

Financial Accounting Concepts and Research

ACC 356 – Fall 2012

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Office Hours: Mondays and Wednesdays 1:30-2:30 and by appointment

Class Hours: 02740 T/TH 9:30 - 10:45 pm in GSB 2.120

02745 T/TH 11:00 - 12:15 pm in GSB 2.120

02750 T/TH 12:30 - 1:45 pm in GSB 2.122

Teaching Assistants: Kristin Hudson, Laura Martin, Jennifer Kott

Office Hours: To Be Determined. Contact Information on Blackboard under “Faculty Information.”

Course Summary and Objectives

ACC 356 is the first in a three-course sequence of upper division/graduate financial accounting courses in the integrated MPA program. The main objective of this course is to give you a foundation in accounting concepts that prepares you for the following two courses which cover more advanced accounting topics.

The course is divided into three parts. The first part deals with the definition and **recognition** of balance sheet elements. In this part of the course, we will introduce the definition of assets, liabilities, and equity using the Financial Accounting Standards Board’s (FASB) Conceptual Framework. We will then explore, through a variety of short case discussions, whether and when certain balance statement elements should be recognized on a conceptual basis. Finally, we will study actual accounting standards under US GAAP and IFRS related to the recognition of these financial statement elements.

The second part of the course focuses on the definition and **recognition** of income statement elements, with a particular focus on revenue. As before, we will explore when and how revenue should be recognized on a conceptual basis using a variety of short case discussions. Finally, we will study actual accounting standards under US GAAP and IFRS related to revenue recognition.

The last part of the course addresses issues related to **measurement**. Financial statement elements can be measured in a variety of ways, such as historical cost, net realizable value, present value, or fair value. We will define various measurement attributes, examine the advantages and disadvantages involved in their application, and study actual accounting standards under US GAAP and IFRS that address the measurement of certain financial statement elements.

Almost all controversial issues in financial accounting can be reduced to disputes over **recognition** and **measurement**. After completing this class, you will leave with a *framework for thinking about accounting* that can be used to analyze virtually any financial reporting issue.

Required Course Materials

- 1. Course Packet** – contains reading assignments, technical notes, in-class discussion questions, questions from the reading assignments, and practice questions. This is an invaluable resource for the course. You can purchase this packet at University Duplicating Service in GSB 3.136.
- 2. Financial calculator** – A calculator with time value of money capabilities is required.

There is no expensive textbook required!

Performance Evaluation (Grading)

Course grades are determined by the following weighted average of quizzes, cases, and exams.

<u>Component</u>	<u>Percent</u>
Quizzes	10.0
Case 1	5.0
Case 2	5.0
Case 3	5.0
Exam 1	25.0
Exam 2	25.0
Exam 3	<u>25.0</u>
Total	100.0

Quizzes – There will be 15 short quizzes given over the course of the semester to ensure you are adequately preparing for class. Quizzes will occur at the beginning of class. Three quizzes will be dropped, *but no makeup quizzes will be given.*

Cases – There will be three written cases graded based on the quality and accuracy of your answers. Cases will be completed in groups of three. To help reinforce concepts presented in the course, the cases will involve a degree of independent research on your part. Learning is doing, and thus you may have to “dig” a little to answer the questions posed in the case assignments. No specific questions, as to the application of class material, on the case will be answered during office hours. Questions that clarify the case questions may be posted on Blackboard Discussion Board in the “Cases” forum. Your discussions and conclusions for the case should be limited to your group members only. *No cases will be dropped, and no late assignments will be accepted.*

Exams – There will be three exams. The first two exams will be administered in class. For these exams, no make-ups will be given. Medical emergencies and family emergencies are the only valid reasons for missing an exam. In such instances, you must provide supporting documentation (e.g., signed note from your physician). If you miss an exam and you have a valid and documented reason for missing it, your grade will be determined by increased weight on the other exams. If you do not have a valid and documented reason for missing an exam, you will receive a zero on the exam, which usually results in a failing grade for the course. A common final exam (along with a common make-up exam) will be administered during the final exam period.

Class Participation – Although this is not a specific component of your grade upon which you are evaluated, I reserve the right to reward outstanding in-class participation with up to five percentage points toward the final total grade.

I will use plus/minus grading (A, A-, B+, B, B-, C+, etc.) for this class. Consistent with departmental GPA guidelines, I generally use a 30/60/10 system where roughly 30% of students

get some form of an A (A or A-), 60% get some form of a B (B+, B, B-) and 10% of students get a C of some form (C+, C). I will keep you updated throughout the semester as to where you stand in terms of your total grade.

Grading Questions or Appeals – If you feel a grading error exists on any of the above grade components, you will have **one week** from the date the grade is posted on Blackboard and/or available in your MPA mailbox to take such action and have the matter resolved. **After this time there will be no adjustments to your grade.**

Web site and e-mail

E-mail. I encourage you to communicate with me by e-mail (Gretchen.Charrier@mcombs.utexas.edu).

Web page. I will use Blackboard to post important course materials, lecture notes, and announcements. You can log on to Blackboard at <http://courses.utexas.edu/>. In case you lose your copy of the syllabus, a copy is posted on Blackboard. In addition, I will also post solutions to practice questions for each class session. *I will make course announcements periodically through Blackboard, so it is important that you have an active e-mail address with the University.*

Website Privacy Disclosure required by the University: *Password-protected class sites are available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters are a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi00-01/app/appc09.html>*

Professional Conduct

The MPA program at Texas is one of the most highly regarded accounting programs in the country. In order to preserve our reputation, our students must maintain a high standard of professionalism at all times. Professional conduct, as it relates to this class, involves:

1. Arriving to class on time
2. Attending only the sections for which you are registered
3. Preparing for class in advance
4. Turning off all electronic devices during class (cell phones, iPod's, Laptops, etc.)
5. Keeping personal breaks during class to an absolute minimum
6. Attending class to learn, *not merely to take a quiz and leave abruptly*
7. Refraining from side conversations or other disruptive behavior
8. Being respectful toward your fellow peers and the McCombs Faculty

I expect you to behave professionally. In return, you can expect that my TA's and I will strive to provide you with the best accounting education possible.

Religious Holy Day procedures: By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Departmental Policy on Scholastic Dishonesty

The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the department's Policy Statement on Scholastic Dishonesty. By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course an/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

Application of Departmental Policy to this Course

One of the faculty responsibilities is “to communicate clearly in writing the instructions for each assignment.” Following are the instructions for each type of assignment in this course.

Cases – You are allowed to consult with fellow group members for these assignments and **NO ONE ELSE**. **Copying solutions from any source is not permitted.** Violation of this policy will be treated as an act of scholastic dishonesty. [On a related note, I am willing to discuss course material with you, but I will not directly apply that material to the case for you. The whole point of these cases is for you to practice applying your knowledge to a new situation.]

Quizzes – The quizzes are closed book and closed notes. The only materials that are permitted are blank paper, pen or pencil, and a calculator (when necessary). Students are prohibited from using words or formulas that are stored in programmable calculators without the express permission of the instructor. Students who have taken a quiz are prohibited from discussing the quiz with other students. This prohibition applies to any students in **any** sections of this course. Violation of this policy will be treated as an act of scholastic dishonesty.

Exams – The exams are closed book and closed notes. The only materials that are permitted are blank paper, pen or pencil, a calculator, and a 3x5 card with anything written on it that you want. Students are prohibited from using words or formulas that are stored in programmable calculators without the express permission of the instructor. Students who have taken an exam are prohibited from discussing the exam with students who have not yet taken the exam. This prohibition applies to any students in **any** sections of this course. Violation of this policy will be treated as an act of scholastic dishonesty.

Under no circumstances should you use any materials (course packets, notes, etc.) obtained from students who have already completed this course. Such usage will

constitute scholastic dishonesty for both borrower and lender.

Evidence of any act of scholastic dishonesty will be forwarded to the Dean of Students with a recommendation that a grade of “F” be assigned in the course.

Commitment to students with disabilities: The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Division of Diversity and Community Engagement, Services for Students with Disabilities, 471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>

Campus Safety: Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety/>

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, the University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: www.utexas.edu/emergency.

How the class will work

On the next page you will see a schedule for each of the 28 class sessions in the semester. This is accounting, so everything is organized. Most (but not all) sessions will have a main reading assignment. Reading assignments involving U.S. accounting standards (ASC) can be found online as part of the new Codification – see the instruction sheet handed out in class and posted on Blackboard. All other main reading assignments will be on Blackboard under the “Assignments” tab.

Most (but not all) sessions will also have coverage in the Course Packet. The Course Packet provides an overview of the session material as well as questions from the readings to highlight the main ideas from the assigned readings. Selected sessions may also have in-class discussion questions and technical notes, usually in the form of bookkeeping exercises or in-depth illustrations. Finally, most sessions will have practice questions that will not be covered in class. These questions are designed to let you practice applying the material covered in class in a challenging way on your own. They should be a great study aid for exams. Solutions to the questions from readings and practice questions are available on Blackboard.

Expected advanced preparation for each class session:

Minimum Advanced Preparation: a) read the main reading assignment for the session; b) review and be prepared to discuss any assigned in-class discussion questions in the Course Packet for the session.

Maximum Advanced Preparation: a) read the main reading assignment for the session; b) review and be prepared to discuss any assigned in-class discussion questions in the Course Packet for the session; c) read the overview material for each session (always at the beginning) in the Course Packet, d) review and answer questions from readings in the Course Packet; e) read any additional notes in Course Packet for that session.

I do not expect you to review the practice questions before class. These questions should be worked out after we meet for lecture.

Quizzes

To give you an incentive to complete at least the minimum advanced preparation for each session, 15 short quizzes will be given on an unannounced basis at the beginning of various sessions throughout the course. Quiz material will cover the minimum advanced preparation material, although completing the maximum advanced preparation maximizes your chance of scoring well on the quizzes.

ACC 356 COURSE SCHEDULE

Session 1 (Thurs., Aug. 30): Introduction

PART I: Recognition of Balance Sheet Elements

Session 2 (Tues., Sept. 4): Objectives and Qualitative Characteristics of Financial Reporting

Readings: SFAC 8 OB1 - 16, QC 4-21, QC 26-29, QC 33-34.

Course Packet: Background Reading on the Conceptual Framework;
Session 2: **In Class Discussion Questions 1 and 2**

Session 3 (Thurs., Sept. 6): Recognition of Balance Sheet Elements (SFAC 6 and 5)

Readings: SFAC 6 (par. 25-27, 29-31, 35-40, 44-46, 49, 80, 146-149)

SFAC 5 (par. 59-70, 85-87)

Course Packet: Sessions 3 and 4: **In Class Discussion Questions 1 and 2**

Session 4 (Tues., Sept. 11): Recognition of Balance Sheet Elements, Continued (SFAC 6 and 5)

Readings: Review Readings from Session 3

Course Packet: Sessions 3 and 4: **In Class Discussion Questions 3, 4, and 5**

Application: Asset Recognition

Session 5 (Thurs., Sept. 13): Research and Development, Software Development, and Advertising Costs

Readings: ASC 730-10 (05-1 to 05-3, 25-1, 25-2, 50-1, 55-1, 55-2); ASC 985-20 (25-1 to 25-6, 35-1 to 35-4); IAS 38 (par. 51-68, 97, 126);

Course Packet: Sessions 5 and 6

Session 6 (Tues., Sept. 18): Research and Development, Software Development, and Advertising Costs , cont.

Readings: ASC 720-35 (25-1 to 25-5); ASC 340-20 (15-1 to 15-3, 25-1, 25-4 to 25-12, 25-16, 35-1 to 35-6); SOP 93-7 (par. .55 to .69); IAS 38 (par. 68-70);

Course Packet: Sessions 5 and 6

Application: Liability Recognition

Session 7 (Thurs., Sept. 20): Contingencies

Readings: ASC 450-20 (05-1, 05-3, 05-10, 25-1 to 25-6, 30-1, 50-1 to 50-5, 55-1 to 55-10, 55-18 to 55-21, 55-23 to 55-37); ASC 460-10 (25-5 to 25-7); ASC 450-30-25-1; IAS 37(10-41, 84-86)

Course Packet: Session 7

Application: Liability Recognition

Session 8 (Tues., Sept. 25): Restructuring Obligations

****CASE 1 DUE****

Readings: ASC 420-10 (05-1 to 05-3, 15-3, 15-4, 25-1 to 25-9, 25-11 to 25-15, 30-1 to 30-3, 40-1, 45-2, 45-3, 50-1); IAS 37 (70-82, 66-69)

Course Packet: Session 8

Session 9 (Thurs., Sept. 27): Buffer Day / Exam Review

Session 10 (Tues., Oct. 2): EXAM 1 (in class)

Part II: Recognition of Performance Elements

Session 11 (Thurs., Oct. 4): EXAM 1 critique; Recognition of Performance Elements (*SFAC 6 and 5*)

Readings: SFAC 6 (par. 60, 70, 77-89); SFAC 5 (par. 39-42, 49, 78-83)

Course Packet: Sessions 11 and 12: **In Class Discussion Questions 1 and 2**

Session 12 (Tues., Oct. 9): Recognition of Performance Elements, Cont. (*SFAC 6 and 5*);

Readings: Review Readings from Session 11

Course Packet: Sessions 11 and 12: **In Class Discussion Questions 3 and 4**

Application: Revenue Recognition

Session 13 (Thurs., Oct. 11): Revenue Recognition When the Right of Return Exists

Readings: ASC 605-15 (15-1 to 15-3, 25-1 to 25-4, 45-1)

Course Packet: Session 13

*Application: Revenue Recognition***Session 14 (Tues., Oct. 16): Multi-Element Arrangements**

Readings: ASC 605-25 (15-1 to 15-3, 25-1 to 25-6, 30-1, 30-2, 30-5, 30-6A to 30-6C, 55-1, 55-8 to 55-36)

Course Packet: Session 14

*Application: Revenue Recognition***Session 15 (Thurs., Oct. 18): Long-Term Construction Contracts**

Readings: ASC 605-35 (15-1 to 15-3, 05-3 to 05-7, 05-12, 25-45, 25-46, 25-51 to 25-53, 25-56 to 25-58, 25-62 to 25-66, 25-88 to 25-93, 45-3 to 45-5); IAS 11 (par. 22-23, 32, 35-36)

Course Packet: Session 15

Session 16 (Tues., Oct. 23): A New Model of Revenue Recognition****CASE 2 DUE****

Readings: Proposed Accounting Standards Update: Revenue from Contracts with Customers (pages 1 through 6)

Course Packet: Session 16: **In Class Discussion Questions 1, 2, 3, and 4**

Session 17 (Thurs., Oct. 25): Buffer / Review**Session 18 (Tues., Oct. 30): EXAM 2 (In Class)*****Part III: Measurement Topics*****Session 19 (Thurs., Nov. 1): Exam 2 Critique; Overview of Measurement Issues in Accounting**

Readings: SFAC 5 (par. 65-70, 88-90); SFAC 7 (par. 1, 5-7);

Course Packet: Session 19

Session 20 (Tues., Nov. 6): Initial Measurement of Financial Assets / Liabilities

Course Packet: Background Time Value of Money/Financial Assets and Liabilities Review; Session 20

Session 21 (Thurs., Nov. 8): Holding Gains and Losses on Financial Assets / Liabilities

Course Packet: Sessions 21 and 22

Session 22 (Tues., Nov. 13): Holding Gains and Losses on Financial Assets / Liabilities, continued

Course Packet: Sessions 21 and 22

Session 23 (Thurs., Nov. 15): Fair Value Measurements

Readings: ASC 820-10 (35-1 to 35-15, 35-28 to 35-41, 35-47, 35-48, 35-52 to 35-55)

Course Packet: Session 23

Application: Using Fair Value Measurements

Session 24 (Tues., Nov. 20): Accounting for Investment Securities

Readings: ASC 320-10 (15-2, 15-3, 15-5, 25-1, 25-3, 25-4, 25-6, 35-1, 35-4, 35-10); 220-10-45-15

Course Packet: Session 24: **In Class Discussion Question 1**

Application: Using Fair Value and Present Value Measurements

Session 25 (Tues., Nov. 27): Re-measurement of Long-Lived Assets

Readings: ASC 360-10-35 (15 to 17, 20 to 25, 28 to 32, 36); IAS 16 (29 to 34, 36 to 40); IAS 36 (9, 19 to 22, 25 to 32, 59 to 61)

Course Packet: Sessions 25 and 26: **In Class Discussion Question 1**

Session 26 (Thurs., Nov 29): Re-measurement of Long-Lived Assets, Cont.

****CASE 3 DUE****

Readings: *Review Readings from Session 25*

Course Packet: Sessions 25 and 26

Application: Using Fair Value and Present Value Measurements

Session 27 (Tues., Dec. 4): Troubled Debt Restructurings

Readings: ASC 310-40 (15-2, 15-3, 15-5 to 15-8, 35-10, 35-12, 40-2 to 40-3); ASC 310-10 (35-16, 35-22); ASC 470-60 (35-1 to 35-6);

Course Packet: Session 27

Session 28 (Thurs., Dec. 6): Buffer / Review / Wrap-up

Final Exam (During University Final Exam Period)