

Course Information

Title:	Financial Accounting I	Semester:	Fall, 2007
Number:	CBA-ACTG 502, code is 10190	Credits:	4
Place:	Lecture Center C, Room C1	Times:	Wednesday 6-9pm

Course Professors & Admin

Professor: Michael T. Kirschenheiter	Phone: (312) 996-2284
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Course Descriptions for Actg 502

The objective of this course is to build upon the basic understanding of accounting fundamentals developed in Actg 500. As in Actg 500, we focus on how accounting data is used to make better decisions and investigate the limitations of its use. For some subjects, The objectives of the class sessions are to develop the fundamentals of each topic; explore the implication of each topic through examples (problem-solving); and incorporate the topic into the framework of the accounting process and the financial statements.

While the course objectives are pretty standard, I also have two general themes which are a little different and which run throughout all my courses. The first is that there is no “truth” in accounting. One consequence of this theme is that determining whether a financial accounting report is “good” or “bad” requires specifying who is reading the report. The second theme is that accounting measures wealth. One consequence of this is that the essence of financial accounting reduces to tracking the difference between the flow of cash and the flow of wealth; if you can explain the difference then you know just about all there is to know from an accounting standpoint. I will expand on both of these themes in the first lecture.

Grading: Currently, there are 6 homework assignments and two exams scheduled for Actg. 502, a midterm exam on the 10th session and a final during our 16th meeting. The problem sets should be submitted on time and will be graded. I determine course grades by allocating 20% of the total grade to class participation and problem sets (8% to the participation grade and 12% for problem sets) and the remaining 80% to the exams. I will allocate the 80% between your two exams using method A or B below, whichever method gives you the highest score. These methods are as follows:

Method A: 40% to Midterm 40% to Final (i.e., half of the 80% to each exam).
Method B: 20% to Midterm 60% to Final (i.e., 1/4 of 80% to midterm, 3/4 to final).

Both exams will be open-book exams and both will be timed (probably 2 hours for each).
Any queries about grading must be submitted in writing.

Policies and Requirements

Prerequisites: There are no pre-requisites for this course.

Required Text and Materials: The primary course materials are the lectures, readings, cases and problem sets, all available on-line. All problems sets should be submitted electronically. In addition, I offer as reference a textbook: Intermediate Accounting, by Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield, (12th edition), John Wiley and Sons Inc., (abbreviated as KWW).

The text is not the sole tool for learning, the primary tool is answering questions using actual F/S. You can use any edition, indeed you can use any book you wish; the problems I assign will refer to the editions listed. More important than reading the text or doing textbook problems is to do the cases and the problem sets.

Textbooks, Cases and Readings

Title:	Intermediate Accounting
Author:	Donald E. Kieso, Jerry J. Weygandt and Terry D. Warfield
Edition:	12 th (earlier editions may be used, but you have to figure out the readings).
Publisher:	John Wiley and Sons Inc.,

As mentioned earlier, there will be cases and problem sets, lecture notes and articles, as well as practice exams, all of which will be available on line.

Honor Code and Class Code Issues:

Problem sets assigned as homework can be discussed, but solutions submitted by each student should be his or her own individual work. For example, another student's solution should not be recopied and submitted. Old exams will be included on the network for study purposes.

The lectures are an important part of the course. As a courtesy to everyone involved in the classroom experience, please observe the following principles:

1. Please be prompt for class and try not to leave the classroom while class is in session (unless there is an emergency).
2. Do not carry on private conversations with others during class.
3. Do not bring noisy beepers or cell phones into class.
4. Use computers only for current class materials, not homework, e-mail, etc.

Material Coverage

We have 16 sessions (including the sessions for the midterm and final exams) spread over the semester. Actg 502 and Actg 503 will cover all the material in the usual intermediate accounting textbook, in our case, the KWW textbook, just in a different order. In the past, we had simply followed the chapters in KWW, with Actg 502 covering the first 12 chapters and Actg 503 covering the second 12 chapters. While this was fine for students who took both courses, students who took only Actg 502 were at a disadvantage, especially when they took higher level elective courses such as financial statement analysis (Actg 516) or valuation (Actg 585). With this issue in mind, we have now redesigned the Actg 502-3 sequence to cover the chapters in KWW in the following manner.

Chap #	Title	In 502	In 503
1	Fin Acctg and Stds	Partial	Yes
2	Concept'l Frmwrk	Partial	Yes
3	Acctg Info Sys	Partial	Yes
4	I/S and related	Yes	
5	B/S and CF/S	Yes	
6	Time Value of money	Yes	
7	Cash and A/R	Yes	
8	Value of Inventory	Yes	
9	Advanced Inventory	Partial	Time permitting
10	PPE	Yes	
11	Depreciation and other	Only depreciation and impairments	Time permitting
12	Intangibles		Yes
13	Curr Liab	Yes	
14	LT Liab	Yes	
15	Shareholders Equity	Yes	
16	Dilutive Sec/EPS	Partial	Yes
17	Investments	Partial	Yes
18	Revenue Recog	Yes	
19	Income Taxes	Partial	Yes
20	Pensions/OPEB	Yes	Review
21	Leases	Yes	Review
22	Acctg Changes	Partial	Yes
23	Return to CF/S		Yes
24	Full disclosure		Time permitting

The term "Partial" means that we review only to the extent of covering the material at the level of Actg 500. The term "Review" means you may spend time reviewing/adding material in 503.

Material Coverage (cont.)

Simply put, Actg 502 is now designed to accomplish the following two tasks. First, to provide a more detailed foundation in accounting that supplements the material studied in Actg 500. This should prepare students wishing to take higher level electives in Accounting. In addition to a discussion of the F/S and their articulation, the topics covered will be cash, A/R, inventory, PPE, current liabilities, debt, pensions and leases. The big change from prior years will be to cover pensions and leases, but to defer coverage of the financial reporting regulatory environment, the accounting recording cycle and intangibles to Actg 503.

The second task is to teach these topics at a level that facilitates the student to take and pass the CPA exam. However, any student wishing to sit for the CPA exam needs to realize that full coverage of the intermediate accounting material will be accomplished only if that student supplements their course work by also taking Actg 503.

This summarizes the material covered in Actg 502 and our reasoning behind the design of the course. Next I provide a tentative **Detailed Class Outline**. I call it tentative as we may spend more or less time on individual areas, depending on how quickly or slowly we proceed.

Detailed Class Outline for Financial Accounting I – Actg 502:

1st Mtg, Part 1: Financial Accounting Review:

Wed Review the purpose of financial statements, relations between stocks and flows, financial
Aug 29th statement articulation, transaction analysis, the balance sheet equation and
describe how debits and credits work.

Reading: Actg 500 Lecture Notes #1 to #7 (see on-line) or Chapters 1-3, 5, 6 and 8-10 in
Financial Accounting for MBAs by Peter Easton, John Wild, Robert Halsey and
Mary Lea McAnally, (3rd edition).

2nd Mtg: Financial Statements on Wealth - Income Statement (I/S) and Balance Sheet (B/S):

Wed Purpose and construction of the I/S and the B/S with special emphasis on irregular items
Sept 5th and special reporting issues for the I/S and additional information and disclosure
techniques on the B/S.

Reading: Actg 502 Lecture Notes #1. Text: KWW Read Chapter 4 and Section 1 of
Chapter 5 (i.e., pages 170-190).

Practice Problems: KWW, in chapter 4, all the brief exercises, all the exercises except
skip E4-13, and all the problems except skip P4-7, in Chapter 5, BE5-1 to BE5-11,
E5-1 to E5-12, and P5-1 to P5-5.¹

Cases: Ben & Jerry's Transaction Analysis Worksheet.

Due: Problem Set #1 (Actg 500 type exam).

3rd Mtg: Cash Flow Statement (CF/S) and Ratio Analysis:

Wed Purpose and construction of the CF/S with emphasis on F/S articulation via the
Sept. 12th worksheet and connection to the trial balance and adjusting and closing entries.
Analyze CF/S and discuss the basics of ratio analysis.

Reading: Actg 502 Lecture Notes #2 on special CF/S topics and ratios analysis. Text:
KWW the rest of Chapter 5 including Appendix 5a on Ratio Analysis (i.e., pages
190-201).

Practice Problems: KWW, all the remaining brief exercises, exercises and problems, that
is, BE5-12 to BE5-16, E5-13 to E5-18, P5-6 and P5-7.

Cases: More Ben & Jerry and other cases TBD (to be decided).

¹ As you may have guessed, BE, E and P stand for brief exercises, exercises and problems, respectively.

Detailed Class Outline (cont.)

4th Mtg: Time Value of Money:

Wed Sept. 19th Review the equation and calculation net present value of future cash flows and the valuation of bonds.

Reading: Actg 502 Lecture Notes #3. Text: KWW read Chapter 6.

Practice Problems: KWW you can practice on all the brief exercises, exercises and problems in Chapter 6, but best are BE6-15, E6-13 to E6-15, and P6-3 to P6-14.

Cases: TBD.

Due: Problem Set #2 (General Mills)

5th Mtg: Cash and Accounts Receivable (A/R):

Wed Sept. 26th Discuss the presentation of cash and A/R in the F/S, review the accounting for A/R and revenue recognition and discuss some basic analysis of these accounts from F/S disclosures, including factoring of A/R.

Reading: Actg 502 Lecture Notes #4. Text: KWW, read Chapter 7.

Practice Problems: KWW BE7-1 to BE7-13, E7-1 to E7-21 and P7-1 to P7-11.

Cases: TBD.

6th Mtg: Cost of Goods Sold and Inventory Valuations:

Wed Oct. 3rd Discuss inventory cost flow methods, especially difference between LIFO and FIFO, as well as inventory disclosures, and begin long-lived assets

Reading: Actg 502 Lecture Notes #5. Text: KWW, read Chapter 8.

Practice Problems: KWW BE8-1 to BE8-22, E8-1 to E8-7 and P8-1 to P8-5.

Cases: TBD.

Due: Problem Set #3 (Kimberly Clark 1 and Electronic Arts)

7th Mtg: Cost of Capacity - Valuation of PPE at and after acquisition:

Wed Oct. 10th Begin/continue discussion of cost of capacity and how we value long-lived assets in general, and Property, Plant and Equipment (PPE) in particular, including depreciation and gain and loss on disposition, and presentation of PPE related information in the F/S.

Reading: Actg 502 Lecture Notes #6. Text: KWW read all of Chapter 10 and pages 521-36 of Chapter 11.

Practice Problems: KWW, you can do all BE, E and P in Chapter 10, but best are BE10-5 to BE10-15 and E10-11 to E10-25. In Chapter 11, BE11-1 to BE11-5, BE11-7, E11-1 to E11-15, and P11-1 to P11-4.

Cases: TBD.

Detailed Class Outline (cont.)

8th Mtg: Current Liabilities:

Wed Finish cost of capacity and, time willing, move into liabilities.

Oct. 17th No readings, practice problems or cases, but review material up to the prior class.

Reading: Actg 502 Lecture Notes #7. Text: KWW read Chapter 13.

Practice Problems: KWW do all BE, E, and P in Chapter 13 except you can skip the following: BE13-9, BE13-16, E13-20 to E13-22, P13-14 and P13-15.

Cases: TBD.

Due: Problem Set #4 (Kimberly Clark 2 and AT&T/Deutsche Telekom).

9th Mtg: Long Term Liabilities:

Wed Discuss financial versus operating assets and obligations, beginning with the accounting

Oct. 24th, for debt and leases.

Reading: Actg 502 Lecture Notes #8. Text: KWW, read Chapter 14.

Practice Problems: KWW BE14-1 to BE14-15, E14-1 to E14-19 and P14-1 to P14-11.

Cases: TBD.

10th Mtg: **Midterm Exam for Actg 502.**

Wednesday, Oct. 31st.

11th Mtg: Shareholders' Equity:

Wed Continue discussing obligations by moving to labor costs recorded as deferred

Nov. 7th compensation, pensions and OPEB costs and then onto taxes, time permitting.

Reading: Actg 502 Lecture Notes #9. Text: KWW read Chapter 15.

Practice Problems: KWW BE15-1 to BE15-14, E15-1 to E15-18 and P15-1 to P15-10.

Cases: TBD.

Due: Problem Set #5 (Aztar).

12th Mtg: Pensions and OPEB:

Wed Discuss accounting for taxes and deferred tax accounting.

Nov. 14th, Reading: Actg 502 Lecture Notes #10. Text: KWW read Chapter 20.

Practice Problems: KWW you can practice on all the BE, E and P problems in Chapter 20, but do not use those from the book, instead get Chapter 20 online from the Wiley website at www.wiley.com/college/kieso.

Cases: TBD.

Detailed Class Outline (cont.)

13th Mtg: Finish Pensions and start Leases:

Wed Analyze shareholders' equity with a discussion of different equity accounts, cash and
Nov. 21st stock dividends and other equity transactions and analyze business combinations,
and accounting for investments.

Reading: Actg 502 Lecture Notes #11. Text: KWW read Chapter 21.

Practice Problems: KWW do all BE, E, and P in Chapter 21 except you can skip the
following: BE21-12, E21-15, E21-16, P21-7 and P21-8.

Cases: TBD.

Due: Problem Set #6 (Crown Castle Int'l)

14th Mtg: Finish Leases and review other areas covered in Actg 500 (time permitting):

Wed Analyze shareholders' equity with a discussion of different equity accounts, cash and
Nov. 28th stock dividends and other equity transactions and analyze business combinations,
and accounting for investments.

Reading: Finish previous reading assignments.

Practice Problems: KWW, complete previous practice problems

Cases: TBD.

15th Mtg: Review course material, course summary:

Wed, Dec 5th, Wrap-up course and review for exam.

16th Mtg, Wednesday, Dec. 12th: **Final Exam for Actg 502**