



ACCT 430 – Section 76

Accounting for Management Decision Making

Instructor Information

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Class Times and Location:

Section 76 Saturday 13.30 – 16.30 Wieboldt TBD

Office Hours:

Saturday 12.30 – 13.30 or by appointment. Please note that Professor Chapman teaches in Wieboldt on Monday and Tuesday evenings. As such, late afternoon appointments may be available on those days.

Teaching Assistants: Three doctoral students will be assisting with this course. Jingjing Zhang (jingjing-zhang@kellogg.northwestern.edu), Liang Tan (liang-tan@kellogg.northwestern.edu) and Ivan Marinovic (i-marinovic@kellogg.northwestern.edu).

I. Course Objectives

This course provides an introduction to the financial reporting environment, incentives of managers issuing financial statements, and analysis and interpretation by users of such disclosures. The course begins by viewing the financial accounting system as a language, and familiarizes students with the structure, usage, conventions, and the grammar of accounting as a business language. We examine how financial statements such as the Income Statement, the Balance Sheet, and the Statement of Cash Flows are inter-related. The course adopts an external user's perspective in analyzing these financial statements.

Understanding and analyzing actual annual reports, periodic public filing of financial statements by firms with the Securities Exchange Commission (SEC) in forms such as 10-K (annual statements) and 10-Q (quarterly statements), other corporate disclosures, and analysts' reports

constitute an integral part of this course. We will analyze (excerpts from) actual corporate financial statements almost every class.

II. Course Materials

Text: “Introduction to Financial Accounting” by Horngren, Sundem, Elliott, and Philbrick (HSEP), **ninth edition**, published by Prentice Hall. There is a solutions manual which accompanies the text (*if purchased at the bookstore*) which students may also find useful.

Course Packet: Contains only the required case assignment materials.

Additional handouts in-class: Copies of class overheads; Excerpts from actual corporate annual reports and further readings from popular business press.

Course Web Site: <http://courses.northwestern.edu/>

III. Review sessions and other additional sources of help

Questions regarding course content should generally be addressed to Professor Chapman. However, questions regarding the homework assignments or optional assignment questions may also be addressed to any of the three teaching assistants. However, please copy Professor Chapman on any correspondence to ensure a prompt response.

IV. Preparation for the class

I expect you to come prepared for each class by having studied the readings and working to solve the problems suggested for that class. The only assignments that are required to be turned in are detailed below. In addition to the assigned problems, I strongly recommend that you do other similar problems from the textbook to increase the level of comfort with this material. The solutions manual contains answers to all problems in the textbook.

V. Evaluation of Students' Performance in the Course

1. Grading: Grading will be based on the following formula:

12% for the individual homework assignments + 6% for **one** group assignment (Kota Fibres) + 12% for the other three group assignments combined (Biovail, Mondavi and Moog) + 10% for individual class participation + Max{25% * Midterm Exam + 35% * Final Exam, 10% * Midterm exam + 50% * Final exam}

- In line with current Kellogg guidance, it is expected that A Grades will be awarded to no more than 40% of students with approximately 10% of students receiving a C grade or below.
- The midterm examination is noted on the syllabus. It will cover material through the end of the July 25 class. The exam should be downloaded, completed and electronically submitted within a continuous 90 minute window between 6pm Tuesday July 28 and the beginning of class on Saturday August 1.
- The final examination is noted on the syllabus. The final exam may cover material from the entire course. The exam was originally scheduled for September 5, the Saturday of Labor Day weekend. To permit student flexibility, the exam should be downloaded, completed and electronically submitted within a continuous 3 hour window between 6pm Tuesday September 1 and 4.30pm on Saturday September 5.
- The individual homework assignments will be posted on Blackboard and consist of multiple choice questions that should be completed online. The first 5 assignments consist of 10 questions each and the final assignment has only 5 questions. These may be completed at any time prior to class during weeks 2¹, 3, 4, 7, 8 and 9. The difficulty of the questions varies across the assignments. Please ensure you leave sufficient time to complete them. You may consult your book, notes, etc., but not other individuals when completing these homework assignments.
- Individual class participation shall be evaluated based upon the quality of contribution made in class.
- The Biovail case assignment is due at the beginning of class on July 11.
- The Kota Fibres case assignment is due at the beginning of class on July 25.
- The Mondavi and Moog case assignments are due at the beginning of class on August 29.
- The composition of groups for the case assignments will be posted on Blackboard. All group members are responsible for the content of work submitted. You will be expected to provide confidential peer evaluations for group assignments. These evaluations will affect your individual grade on the group assignments and, in extreme cases, may also affect individual class participation grades.

¹ The first homework assignment should be submitted electronically prior to 1.30pm on July 4 even though there is no class scheduled for that day.

2. Policies regarding exam rescheduling

No make-up or rescheduling of exams is possible unless warranted by extenuating circumstances. Job interviews, treks, weddings, ski trips, travel, and other similar potentially conflicting events are not considered extenuating. Only physically debilitating illnesses or family emergencies (claims about which are substantiated by appropriate documentation to Kellogg Student Affairs Office) may be viewed as extenuating circumstances.

3. Policies regarding exam regrading requests

I make every effort to ensure that grading of your exams and assignments is fair and equitable. Requests for reconsideration of grading must be submitted in writing within 10 working days of when the material is returned.² In line with the Kellogg regrading policy, any regrading would apply to the entire exam or assignment and not just to a given part of the exam or the assignment.

Your regrading request should clearly specify (in writing) why you consider that the answers you provided are indeed correct or why the grading was erroneous or overlooked certain aspects of your answer. I will respond in writing to your request within twenty working days. If you remain dissatisfied with the response, you have up to five working days to submit the work a second time for regrading. I will respond to such a second request within five working days of receiving it, and that response will be the final one.

4. Policies regarding providing ex post opportunities for extra credit

Given the need to maintain fairness and equity among all students in the class, all students are bound by the same evaluation scheme as laid out above and there will be no additional opportunities to improve your grade through extra credit work.

VI. Classroom Etiquette

The Kellogg Code of Classroom Etiquette can be found at http://www.kellogg.northwestern.edu/stu_aff/policies/etiquette.htm. This etiquette policy was developed by students to foster an atmosphere that is conducive to collective learning in the classroom. While attendance for any given class session is not compulsory (though encouraged), students' compliance with the Kellogg classroom etiquette policy will be strictly enforced. In particular, you may **not**:

1. Engage in any:
 - a. cross-talking,
 - b. late-coming,
 - c. leaving the class for a coffee or snack break, picking up mail, etc.,

² The deadline for submitting a regrading request for your final examination is two weeks from the date of the beginning of the next term. These deadlines for regrading requests are not negotiable regardless of your travel schedule and other activities.

- d. use of a cell phone in class, or
 - e. other similar activities that have the potential of distracting other students and disrupting the progress of the class,
2. Use your notebook (laptop) in class, or
 3. Indulge in any other behavior that may be deemed by other students or the instructor to be inappropriate or inconsistent with Kellogg Code of Classroom Etiquette.

VII. Kellogg Honor Code

All students will adhere strictly to the Kellogg Honor Code, the statement of which is available on the Kellogg website at http://www.kellogg.northwestern.edu/stu_aff/policies/honorcode.htm .

VIII. Dynamic nature of this syllabus

The following course outline represents my plan for the quarter, but is subject to change as the course progresses if, in my opinion, a change will help promote the best collective learning experience and interests of all students in my sections. Any such changes will be communicated to you via the course web site.

Week	Assignment
1 June 27	Introduction, Balance Sheets and Income Statements Review Chapters 1 and 2 Prepare 1-26, 1-29, 1-38, 1-42, 2-32, 2-45, 2-50, 2-52
2 July 4	NO CLASS Review Chapters 3 and 4 Prepare 3-38, 3-44, 3-45, 4-22, 4-24, 4-31, 4-37, 4-39, 4-42
3 July 11	Bookkeeping, the accounting cycle, accrual principles and revenue recognition Review Chapters 6 and 12 Prepare 6-34, 6-35, 6-48, 6-56, 6-67, 6-70, 12-35, 12-36, 12-51, 12-52 Biovail Case group assignment to be handed in at beginning of class
4 July 18	Accounts Receivable and the Statement of Cash Flows Review Chapter 5 and 8 (pp. 351-354) Prepare 5-40, 5-45, 5-52, 5-58, 5-61, 8-51, 8-52.
5 July 25	Financial analysis exercises Sage Company – Reverse Engineering Kota Fibres Case – group assignment to be handed in at beginning of class

- 6 August 1 **Take-home Mid Term Exam to be completed prior to class.**
[Exam should be downloaded, completed and submitted within a continuous 90 minute window between 6pm Tuesday July 28 and Class on Saturday August 1.]
 Prepare Ratios Tell A Story,
 Investments – trading, AFS and equity
 Review Chapter 11 (to page 503)
- 7 August 8 Investments
 Review Chapter 11
 Prepare 11-27, 11-28, 11-29, 11-31, 11-43, 11-44, 11-46, 11-48, 11-53
- 8 August 15 Inventory, margins and long-lived assets
 Review Chapters 7 (Incl. Appendix 7) and 8.
 Prepare 7-63, 7-78, 7-80, 7-85, 8-33, 8-39, 8-42, 8-48, 8-53, 8-58
- 9 August 22 Time value of money, leases and deferred taxes
 Review Chapter 9 (Incl. Appendix 9)
 Prepare 9-40, 9-42, 9-44, 9-65, 9-37, 9-67, 9-71, 9-72
- 10 August 29 Shareholders' equity
 Review Ch. 10
 Prepare 10-56, 10-57, 10-67, 10-72
 Moog Case – group assignment to be handed in at beginning of class
 Mondavi Case – group assignment to be handed in at beginning of class
- 11 September 5 **Final Examination**
[Given that September 5 is the Saturday of Labor Day weekend. The exam should be downloaded, completed and submitted within a continuous 3 hour window between 6pm Tuesday September 1 and 4.30pm on Saturday September 5.]