

**The Paul Merage School of Business  
University of California, Irvine**

**FE203A – Financial Accounting for Management, Summer 2010  
Section A: 7:00-9:50 PM, Wednesday, SB 117**

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Professor Andreas Simon

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Office Hours: Wed. 4p-6p, after class, and by appointment

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T.A./Grader: Sarah Lyon

Email: [slyon@uci.edu](mailto:slyon@uci.edu)

TA Discussion Section: Tue 7-8.20p

**COURSE OBJECTIVE**

Financial accounting is concerned with the preparation and public dissemination of financial reports designed to reflect corporate performance and financial condition. By providing timely, relevant, and reliable information, these reports facilitate the decision-making of investors, creditors, and other interested parties. Financial markets depend on the information obtained in these reports to evaluate executives, estimate future stock returns, and assess firms' riskiness, and allocate society's resources to their most productive use.

The course provides a base level of knowledge needed by corporate executives to understand and discuss corporate financial statements. It also provides a foundation for subsequent courses. Part I of the course is designed to develop your appreciation of fundamental accounting concepts. You will understand why professional judgments and discretions are required when preparing financial statements. Part II of the course focuses on the application of your accounting knowledge on earnings quality issues and earnings management activities related to assets, liabilities, and equity.

**COURSE MATERIALS**

Prescribed text:

Financial Accounting: An Introduction to concepts, methods and uses (13<sup>th</sup> ed.), by Stickney, Weil, Schipper and Francis (ISBN-13: 978-0-324-65114-0). A copy of the book should have been shipped to you.

Course website:

Lecture slides, Do-For-Class assignments and practice problem solutions.

All relevant materials beyond the textbook will be posted to EEE. Each student is responsible for either printing a copy of the notes for each class meeting ahead of class or bringing a laptop to class to permit following the class notes.

In addition to lecture-related materials, optional readings from the press ('illustrations') related to the topics covered are also posted EEE.

## COURSE POLICY

My main concern is that class activities are focused on the topics covered in the course and not on other matters. If you need to allocate your time to another activity or are for some reason unable to focus on Financial Accounting than you are encouraged to skip the lecture and class discussion during that time. I assume you will expect me to provide you with a state-of-the-art course that is designed to both challenge you and assist you in your efforts to build your human capital. I promise you that I will do my best to give you a meaningful experience in enhancing your ability to read, evaluate and employ corporate financial statements in a decision making context. My goal is to help you to be successful and knowledgeable about the subject matter of this course.

## WEEKLY DISCUSSION SESSION, HELP & OFFICE HOURS

There will be a **weekly discussion session** each **Tuesday, 7:00-8:20pm**, starting June 30<sup>th</sup>, in the **TLTC** (Teaching Learning & Technology Center Bldg., 3<sup>rd</sup> floor through door 3030 for the VTC room). If you cannot attend a TA session in person, note that the sessions will be **streamed live**, and also **archived**, on **EEE**. You simply click on the indicated link on **EEE** for the day's TA session to access the session. If you view the TA session live, you may ask questions by e-mailing your question to: [OnlineTA@merage.uci.edu](mailto:OnlineTA@merage.uci.edu).

The TA discussion sessions are a good place to (i) seek assistance on specific questions you have about topics and problems and/or (ii) ask the TA to cover topics that you're struggling with. The TA will be prepared to work through any Practice Problems that have been assigned and discuss topics or problems that have already been presented in class. The TA is there to help; all you need to do is seek the help that's being offered.

Ideally, you'd come to the discussion session prepared with specific questions about the course material. But, even if you have only a vague notion of what you do not understand and thus do not have well-formulated questions, you can still benefit by attending the discussion sessions. First, you'll hear what the TA says in response to other students' questions, and learn from that. Second, the TA may be able to help you identify the specific things you're having trouble with, and therefore help you better understand the subject matter.

**Important:** Please direct all homework related questions to Sarah Lyon via email or by appointment. But please note: the TA is NOT permitted to answer *specific* questions about upcoming graded assignments. Sarah is permitted to answer *general questions* about the topics covered in the assignments, but **to ensure consistency in responses, she is not be permitted to provide answers about specific parts or questions from an assignment that will be graded.** However, *the instructor is happy to take such questions* (see below).

I respond to student e-mails as quickly as possible, and am also happy to talk with you on the phone, Skype or meet in person. We can set up a mutually convenient phone or meeting time in advance or you can simply try to contact me without an appointment I plan to hold office time dedicated to FEMBA students each week (*except the week of Aug. 3<sup>rd</sup>*). **Generally**, this will occur on **Wednesdays, from 4p to 6p, in my office (SB 411)**.

## EVALUATION

**Here are my expectations for course grades.** First, I intend to follow the Merage School's guidelines, which recommend a median grade of B+ for a core FEMBA course. Second, my policy is that for a student to earn a grade lower than a B-, her/his performance must be substantially below that of virtually all other members of the class. It is my hope that the grading system minimizes any tendency toward overemphasizing a short-run focus on grades relative to learning for the longer-run. I will appreciate receiving feedback on the grading system and about any unintended consequences that it might be having. I reserve the right to raise or lower your grade by one level (e.g. from an A- to an A) based upon the quality of your class participation. Your final grade will be determined on the following basis:

Do For Class Assignments	30%
Midterm	30%
Final Exam	40%
	100%

## BACKGROUND PROBLEMS AND DO FOR CLASS ASSIGNMENTS

**Background Problems** (i.e., Questions, Short Exercises, Exercises, Problems, or Cases) are assigned from the Stickney, Weil, Schipper and Francis textbook (**SWSF**). **Background Problems** are generally examples of particular topics covered in the textbook or lectures. **Solutions to all assigned Background Problems will be available on the course Web site on EEE in advance.** We typically will not discuss Background Problems in class, but they will be reviewed during the weekly TA discussion sessions. Because Background Problems often illustrate topics that appear as part of **Do For Class Problems** (discussed next), it is worth your time to **at least skim each Background Problem and its Solution** since you'll gain insights into concepts and skills that will be useful when working the **Do For Class** assignments.

**Do For Class** assignments will be discussed in class. **These are a must.** **Do For Class** assignments are posted on **EEE** (denoted **D-F-C**); a few come from the **SWSF** textbook. **Solutions** to **Do For Class** assignments will be placed on the course Web site (**EEE**) after we cover them in class. While **Do For Class** assignments typically focus on one or a few main topics, **they each build on material that was assigned before them in the course.** It's thus critical to stay current on assignments. (Stated slightly differently, attempting to work a specific **Do For Class** assignment without having worked or at least reviewed assignments that preceded it is a very risky approach to the course.) While we don't expect you to solve all the problems correctly, you are expected to make a good effort. Each **Do For Class** will be **graded** on a good-faith-effort basis and be assigned a score of check minus (insufficient), check (sufficient) or check plus (excellent). Check minus = 1 point, check = 2 points, check plus = 3 points. **Do For Class assignments** not handed in on time will receive zero point. Solutions to the exercises will be posted on EEE at the end of the week for which assignments are due.

There are a total of nine **Do For Class** assignments (sessions 1, 2, 3, 4, 6, 7, 8, 9, and 10) which you need to submit for grade. You may drop one of the lowest scores. The remaining eight

highest scores will be used towards your final grade. In case you cannot attend class, you may ask your classmate to submit your homework or you may, *only as a last resort*, email it to teaching assistant, Sarah Lyon, no later than the due time. **Do For Class** assignments for each week will be returned to your mailbox on the following week. Make sure that you do receive your marked **Do For Class** back and keep all your marked **Do For Class**. In the event that there is any confusion over the amount of **Do For Class** credit you should receive, your returned **Do For Class** with the grader's score will serve as evidence that you did the work. In absence of any evidence to the contrary, we will allocate homework points according to the instructor's record.

## WRITTEN EXAMINATION

***Midterm*** covering the *Accounting Basics* and *Financial Statement Analysis* (counts 30 percent toward your grade). The exam will be **given at the beginning of Class 5 (i.e., on Wednesday, July 21<sup>th</sup>)**. Of course, you **must do the exam entirely on your own**. *See the Syllabus for additional instructions and suggestions for review*. The exam will be an "open book and open note" test that will last 1¾-hours. You must show your answers using pencil (or pen) on the face of the exam itself; i.e., **you will not be permitted to use a computer to show or print out your answers**.

***Final Exam*** (counts 40 percent toward your grade). The final will cover the material from weeks 6 -10. Hence, it is **not comprehensive**. The exam will be "open book and open note," and you will show your answers using pencil (or pen) on the face of the exam itself; i.e., **you will not be permitted to use a computer to show or print out your answers**. The final will be given during the final exam period assigned to this course, which is **Wednesday, September 1st, 7:00-9:50pm** (i.e., during our regular class time in our regular classroom).

**Make-up exams:** No make-up exams will be offered. In the event of serious illness, you will need to seek the instructor's approval first. A note from your physician is required. The weight of your midterm will be shifted to the final exam.

## HONOR CODE

Academic dishonesty is unacceptable and is not tolerated in The Paul Merage School of Business or the University of California, Irvine, and will be penalized. It is essential that each FEMBA student subscribes to and practices the ideal of academic integrity and accepts individual responsibility for her/his work. Academic dishonesty includes but is not limited to activities such as cheating, dishonest conduct, plagiarism, and collusion. *When in doubt, ask the professor.*

# SYLLABUS

## FINANCIAL ACCOUNTING FOR MANAGEMENT

FEMBA—F203A: Summer 2010 – SB 117

Wednesday, June 23-Sep. 1, 7:00-9:50pm

**Key:** SWFS = Stickney, Weil, Francis & Schipper *Financial Accounting*, 13<sup>th</sup> edition (Cengage/South-Western, 2010).  
EEE = On the course Web site on EEE., DFC = Do For Class (graded),

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<u>Class</u>	<u>Date</u>	<u>Topics and Assignments</u>	(Check <u>EEE</u> for <i>Syllabus</i> changes.)
1	Wed. 6/23 (7:00-9:50pm)	<i>Overview-Part I, Accounting Basics-I, Accounting Equation, &amp; Financial Statements</i>  <b>Skim for Class:</b> EEE Syllabus, EEE Slides <b>Read:</b> SWSF Ch. 1, but also <b>skim</b> as background Ch. 3 and Ch. 4 <b>Optional Read:</b> EEE Animal Spirits by Akerloff and Shiller, Ch. 3 p.26-29 EEE How to read a financial report, Merrill Lynch EEE The Economic Implications of Corp. Fin. Reporting, Graham et al.  <b>Optional Watch:</b> <i>Whose Line is it anyway – Songs of Accounting</i> <a href="http://www.youtube.com/watch?v=XSranciXOvs">http://www.youtube.com/watch?v=XSranciXOvs</a>  <b>Background Problems:</b> SWFS 1.1*, 1.18, 1.19, 1.20, 3.23, 3.26 <b>Do For Class Assignment:</b> EEE DFC1 Volcom Inc.	
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2	Wed. 6/30 (7:00-9:50pm)	<i>Accounting Basics-II, Duel Effects, T-Accounts, &amp; Journal Entries</i>  <b>Skim for Class EEE:</b> Business Valuation Game (Monopoly), EEE Slides <b>Read</b> SWSF Ch. 2 <b>Optional Read:</b> EEE Earnings Quality by Dechow and Schrand, Ch. 1 & 2 <b>Optional Watch:</b> <i>Letterman - Top Ten Things I've Learned From Being An Accountant</i> <a href="http://www.youtube.com/watch?v=VWIIH13j7CQ">http://www.youtube.com/watch?v=VWIIH13j7CQ</a>  <b>Background Problems</b> SWFS 2.1, 2.27, 2.31, 2.33, 2.41 <b>Do For Class Assignment:</b> EEE DFC2 Monopoly	
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3	Wed. 7/07 (7:00-9:50pm)	<i>Accounting Basics-III, Statement of Cash Flows and Accruals</i>  <b>Skim for Class EEE:</b> Slides <b>Read</b> SWSF Ch. 5 <b>Optional Read:</b> EEE Earnings Quality by Dechow and Schrand, Ch. 3 <b>Optional Watch:</b> <i>Jerry Seinfeld on Accountants</i> <a href="http://www.youtube.com/watch?v=ekp9dmXM7Qs">http://www.youtube.com/watch?v=ekp9dmXM7Qs</a>  <b>Background Problems</b> SWFS 5.1, 5.27, 5.34, 5.36, 5.46 <b>Do For Class Assignment:</b> EEE DFC3 Verizon	

\* 1-1 = Ch. 1-No. 1: End of SWFS chapter Question/Exercise/Problem/Case-Number 1. Similarly: 2-27 = Ch. 2-No. 27. Etc.  
Regarding items to **Read**: These items will be the focus of class lecture/discussion.

Class Date Topics and Assignments (Check EEE for Syllabus changes.)

4 Wed. 7/14  
(7:00-9:50pm)

***Financial Statement Analysis and Firm Value***

Skim for Class EEE: Slides

Read SWSF Focus on Ch. 6, but also skim as background Ch. 3 and Ch. 4

Optional Read: EEE Earnings Quality by Dechow and Schrand, Ch. 4

Optional Watch: *Accounting done easy*

<http://www.youtube.com/watch?v=G6vS1edTsV8>

**Background Problems** SWFS 6.1, 6.19, 6.20, 6.27, 6.28

**Do For Class Assignment:** EEE DFC4 Target Corporation - Ch. 6 Problem 33

5 Wed. 7/21  
(7:00-9:50pm)

***First Exam***

Exam (Individual work): A 1¾-hour open-book, open-notes exam on the Accounting Basics material (week 1-3) and Financial Statement Analysis material (week 4). You must show your answers using pencil (or pen) on the exam itself; i.e., computer print-outs of answers will not be permitted.

**Notify me ASAP (and in advance) if you absolutely cannot attend.**

**Sarah Lyon will supervise the exam,** but I will be “**on-call**” for the entire time for any questions you may have.

**Read EEE: About the Exam.**

**Skim (or Do) EEE: Sample Exam (with Solution): NOTE the INSTRUCTIONS.**

6 Wed. 7/28  
(7:00-9:50pm)

***Revenue Recognition, Receivables and Multiple-deliverables***

Skim for Class: EEE Slides

Read SWSF Ch. 7

Optional Read: EEE Earnings Quality by Dechow and Schrand, Ch. 5

EEE Line-Item Analysis of Earnings Quality, Melumad and Nissim Ch. 4/5

Optional Watch: *Mad Money with Jim Cramer – Apples to Apples*

<http://www.cnn.com/id/32859463>

**Background Problems** SWFS 7.1, 7.14, 7.22, 7.23, 7.46, 7.53

**Do For Class Assignment:** EEE DFC5

7 Wed. 8/04  
(7:00-9:50pm)

***Inventory, Long-lived Tangible & Intangible Assets***

Skim for Class EEE Slides

Read SWSF Ch. 8 and Ch. 9

Optional Read: EEE Line-Item Analysis Earnings Quality, Melumad and Nissim Ch. 6/7/8

Optional Watch:

**Background Problems** SWFS 8.1, 8.27, 8.42, 9.1, 9.20, 9.32

**Do For Class Assignment:** EEE DFC6 Toyota Corp. (8.40 + 8.47)

<u>Class</u>	<u>Date</u>	<u>Topics and Assignments</u>	<b>(Check <u>EEE</u> for <i>Syllabus</i> changes.)</b>
8	Wed. 8/11 (7:00-9:50pm)	<i>Notes, Bonds and Leases &amp; Off-Balance Sheet Financing</i>	
		<p><b>Skim for Class EEE: Slides</b>  <b>Read SWSF Focus on Ch. 10 and Ch. 11 p.517-523</b>  <i>Optional Read:</i> EEE Line-Item Analysis Earnings Quality, Melumad and Nissim <b>Ch. 10/11</b>  <b>Optional Watch:</b></p> <p><b><u>Background Problems</u></b> SWFS 10.1, 10.25, 10.29, 10.34, 11.37  <b><u>Do For Class Assignment:</u></b> EEE DFC7</p>	
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9	Wed. 8/18 (7:00-9:50pm)	<i>Shareholders' Equity: Capital Contributions, Distributions, &amp; Earnings</i>	
		<p><b>Skim for Class EEE: Slides</b>  <b>Read SWSF Ch. 14</b>  <i>Optional Read:</i> EEE ESO by Mark Lang CFA Institute, <b>Ch. 1</b>            EEE Line-Item Analysis of Earnings Quality, Melumad and Nissim <b>Ch. 18</b>  <b>Optional Watch:</b></p> <p><b><u>Background Problems</u></b> SWFS 14.1, 14.34, 14.38, 14.39  <b><u>Do For Class Assignment:</u></b> EEE DFC8</p>	
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10	Wed. 8/25 (7:00-9:50pm)	<i>Marketable Securities &amp; Derivatives, Accounting during the Financial Crisis</i>	
		<p><b>Skim for Class EEE: Slides</b>  <b>Read SWSF Ch. 12</b>  <i>Optional Read:</i> EEE Subprime Crisis and Fair-Value Accounting            Is It Fair to Blame Fair Value Accounting for the Financial Crisis  <b>Optional Watch:</b> <i>The Daily Show with John Steward – In Dodd We Trust</i>  <a href="http://www.thedailyshow.com/watch/tue-march-16-2010/in-dodd-we-trust">http://www.thedailyshow.com/watch/tue-march-16-2010/in-dodd-we-trust</a></p> <p><i>South Park - Margaritaville</i>  <a href="http://www.southparkstudios.com/episodes/220760/">http://www.southparkstudios.com/episodes/220760/</a></p> <p><b><u>Background Problems</u></b> SWFS 12.1, 12.21, 12.25, 12.27  <b><u>Do For Class Assignment:</u></b> n/a</p>	
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11	Wed. 9/01 (7:00-9:50pm)	<i>Final Exam</i>	
		<p><b>Exam</b> (Individual work): A 1¾-hour open-book, open-notes exam on the material we covered between week 6-10. You must show your answers using pencil (or pen) on the exam itself; i.e., computer print-outs of answers will <u>not</u> be permitted.</p> <p><b><u>Notify me ASAP (and in advance) if you absolutely cannot attend.</u></b></p> <p><b><u>Sarah Lyon will supervise the exam,</u></b> but I will be <b><u>“on-call”</u></b> for the entire time for any questions you may have.</p>	