

THE UNIVERSITY OF TEXAS AT AUSTIN
McCOMBS SCHOOL OF BUSINESS 

TEXAS DALLAS MBA PROGRAM
FINANCIAL ACCOUNTING (BA 384T)
FALL 2012

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Overview. This course provides an overview of financial accounting information and the role of that information in the economy. The course focuses on the recognition and measurement concepts underlying financial accounting, but also covers the mechanics of recording and reporting accounting information. The first portion of the course presents an overview of the accrual accounting model, how financial information is presented and the mechanics of keeping track of financial accounting information. Without a solid understanding of this material, the remainder of the course will be very difficult. I urge you to keep up with the course from the start.

The remainder of the course focuses on how corporate financial statements report particular economic events. By the end of the course you should feel comfortable reading the financial statements in published annual reports, and you should be able to come to a reasoned conclusion about a company's financial health and be able to make comparisons across firms and periods of time.

Course Materials. The textbook for the course is *Financial Accounting*, 3rd edition, by Dyckman, Magee, and Pfeiffer, published by Cambridge Business Publishing. In addition, your DMBA materials include the student version of the solutions manual, which has the answers to the even-numbered questions.

Your binder has tabs with (1) this syllabus, including instructions for your FSA Assignment, (2) class notes, (3) an abridged 10-K for Starbucks used for in-class examples and a quiz, and (4) practice exam problems.

I recommend that you acquire a financial calculator and learn how to use it. You will need it for this class and for many of your other classes in the program. The sooner you get comfortable with one calculator the better. The most popular calculators are Texas Instrument's TI BAII Plus and Hewlett Packard's HP 10B-II, but you are not restricted to these two products.

I will use our "Blackboard" (Bb) course website at <https://courses.utexas.edu/webapps/portal/frameset.jsp> to post assignment instructions and materials, including those in your binder.

Class Sessions. The class notes in your binder are our roadmap for class. These notes are organized around the textbook chapters and comprise a preamble and discussion outline. The preamble to each chapter in the class notes includes (a) guidelines for preparing for class and further study after class, (b) a guide for how to read the assigned chapter, (c) the "Hand-in Assignment" for the chapter, i.e. the homework due at the beginning of class on the weekend indicated, (d) the textbook practice problems that you should use to make sure you understand the basics of the topics covered in that chapter, (e) practice exam problems to make sure you understand the material well enough to apply it to real financial statements (and our exams), and (f) an overview of the material covered in the chapter. The discussion outline following the preamble follows the topics we will cover in class and provides room for your notes. I like class to be very interactive. I hope you are prepared to ask questions and to respond to my questions. The more you engage the easier the course will be.

Grades. Grades for the course will be assigned to conform to the following general guidelines that apply to all courses in the program: about 25% A, about 20% A-, about 15% B+, about 35% B, and about 5% B- and below. Grades of C and below have been given in the past. These are guidelines, not fixed rules, but historically variance is limited. Final grades will be determined on the basis of the following assignments and weights.

Grading Summary

	<u>Points</u>	<u>Percent</u>
Hand-in Assignments	50	10%
FSA Assignment	50	10%
Quiz	50	10%
Midterm Exam	150	30%
Final Exam	<u>200</u>	<u>40%</u>
Total	<u>500</u>	<u>100%</u>

To determine final grades I will combine both cohorts and rank everyone based on highest to lowest total points. I then draw lines between A and A-, A- and B+, and so forth, based on the guidelines described above.

Graded Assignments. Graded assignments will be evaluated based on completeness and good-faith effort, not complete accuracy. The Hand-in Assignment problems are identified in the preamble to each chapter in the class notes. I will collect a hard-copy of your solution to this homework before class, but it will not be returned to you, so make a copy if you wish to have one. Before turning in your homework, fold the paper length-wise from left to right and write your name on the outside at the top with the fold on the left. Instructions for the FSA assignment are available at end of this syllabus and on Bb under “Course Documents.”

Ungraded Assignments. The textbook practice problems and practice exam problems indicated in the preamble to each chapter in the class notes are not handed-in or graded. Mastering the textbook readings and problems are only an intermediary step for success in this course. Our goal is to understand real financial statements. What we cover in class and old exams are your best guides to what will be asked on exams. You will not be responsible for material discussed in the text that we do not discuss in class.

This class is very cumulative. If you fall behind it will be both very difficult to understand new material and very difficult to catch up. Please, do not fall behind.

Quiz and Exams. During the semester we will have one quiz, a midterm exam, and a final exam. All quizzes and exams are closed book and closed notes. You may bring a calculator. The use of calculator emailing or texting features, if any, as well as laptops, phones, and personally crafted “note sheets” during the quiz or exams is prohibited. Each quiz and exam will be based on the actual financial statements of a real company. The financial statements for the quiz that will be given on the weekend of August 24-25, 2012 will be Starbucks’ financial statements for their fiscal year ending October 2, 2012. We will be using these financial statements as a running example in class. The quiz will include bookkeeping questions about the accounting cycle covered during Austin Intensive. Some (or all) questions will rely on financial statement excerpts that will be provided to you with the quiz questions. Midterm exam questions will be based on Dr. Pepper Snapple Group, Inc. and final exam questions will be based on AT&T, Inc., both for the years ended December 31, 2011.

Advice on preparing for the quiz and exams. My best advice for success is to, without exception, follow the prescription in the class notes’ preamble for each chapter. Namely, before coming to class read the assigned chapter carefully, complete the hand-in homework, and spend a few minutes looking through the notes for that session. After class and before the next session, complete the recommended textbook problems and the recommended prior exam problems. Carefully review the financial statements for this semester’s exam and make up and solve representative problems using these financial statements. At each step in the process, identify your weaknesses and seek help well before the exam date. Finally, recognize that accounting is very “hands on” and there is no substitute for lots of practice solving problems.

Honor Code. Collaboration is strongly encouraged outside of class. However, sharing of electronic files for hand-in and the FSA assignment submissions, and collaboration during the quiz and exams are not permitted.

Disabilities. The University provides upon request appropriate academic accommodations for qualified students with disabilities. For information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.

Course Schedule

<u>Date</u>	<u>Chapter</u> ¹	<u>Topic</u>	<u>Assignment Due</u> ²
July 29	1	Introducing Financial Statements	none
July 30	2	Constructing Financial Statements	none
July 31	3	Adjusting Accounts for Financial Statements	none
Aug. 2	4	Reporting and Analyzing Cash Flows	none
Aug. 24-25	Appendix A 6	Quiz Time Value of Money	none
		Reporting and Analyzing Revenues and Receivables	Q6-1, M6-19, E6-27
Sept. 7-8	7	Reporting and Analyzing Inventory	Q7-3, Q7-5, Q7-9, M7-19
Sept. 21-22	8	Reporting and Analyzing Long-Term Operating Assets (many start chapter 9, Liabilities, covered after midterm)	Q8-1, Q8-7, M8-9, M8-11, M8-13a&c, M8-15a
Sept. 24, midnight			Company selection on Bb – FSA assignment
Oct. 5-6		Midterm Exam	
Oct. 19-20	9	Reporting and Analyzing Liabilities ³	Q9-1, Q9-9, M9-29 (basic single sum PV problem)
	10	Reporting and Analyzing Leases	Q10-1, Q10-3, M10-13a (leases)
Nov. 2-3	12	Reporting and Analyzing Intercorporate Investments	Q12-1, Q12-3, M12-13
Nov. 16-17		Final Exam, part 1 to avoid exam bunching, if desired	none
Nov. 30 – Dec.1		Final Exam, part 2 and Wrap-up	none
Dec. 4, midnight			FSA assignment due via Bb dropbox

¹ Chapter discussions may be carried into the next session, if necessary

² Hand-in Assignments and the FSA Assignment are due at the beginning of class on the weekend indicated.
Each chapter is a separate Hand-in Assignment.

The maximum score for each Hand-in Assignment is 8 points, with 2 free points to equal 50 total points. Points are awarded based on (1) a **good faith effort**, not the complete accuracy of your answer, on **all** of the problems in each Hand-in Assignment, and (2) **timely** submission (i.e., before class). Points will be deducted to the extent these two criteria are not met in the judgment of the grader.

³ “Bonds” are simply a form of debt, which arises when a company borrows from the general public, not from a financial institution like a bank.

DMBA PROGRAM
FINAL ASSIGNMENT
FINANCIAL ACCOUNTING (BA 384T)
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Your last graded assignment is the financial statement analysis (FSA) of a company you select. The ratios you are asked to compute are covered and illustrated in our class notes and textbook.

Your submitted assignment should include:

- A completed worksheet of ratios and other financial statement measures for the company you select.
- A brief (1-2 page single spaced) evaluation of your company's financial ratios, comprising the following four sections—

Section I—A brief (1-3 sentences) summary of your company's business and the economic environment in which it operates.

Section II — A brief evaluation over time of your company's:

- Return on equity (ROE), and
- DuPont ratio components (profitability, efficiency and leverage).

Section III —A brief evaluation over time of your company's:

- Cash conversion cycle
- Cash liquidity and Cash Sources & Uses

Section IV — A brief (e.g., 1-2 sentence) description of the overall ratio trend and what it implies for current and future financial performance.

Each section should have an appropriate heading and the writing should be in the form of sentences and paragraphs, not bullet points.

You may confer with colleagues and any other resources, including me or the TA, in thinking about your company financial statement analysis. However, like your other assignments, you must individually draft your response to this assignment. The emphasis is on *effort*, not complete result accuracy—full credit is awarded for a good faith effort to complete this assignment.

You will probably be able to find all of the financial statement information you need at the company's website. Please note that you will have to look at more than one annual report to get enough years of data to do all of the computations. If you have trouble finding the information please pick another company.

Company selection. By midnight on Monday, Sept. 24th, you should submit via Blackboard the name of the company you have selected to analyze. To do this use the “**Discussion Board**” link on Blackboard entitled “**Select Your Company**” and follow the directions thereunder.

- Each member of your cohort must select a different company. Company selection is on a first-come first-serve basis as established by your posting to your cohort's discussion board link. Please review the discussion board link to confirm that the company you wish to select has not already been selected.

- Eligible companies include those with meaningful balances in accounts receivable, inventory, and accounts payable so the cash conversion cycle can be calculated. This assignment is intended to be a learning exercise, which will be amplified by analyzing all of these accounts. If you have a special interest in a company that does not qualify for this assignment, please do not hesitate to analyze it independently from this course and with my input as desired.
- Ineligible companies include those in financial services, insurance, and REITS, as well as any other company without meaningful balances in the above working capital accounts. In addition, the companies featured in our textbook, our exam companies (Dr. Pepper Snapple Group, Inc. and AT&T, Inc.), and Starbucks are ineligible.

Company analysis submission. Your company analysis is due by midnight on Tuesday, December 4th, several days after our last meeting weekend. However, I strongly encourage you to chip away at the assignment over the course of the semester. You will find that completing it at the end of the semester prior to the final exam is not difficult. I welcome you to submit the assignment before the deadline if you have completed it early.

You should submit the assignment using the **“Drop Box - FSA Assignment”** for your cohort found on the left menu of Blackboard. Please follow these instructions: (a) Combine the text for your report and the table with your financial ratios into one pdf file, and (b) name the file using the following convention example: **Curie, Marie, Starbucks FSA.pdf** for a report covering Starbucks Corporation completed by Marie Curie. Please do not turn in copies of the company’s financial statements or the spreadsheet you used to compute your ratios.

Your ratios worksheet, illustrated below, is an excel file on Blackboard under **“Course Documents.”**

FINANCIAL STATEMENT ANALYSIS

Company name:

Company ticker:

Your name (cohort #):

Ratios and Other Analysis Measures	Year End (3 years)		
ROE and DuPont Ratios			
ROE (NI / OE _{avg})			
Profitability (NI / Sales)			
Efficiency (Turnover = Sales / Assets _{avg})			
Leverage (Leverage = Assets _{avg} / OE _{avg})			
Additional Efficiency Ratios			
Days Receivables Outstanding (DRO) [AR _{avg} / (Sales/365)]			
Days Inventory (DI) [Inventory _{avg} / (COGS/365)]			
Days Payables Outstanding (DPO) [Accts Payable _{avg} / (Purch/365)]			
CASH CONVERSION CYCLE (DRO + DI - DPO)			
Cash Liquidity and Cash Sources & Uses			
Working Capital (CA - CL)			
Current Ratio (CA / CL)			
Quick Ratio [(Cash + ST Securities + AR) / CL]			