in class.

Participation:

In order to participate you will have to be prepared. It is virtually impossible to do well in this class without devoting a considerable amount of time to solving cases and reviewing the material. We will be calling on students in class to answer questions based on these assignments. While attendance is necessary in order to receive credit for class participation, it is not sufficient. The discussion portion of the grade requires that you ask meaningful questions and provide substantive solutions and comments. Additionally, you should arrive at class on time and remain throughout the entire class period.

Academic Honor Code and Accommodations for Disabilities

Personal integrity and professionalism are fundamental values of the Ross Business School community. This course will be conducted in strict conformity with the Academic Honor Code. The Code and related procedures can be found at:

www.bus.umich.edu/Academics/Resources/communityvalues.htm.

The site also contains comprehensive information on how to be sure that you have not plagiarized the work of others. Claimed ignorance of the Code
and related information appearing on the site will be viewed as irrelevant should a violation take place. Non-Ross Business School students taking the course should also familiarize themselves with the Code as they will be subject to the Code as well while in this course.

If you need an accommodation for a disability, please let your instructor know at your earliest convenience. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make the instructor aware of your needs, he can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. He will treat information you provide as private and confidential.

Finally, A Proposed Agreement:

First, thanks for reading this far! This course is designed to develop foundational proficiency in accounting and strengthen your critical thinking skills, specifically regarding accounting, but more generally as well. An investment in both of these skills early in your MBA career will pay off throughout your time at Ross and over your entire career. Our commitment to you is that we will provide a course structure, course material and a classroom environment that will provide the opportunity for you to develop these skills. We need you to commit the time and energy and learn these skills. It cannot be done passively; students must actively participate in the learning process to successfully develop these skills.

Finally, we truly enjoy teaching and interacting with students. We hope you will enjoy our class just as much as we do.

Bill, Greg, & Dr. Dave
Accounting 502  
Principles of Financial Accounting  
Fall 2009

Course Schedule

1. **Wednesday, September 9, 2009**  
   Introduction to Financial Accounting; Purpose and Financial Statements

   *Case Discussion*
   
   **Coursepack:** Kansas City Zephyrs Baseball Club, Inc.

   **Readings**  
   **Text:** Chapter 1  
   **Note:** Note to the Student: How to Study and Discuss Cases

2. **Monday, September 14, 2009**  
   Bookkeeping and the Accounting Cycle  
   Introducing Transaction Analysis

   *Case Discussion*  
   **Coursepack:** New Form

   **Reading**  
   **Text:** Chapters 2, 3

3. **Wednesday, September 16, 2009**  
   Quiz #1; Revenue Recognition/Accounts Receivable Lecture

   **Quiz #1**

   *Case Discussion*  
   **Coursepack:** None, the quiz will take the place of a case today

   **Reading**  
   **Text:** None
4. Monday, September 21, 2009  
Revenue Recognition; COGS/Inventory Lecture  

Case Discussion  
Coursepack: Bausch & Lomb, Inc.  

Reading  
Text: Chapter 5  

5. Wednesday, September 23, 2009  
COGS/Inventory; Depreciation/Property, Plant and Equipment Lecture  

Case Discussion  
Coursepack: Compass Box Whisky Company  

Reading  
Text: Chapter 6  

6. Monday, September 28, 2009  
Depreciation/Long-lived Assets; Intangible Assets and PP&E Continued Lecture  

Case Discussion  
Coursepack: Iowa Speedway*  

Reading  
Text: Chapter 7 through page 281  

7. Wednesday, September 30, 2009  
Intangible Assets; Asset Review Lecture, Liabilities Lecture  

Case Discussion  
Coursepack: Smithfield Foods  

Reading  
Text: Chapter 7 from page 281  

* This case will be distributed separately.
8. Monday, October 5, 2009
   Liabilities; Transactions with Owners Lectures
   
   Case Discussion
   Coursepack: Accounting for the Intel Pentium Chip Flaw
   
   Reading
   Text: Chapter 8 to page 317

9. Wednesday, October 7, 2009
   Quiz #2; Transactions with Owners; Cash Flow Statement Lecture
   Quiz #2
   
   Case Discussion
   Coursepack: None, the quiz will take the place of a case today
   
   Reading
   Text: Chapter 10

10. Monday, October 12, 2009
    Cash Flow Statement; Ratio Lecture
    
    Case Discussion
    Coursepack: Statements of Cash Flows: Three Examples
    
    Reading
    Text: Chapter 4

11. Wednesday, October 14, 2009
    Ratios
    
    Case Discussion
    Coursepack: Sears, Roebuck and Co. vs. Wal-Mart Stores, Inc
    
    Reading
    Text: Chapter 12
12. Monday, October 19  
Instructor Led Interactive Review Day  

Review Lecture Notes, Cases and Readings from the Chapters

Final Exam:  
Thursday, October 22, 2009,  
10:30 am – 12:30 pm
Table of Contents
Packet of Required Cases and Readings

- Note to the Student: How to Study and Discuss Cases, Note UV0116.
- New Form.
- Bausch & Lomb, Inc. (A) (Harvard Case #9-101-010).
- Compass Box Whisky Company (Harvard Case #9-108-032).
- Smithfield Foods.
- Accounting for the Intel Pentium Chip Flaw (Harvard Case #9-101-072).
- Statements of Cash Flows: Three Examples (Harvard Case #9-193-103)
- Sears, Roebuck and Co. vs. Wal-Mart Stores, Inc. (Harvard Case #9-101-011)