

UT DALLAS
Jindal School of Management

ACCT6305 Accounting for Managers
Spring 2015

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1. Course and Objectives

This course provides an introduction to the principles of financial accounting. The course objective is to help you become an informed user of financial statements. The course objective is *not* to train you to become an accountant. Unavoidably, the presentation will consist of moderately technical expositions of concepts and material, but the primary focus will be that of the user (rather than the preparer) of accounting information. I assume no prior academic knowledge of accounting, and I design the course accordingly.

We will focus on understanding the mapping between underlying economic events and the main financial statements: the Balance Sheet, the Income Statement, and the Statement of Cash Flows. Achievement of this goal requires an understanding of the basic principles of accrual accounting, as well as an appreciation of the amount of judgment required in applying these principles. Accordingly, the following learning ideas will be emphasized:

- 1) Familiarity with accounting terminology and the major financial statements.
- 2) Understanding the logical structure that maps transactions into accounting numbers.
- 3) Understanding the rationale for various accounting methods.
- 4) Awareness of the judgment involved and the discretion allowed in choosing accounting methods, making estimates, and disclosing information in financial statements.

In general terms, financial accounting is the measurement of economic activity for decision-making. Financial statements are a key product of this measurement process and an important component of firms' financial reporting activities. In the past couple of years, financial accounting came to the forefront of the national consciousness as the stock market declined amid faltering investor confidence. This crisis in confidence began with the revelation of accounting irregularities at some of the United States' largest companies. However, the implications extended well beyond the effects of individual accounting or company failures: investors seemed to lose confidence in the integrity of the financial system as a whole. The capital markets, whose relative efficiency is based largely on the timely dissemination of relevant and reliable information, were at risk. Furthermore, the recent turmoil initiated by the crisis in the housing and credit markets is tightly related to accounting. Clearly, the importance of understanding accounting has never been so salient.

2. Course Format

Although we devote time and effort on learning “accounting rules”, the course concentrates on general concepts and their applications. A combination of lectures, assignments, and in-class practice problems and case studies will be used. The first few weeks provide an overview of the accounting system, and the remainder of the semester will be used to examine specific accounting measurement topics. The Easton, Wild, Halsey and McAnally textbook is used to introduce the concepts and the mechanics associated with the accounting topics of interest. With this as a starting point we also consider the effects and implications of the topics in real-world settings. This is accomplished through using financial statement of real companies. I will also introduce some cutting-edge accounting research.

3. Course Materials

- Required textbook (the assigned reading and questions refer to this textbook)

Easton, Halsey, McAnally, Hartgraves, and Morse. *Financial and Managerial Accounting for MBAs, Fourth Edition*, Cambridge Business Publishers.

- Calculator

4. Preparation for Class Sessions

Prior to each class, you should read the chapters and other materials assigned for that class. You need to do the assigned required problems listed on the syllabus (below – underlined problems) after we cover the topic in class. The homework problems are not graded but rather they are for your learning process. You may also do the *optional* homework problems (below – italicized problems). Warning: solving problems is crucial for learning accounting! To do well in the class you need to keep up with the coursework. Accounting is not conducive to cramming for exams because new material builds on prior concepts.

5. Course Webpage:

I will post class handouts, assignments, homework solutions, and other materials on the elearning course website. You are encouraged to check the course webpage very frequently throughout the semester.

6. Grading

	<u>Percentage</u>
Midterm Exam	35%
Final exam (comprehensive)	45%
Quizzes	10%

Participation	$\frac{10\%}{100\%}$
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- The final exam is cumulative.
- No make-up exams.

7. Topics, Assignments, and Tentative Schedule

- **Topic 1: Introduction to Financial Accounting (1/15)**

Purpose: The overarching objective of the first sessions is to provide a basic understanding of the fundamentals of financial reporting and the process that generates financial reports. We focus on a big picture overview of the objectives, fundamentals, and outputs of the financial reporting system. We use financial reports of actual publicly-held corporations to demonstrate implications of the topics and make the big picture more concrete.

- **Topic 2: The Balance Sheet and Double Entry Accounting (1/22)**

Purpose: This topic introduces the power and the beauty of double entry accounting. We focus on the “process” that generates the Balance Sheet, with an eye to ultimately gaining a deeper understanding of what financial reports tell us (and what they do not tell us).

- **Topic 3: The Income Statement (1/29)**

Purpose: This topic focuses on understanding the Income Statement, with emphasis on revenue and expense recognition issues. Importantly, these sessions introduce the notion of “accrual-basis accounting”, an old but very ingenious method of measuring the change in wealth over time.

Case: United Frequent Flier Program

Case: Animaltronics Inc.

- **Topic 4: The Statement of Cash Flows and Financial Statement Analysis (2/5, Quiz 1)**

Purpose: Cash flow statements are critical tools in evaluating management’s investing and financing strategies and in understanding issues of financial health. In these sessions we will first spend some time attempting to understand the mechanics of the cash flow statement, and then move on to see how it can be used as a diagnostic tool.

Purpose: The financial statements tell a story, and a careful analysis of the accounting ratios can reveal the plot. This session demonstrates how information in the financial reports can be used to evaluate management performance, credit risk, and valuation issues. The majority of the session will be spent getting our hands dirty by unlocking some interesting mysteries contained in actual annual reports.

- **Topic 5: Reporting and Analyzing Operating Assets (Revenue Recognition and Receivables, Inventories and Cost of Goods Sold, and Long Lived Assets and Intangible Assets) (2/12, 2/19, 3/5, Midterm 2/26)**

Purpose: We first dig deeper into a balance sheet account that has important implications for reported earnings: Accounts Receivable. The accounting for receivables exemplifies the fact that balance sheet valuation issues are important for both the balance sheet and the income statement.

We then focus on inventories and cost of goods sold. As with receivables, inventory accounting is a classic example of how balance sheet accounting can have large implications for the income statement. In addition, valuation of inventory is particularly subject to management's discretion and the issues related to this account are generalizable to a variety of accounts and settings.

Lastly, the concepts of depreciation and amortization are fundamental to performance measurement in accounting, and fixed assets are the focus of most accounting in this area. While we have touched on these issues earlier in the course, we now take the time to thoroughly consider how accounting for plant, equipment and intangibles impacts financial reporting.

Case: Crouching Cellphones, Hidden Receivables

Case: Stealing Inventory Profit

- **Topic 6: Marketable Securities and Investments (3/12)**

Purpose: When a firm purchases other firms' shares, the accounting is different depending on the amount of shares obtained. In this session we will go over the marketable securities, equity method investment, and accounting for consolidation. Many major corporations are involved to some degree in mergers and acquisitions activity. To understand the financial reporting of modern corporations, some knowledge of accounting for business combinations is important.

- **Topic 7: Liabilities and Equities (3/26, 4/2)**

Purpose: This topic introduces the class to the fundamentals of accounting for liabilities. We begin by looking at some issues related to accounting for a major source of financing for a large number of public companies: bonds. We start off with simple scenarios and build our way up to dealing with some rather sophisticated issues. We will discuss accounting for shareholders' equity which is generally a straightforward application of many of the principles we have used thus far. Yet, this is the accounting equivalent of investors' wealth, so it is important to "get it right."

Case: MondoBondage

- **Topic 8: Managerial Accounting (4/9, 4/16, 4/23, 4/30)**

Purpose: This topic introduces the class to the basics of managerial accounting. We begin by understanding the basic cost terms for a manufacture. Then we discuss the cost, volume, and profit analysis and learn some decision making based on this analysis. A key to managerial accounting is cost allocation. We will compare job order costing with activity-based costing. We finish the topic with a standard cost and variance analysis.

- **FINAL EXAM (Comprehensive): 5/13**

ACCT 6305 spring of 2015 Course Schedule

Date	Chapters (required reading)	Topic	Core Assignment	Optional Assignment
1/15/2015	Module 1: pp.1-15	Introduction to financial accounting		
1/22/2015	Module 2: 3-11, 22-30 Module 3: 1-7, 16	The balance sheet and double entry accounting	E2-28, E2-29, E2-34, E5-22, P2-40	P2-45, P2-46
1/29/2015	Module 2: 12-14 Module 3: 8-15 Module 5: 1-12	The Income Statement	E3-26, E3-28, E3-31, P3-39	P3-41, P3-43, E5-32
2/5/2015	Module 2: 16-20 Module 3: 17-20	The statement of cash flow and Quiz 1	P2-43, P2-44	
2/12/2015	Module 6: 1-13	Receivables	E6-22, E6-23, E6-25, E7-23	P6-39
2/19/2015	Module 6: 13-26	Inventories	E6-27, E6-28, E6-29	E6-30, P6-41
2/26/2015		Midterm		
3/5/2015	Module 6: 26-38	PP&E and Intangible assets	E6-31, E6-32, E6-33	E6-34, P6-43
3/12/2015	Module 9: 1-16	Inter-corporate investments	E9-20, E9-21, E9-24, E9-25	
3/19/2015	Spring break			
3/26/2015	Module 7: 12-21, 27-33	Liabilities	E7-34, E7-30, E7-31, E7-32, E7-35, E7-28	E7-36
4/2/2015	Module 8: 1-17	Liabilities and Equities	E8-34, E8-36, E8-31, E8-44	
4/9/2015	Module 13: 1-6, 13-15 Module 14: 1-15	Introduction to managerial accounting	M13-18, M13-19, E13-15, E14-15, E14-18, E14-21	
4/16/2015	Module 15: 1-14	CVP and decision making	E15-17, E15-18, E15-24, P15-31	
4/23/2015	Module 17: 1-15 Module 18: 1-8	Job order costing and activity-based costing	E17-21, E17-28, E17-29, P17-35, E18-19, E18-24	P17-36, E18-25
4/30/2015	Module 22: 9-18	Standard cost and variance analysis	E22-26, E22-27, E22-28, E22-29	
5/13/2013		Final exam		

Note that the schedule is subject to change as the class progresses.

The reading and homework assignments refer to the Easton, Halsey, McAnally, Hartgraves, and Morse text.

UTD Policy on Cheating

Students in this class will be held to the standards established by Regents' Rules and Regulations (Part One, Chapter VI, Section 3, Subsection 3.2, Subdivision 3.22) which states: Candidates are expected to be above reproach in scholastic activities. Candidates who engage in scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and dismissal from the University. "Scholastic dishonesty includes, but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts." Professors randomly use "Turnitin.com" to screen papers against other published works on the web to insure against plagiarism.

Student Conduct & Discipline

The University of Texas System and The University of Texas at Dallas have rules and regulations for the orderly and efficient conduct of their business. It is the responsibility of each student and each student organization to be knowledgeable about the rules and regulations which govern student conduct and activities. General information on student conduct and discipline is contained in the UTD printed publication, *A to Z Guide*, which is provided to all registered students each academic year.

The University of Texas at Dallas administers student discipline within the procedures of recognized and established due process. Procedures are defined and described in the *Rules and Regulations, Series 50000, Board of Regents, The University of Texas System*, and in Title V, Rules on Student Services and Activities of the university's *Handbook of Operating Procedures*. Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations (SU 1.602, 972/883-6391) and online at <http://www.utdallas.edu/judicialaffairs/UTDJudicialAffairs-HOPV.html>

A student at the university neither loses the rights nor escapes the responsibilities of citizenship. He or she is expected to obey federal, state, and local laws as well as the Regents' Rules, university regulations, and administrative rules. Students are subject to discipline for violating the standards of conduct whether such conduct takes place on or off campus, or whether civil or criminal penalties are also imposed for such conduct.

Academic Integrity

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic degree depends upon the absolute integrity of the work done by the student for that degree, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work.

Scholastic Dishonesty, any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts.

Plagiarism, especially from the web, from portions of papers for other classes, and from any other source is unacceptable and will be dealt with under the university's policy on plagiarism (see general catalog for details). This course will use the resources of turnitin.com, which searches the web for possible plagiarism and is over 90% effective.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials, including music and software. Copying, displaying, reproducing, or distributing copyrighted works may infringe the copyright owner's rights and such infringement is subject to appropriate disciplinary action as well as criminal penalties provided by federal law. Usage of such material is only appropriate when that usage constitutes "fair use" under the Copyright Act. As a UT Dallas student, you are required to follow the institution's copyright policy (Policy Memorandum 84-I.3-46). For more information about the fair use exemption, see <http://www.utsystem.edu/ogc/intellectualproperty/copypol2.htm>

Email Use

The University of Texas at Dallas recognizes the value and efficiency of communication between faculty/staff and students through electronic mail. At the same time, email raises some issues concerning security and the identity of each individual in an email exchange. The university encourages all official student email correspondence be sent only to a student's U.T. Dallas email address and that faculty and staff consider email from students official only if it originates from a UTD student account. This allows the university to maintain a high degree of confidence in the identity of all individual corresponding and the security of the transmitted information. UTD furnishes each student with a free email account that is to be used in all communication with university personnel. The Department of Information Resources at U.T. Dallas provides a method for students to have their U.T. Dallas mail forwarded to other accounts.

Withdrawal from Class

The administration of this institution has set deadlines for withdrawal of any college-level courses. These dates and times are published in that semester's course catalog. Administration procedures must be followed. It is the student's responsibility to handle withdrawal requirements from any class. In other words, I cannot drop or withdraw any student. You must do the proper paperwork to ensure that you will not receive a final grade of "F" in a course if you choose not to attend the class once you are enrolled.

Student Grievance Procedures

Procedures for student grievances are found in Title V, Rules on Student Services and Activities, of the university's *Handbook of Operating Procedures*.

In attempting to resolve any student grievance regarding grades, evaluations, or other fulfillments of academic responsibility, it is the obligation of the student first to make a serious effort to resolve the matter with the instructor, supervisor, administrator, or committee with whom the grievance originates (hereafter called "the respondent"). Individual faculty members retain primary responsibility for assigning grades and evaluations. If the matter cannot be resolved at that level, the grievance must be submitted in writing to the respondent with a copy of the respondent's School Dean. If the matter is not resolved by the written response provided by the respondent, the student may submit a written appeal to the School Dean. If the grievance is not resolved by the School Dean's decision, the student may make a written appeal to the Dean of Graduate or Undergraduate Education, and the dean will appoint and convene an Academic Appeals Panel. The decision of the Academic Appeals Panel is final. The results of the academic appeals process will be distributed to all involved parties.

Copies of these rules and regulations are available to students in the Office of the Dean of Students, where staff members are available to assist students in interpreting the rules and regulations.

Incomplete Grade Policy

As per university policy, incomplete grades will be granted only for work unavoidably missed at the semester's end and only if 70% of the course work has been completed. An incomplete grade must be resolved within eight (8) weeks from the first day of the subsequent long semester. If the required work to complete the course and to remove the incomplete grade is not submitted by the specified deadline, the incomplete grade is changed automatically to a grade of **F**.

Disability Services

The goal of Disability Services is to provide students with disabilities educational opportunities equal to those of their non-disabled peers. Disability Services is located in room 1.610 in the Student Union. Office hours are Monday and Thursday, 8:30 a.m. to 6:30 p.m.; Tuesday and Wednesday, 8:30 a.m. to 7:30 p.m.; and Friday, 8:30 a.m. to 5:30 p.m.

The contact information for the Office of Disability Services is:

The University of Texas at Dallas, SU 22
PO Box 830688
Richardson, Texas 75083-0688
(972) 883-2098 (voice or TTY)
disabilityservice@utdallas.edu

If you anticipate issues related to the format or requirements of this course, please meet with the Coordinator of Disability Services. The Coordinator is available to discuss ways to ensure your full participation in the course. If you determine that formal, disability-related accommodations are necessary, it is very important that you be registered with Disability Services to notify them

of your eligibility for reasonable accommodations. Disability Services can then plan how best to coordinate your accommodations.

It is the student's responsibility to notify his or her professors of the need for such an accommodation. Disability Services provides students with letters to present to faculty members to verify that the student has a disability and needs accommodations. Individuals requiring special accommodation should contact the professor after class or during office hours.

Religious Holy Days

The University of Texas at Dallas will excuse a student from class or other required activities for the travel to and observance of a religious holy day for a religion whose places of worship are exempt from property tax under Section 11.20, Tax Code, Texas Code Annotated.

The student is encouraged to notify the instructor or activity sponsor as soon as possible regarding the absence, preferably in advance of the assignment. The student, so excused, will be allowed to take the exam or complete the assignment within a reasonable time after the absence: a period equal to the length of the absence, up to a maximum of one week. A student who notifies the instructor and completes any missed exam or assignment may not be penalized for the absence. A student who fails to complete the exam or assignment within the prescribed period may receive a failing grade for that exam or assignment.

If a student or an instructor disagrees about the nature of the absence [i.e., for the purpose of observing a religious holy day] or if there is similar disagreement about whether the student has been given a reasonable time to complete any missed assignments or examinations, either the student or the instructor may request a ruling from the chief executive officer of the institution, or his or her designee. The chief executive officer or designee must take into account the legislative intent of TEC 51.911(b), and the student and instructor will abide by the decision of the chief executive officer or designee.

These descriptions and timelines are subject to change at the discretion of the Professor.