

THE UNIVERSITY OF TEXAS AT AUSTIN McCOMBS SCHOOL OF BUSINESS



TEXAS DFW MBA PROGRAM FINANCIAL ACCOUNTING (BA 384T) FALL 2013

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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

Pre-Austin Intensive *Solid Footing* and the "Pre-Course Notes," are resources for your reference throughout the course. If you do not understand aspects of accounting mechanics, you are encouraged to revisit these materials even as we go through our DFW weekends. Gaps in this knowledge are hard to fill as we move forward and these gaps will just make future material more confusing. It is best to fill gaps by revisiting the AI foundation material.

During-Austin Intensive "In-Class Notes with answers" were made available on our temporary Blackboard site after we discussed each topic. The same procedure will apply during our DFW weekend meetings.

After-Austin Intensive materials include (a) "Pre-Class Notes" that should be read before each DFW weekend meeting, (b) "In-Class Notes" that are the roadmap for our discussions in class, (c) "In-Class Notes with answers" that will be released after we have discussed each topic in class, and (d) "After Class Activities" that summarizes the resources available for practicing the material covered in class and summarizes what you are expected to do before our next meeting, including pre-class notes you must read and graded problems you must submit.

Grades

Grades for the course will be assigned to conform to the following general guidelines that apply to all core 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>
<i>Graded Homework Problems</i>	40	10%
<i>Midterm Exam</i>	140	35%
<i>Final Exam</i>	180	45%
<i>FSA Project</i>	<u>40</u>	<u>10%</u>
Total	<u>400</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.

Pre-Class Graded Problems. Graded homework problems are from our textbook and will be submitted on Cambridge Publisher's homework manager, MyBusinessCourse.com (MBC). Graded homework problems are identified on the course schedule and identified in MBC under tabs for each class weekend. They must be submitted before class for credit. Information in the Pre-Class Notes is sufficient for answering the graded problems. The purpose of assigning graded problems is to motivate your study before class. It is hoped that everyone receives full credit on this activity. You must submit your own answers, but you are encouraged to work with your group during the weeks before class to develop a personal understanding of the solution to the assigned problems and the underlying material. MBC is set to enable multiple attempts before any points are deducted for incorrect answers. Instructions to register on MBC are available at the end of this syllabus.

Exams. During the semester we will have a midterm exam and a final exam. Exams are closed book and closed notes. You may bring a calculator. The use of calculator emailing or texting, as well as laptops, phones, and personally crafted "note sheets" during the exams is prohibited. Each exam will be based on the actual financial statements of a real company. Some (or all) questions will rely on financial statement excerpts that will be provided to you with the exams.

FSA Project. Instructions for the FSA project are available at end of this syllabus

Advice on preparing for the exams. Before coming to class, go over the Pre-Class Notes by reading the narrative and answering the embedded questions before looking at the answers provided. Complete the graded homework problems and review the In-Class Notes for the upcoming meeting. After class and before the next session, do the key textbook problem(s) for the topics just covered then move apace to the practice exam problems. Engineered textbook problems are only an intermediary step to success in this course, which relies on your understanding of more varied actual financial statements. If you are not able to comfortably do the key textbook problems, practice with the supplemental problems and retry the key textbook problem(s) until you can easily complete them. But move to the practice exam problems as quickly as possible. These are based on actual financial statements as your exams will be. If you want more practice on problems using actual financial statements, redo the in-class problems of this type. Your goal for best exam results is to construct and answer your own exam-type questions from this semester's exam companies. This will greatly enhance your understanding of the questions that are likely to be asked. 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.

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.

From your colleagues. Last year there were seven students with no accounting or finance background who scored among the top 10 students on the midterm exam. I asked them the secret of their success. One way or another, all of them echoed the following quotes.

I spent quite some time on Solid Footing before our Austin Intensive. I strongly feel that it helped me really understand the fundamentals . . . We [the study group] created potential exam questions from the midterm company's financial statements [the companies on which our fall 2013 exams will be based will be indicated in the syllabus] and fortunately we got similar questions on the midterm.

I don't like to memorize so for me it was crucial that I really understood and could make sense of the underlying concepts. And now I really enjoy reading financial statements.

I really just followed your advice and practiced practiced practiced problems. Especially the previous exams . . . Solving the problems a second time really helped me become more comfortable with the mechanics of solving the problems

Throughout each week, I followed the guideline that you have suggested . . . reading the pre-class material, doing the recommended practice problems and studying the past exam questions

Honor Code. Collaboration is strongly encouraged outside of class. However, sharing of electronic files for graded problems and FSA project submissions, and collaboration during the 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.

Activities Schedule

Meeting	Pre-class activities		After-class activities		
	Notes topic	Graded problems	Textbook (with answers on Bb)		<i>MOST IMPORTANT</i> Prior exam practice problems (with answers at end)
			Key problem(s)	Supplemental problem(s)	
Austin Intensive	1-4				
WE #1 Aug. 23-24		P3-54, exclg questions using the FSET	graded prob P3-54 covers the full acctg cycle	E2-37, E2-43, P2-66 P3-41, P3-52, P3-53-- We do not use the FSET in the crs, use if helpful	Midterms 2010 #1, #3 & #4; 2011 #1; 2012 #1, #2 -- Final 2010 #2; 2011 #1 & #9; 2012 #1 & #2
	4 (cont)	E4-35 E4-39 E4-42	E4-52	M4-22, M4-28, E4-32, E4-36, E4-38, E4-40	Midterm 2010 #2; 2011 #2 & 3; 2012 #3, #4. & #7 Final 2011 #2 & #3; 2012 #3 & #4
	5a	none		none	none
	6a	M6-14a & M6-14b	E6-30	M6-25, E6-27, E6-32, E6-40	Midterm 2010 #5; 2011 #4; 2012 #5 & #6 -- Final 2010 #1
WE #2 Sept. 6-7	6b	E6-35 E6-34a-b	P6-44a&b	M6-18, M6-21, M6-23a-c	Midterm 2010 #6; 2011 #5; 2012 #8a-c -- Final 2010 #2
WE #3 Sept. 20-21	7	M7-19 M7-23a-c	E7-26, E7-30	M7-23a-c, E7-27, E7-29, E7-31, P7-34a-d	Midterm 2010 #7 & #8; 2011 #6; 2012 #9 -- Final 2010 #3; 2011 #4
	8a	M8-11 E8-35a-c P8-36	M8-13a&c, P8-35a-c, P8-36	M8-15*, E8-22*, E8-24*, E8-26, P8-38, P8-39	Final 2011 #11; 2012 #10
WE #4 Oct. 4-5	Mid-term (~3 hours)				
	8b	E8-31	E12-41	MC#5, MC#6, Q8-9, Q8-10, M8-21a, E8-34	Final 2011 #8; 2012 #7
WE #5 Oct. 18-19	9	E9-38a	E9-43	M6-17, E9-38, P9-51	Final 2010 #6; 2011 #6
		M9-36a-b	M9-29	MC#2, M9-21, E9-50a-b, P9-58a-b	Final 2012 #9
		E9-39	P9-59	none	none
	10	M10-16	E10-28	E10-23, E10-25, E10-26, E10-27, P10-35a,c-d, P10-36a-c,e	Final 2010 #8; 2011 #7; 2012 #5 & #6
WE #6 Oct. 25-26	12 (mkt sec)	E12-25a(i)(ii)- b(i)(ii)	E12-35a-b, E12-36a-b	M12-12, M12-21a-b, M12-22a-b, E12-24a-b,d(i)-(ii)E12-32a(1)(2)- b(1)(2)	Final 2010 #4; 2011 #10; 2012 #11
	12 (eq mtd)	E12-30a-b	M12-14a-e	M12-15, M12-16, E12-31a-b, E12-33, E12-38	Final 2010 #5; 2012 #12 & #13
WE #7 Nov. 8-9	Final, part 1 (~2 hours)				
	12 (eq mtd)				
WE #8 Nov. 22-23	Final, part 2 (~1 hour) & wrap-up				
Due Dec. 2	FSA Project				

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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. 23rd, 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 separately from this graded assignment 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 (XXX and XXX), Starbucks, and Hewlett Packard are ineligible.

Company analysis submission. Your company analysis is due by midnight on Monday, December 2nd, a week 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.

Please 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]			

INSTRUCTIONS FOR REGISTERING ON MYBUSINESSCOURSE.COM

Course Registration Code: mb5x2rtk

Course Name: BA 348T: Financial Accounting

First Time Users: To access your instructor's course, you will need to do the following steps.

1. Register with a new account at myBusinessCourse by going to www.mybusinesscourse.com
2. Select **Start Here** under the "Students" section
3. Enter your **Course Registration Code** in the "Enter Course Code" section
4. Confirm that the **Course Name** matches the course found
5. Create a new account by filling out the registration form. *(If you already have an account, do not create a new one. Sign In by enter your username and password in the "Sign In" field)*
6. Enter your **Purchase Code** from your textbook or select **Purchase Access**