

Flipping the Classroom

Carroll School of Management

March 25, 2015

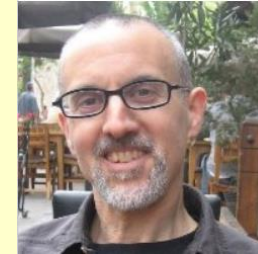
G. Peter Wilson

Slides will be posted at

www.navigatingaccounting.com/presentation/presentations

Building A Teaching Culture

CSOM Teaching Excellence Award Winners



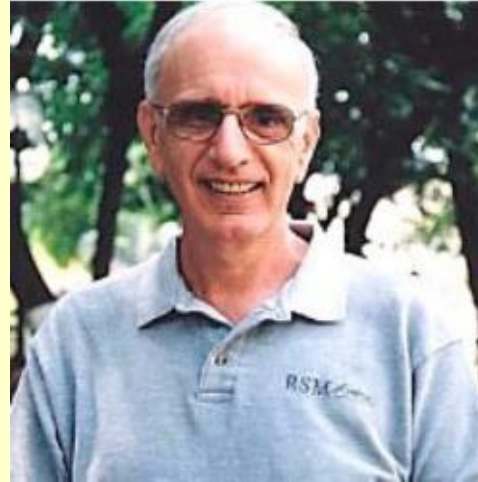
Building A Teaching Culture

CSOM Teaching Seminar Guest Speakers

Charles Lee



Harvey Brightman



Eric Mazur



Howard Gardner



Dan Roam



Shared Responsibility Means Shared Credit

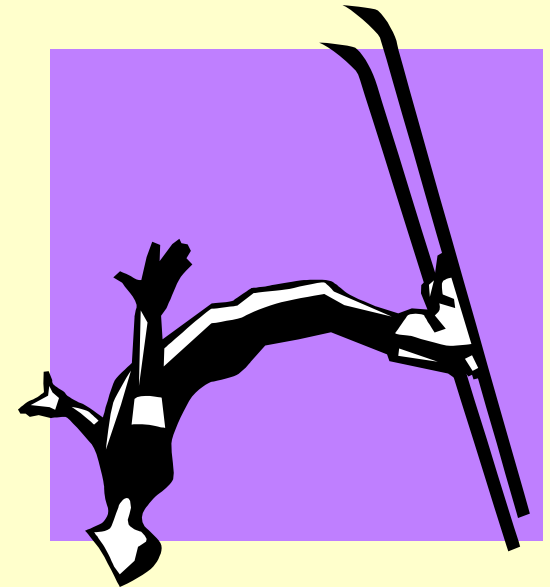
“We” Make Great Learning Experiences



Flipping the Classroom

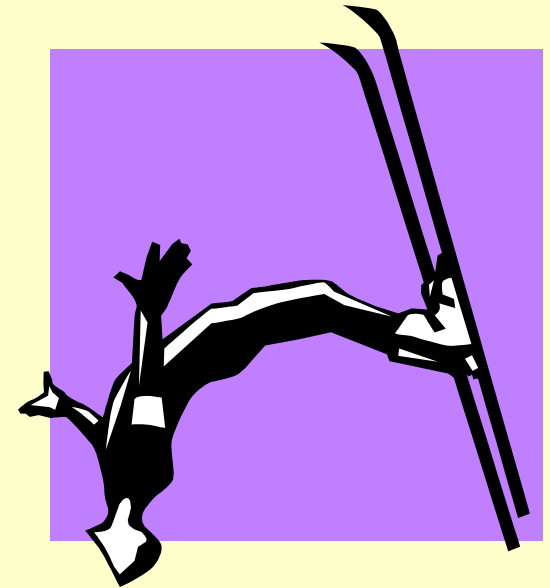
What is flipping?

“Students gain first exposure to new material outside of class, usually via reading or lecture videos, and then use class time to do the harder work of assimilating that knowledge, perhaps through problem-solving, discussion, or debates.”



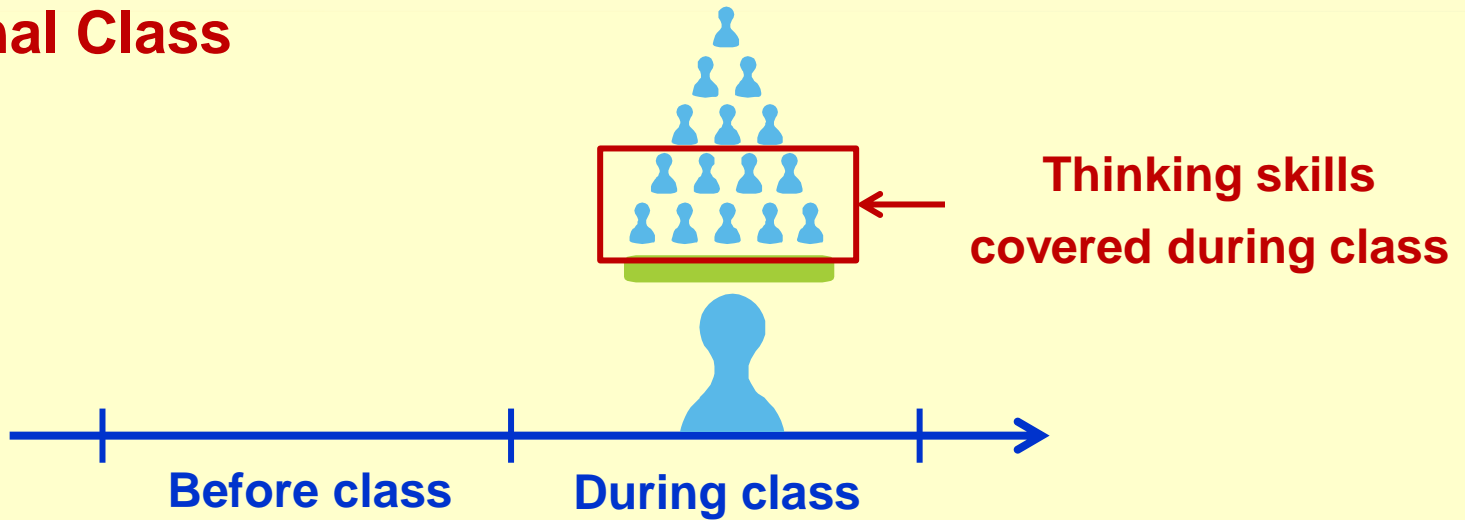
Flipping the Classroom to **Up our Game**

“Students gain first exposure to new material outside of class, usually via reading or lecture videos, and then use class time to do the harder work of assimilating that knowledge, perhaps through problem-solving, discussion, or debates.”

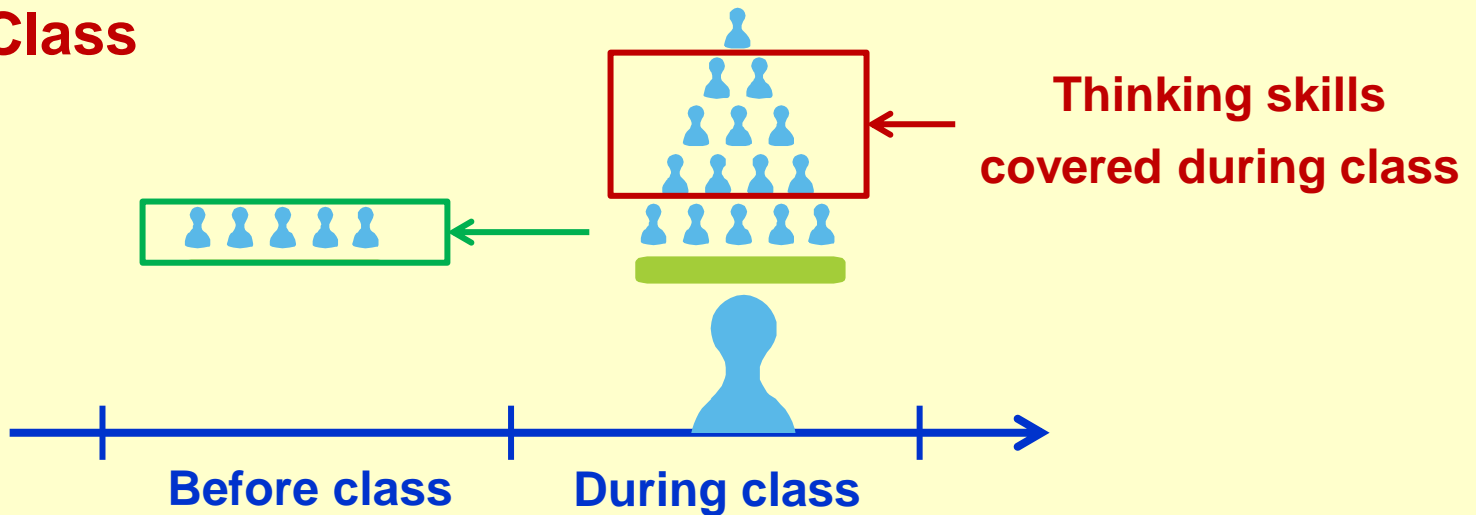


Flipping the Classroom to Up our Game

Traditional Class



Flipped Class

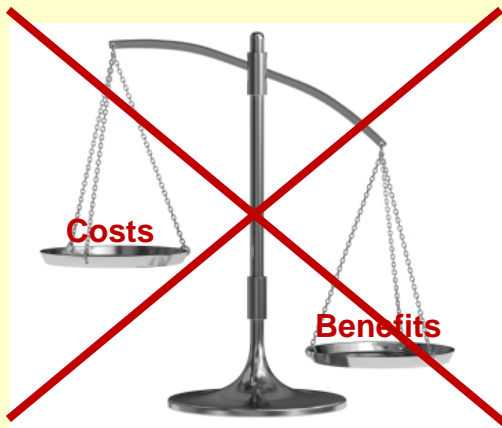


Flipping the Classroom to Up our Game

Easier Said Than Done

We're asking students to

- Do more work before class
- Participate at a higher-level in class
- Master tougher material for exams

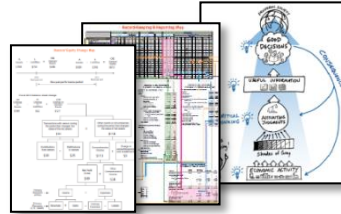


<http://bestfunnyaccidents.com/gymnastics-fail-blog-funny-flip-bloopers-gone-wrong-accidents.html>

Flipping the Classroom to Up our Game

Building Blocks

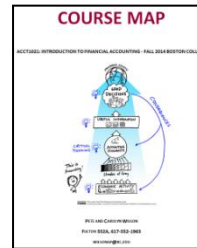
1. Robust concepts and frameworks



2. Rich applications



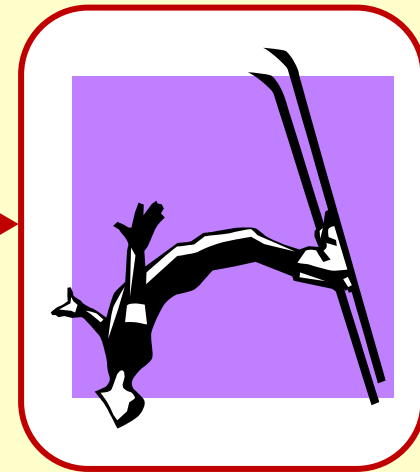
3. Detailed course maps



4. Enabling technology



5. Effective motivation



Flipping the Classroom to Up our Game

Overarching Course Goals

Help students develop

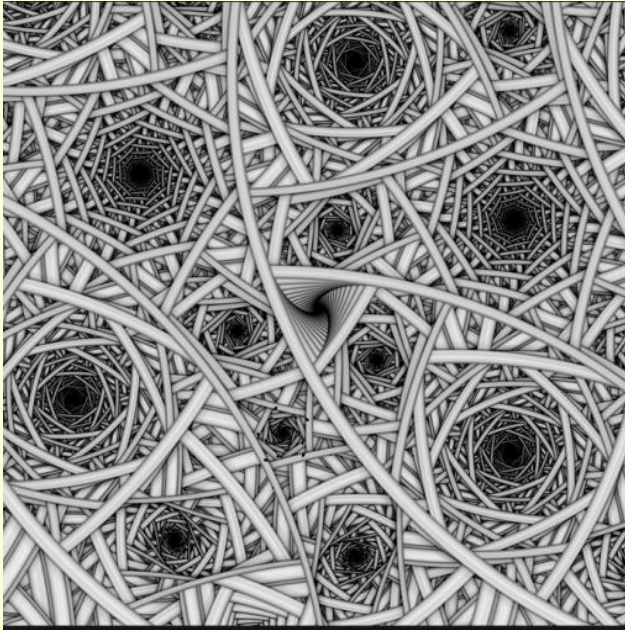
- Robust conceptual frameworks they can apply to navigate complexity and uncertainty throughout their careers
- Relationship skills and attitudes that promote effective and rewarding interactions with others
- A passion for life-long learning and strategies to learn on their own

“A full 90 percent of all the data in the world has been generated over the last two years.”

<http://www.sciencedaily.com/releases/2013/05/130522085217.htm>

Flipping the Classroom to Up our Game

Simplicity on the Far Side of Complexity



<http://integral-options.blogspot.com/2013/03/eric-storm-and-beth-meredith-beyond.html>

“I wouldn’t give a fig for the
simplicity **this side of complexity**
but I’d give my life for simplicity
on the **far side of complexity**”

Oliver Wendell Holmes

SIMPLICITY ON THIS SIDE

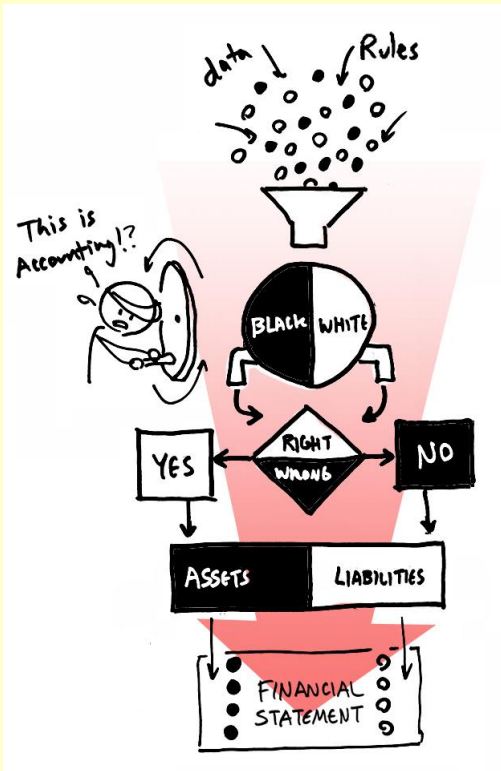
OF COMPLEXITY



Simple but shallow



Perception



SIMPLICITY ON THE FAR

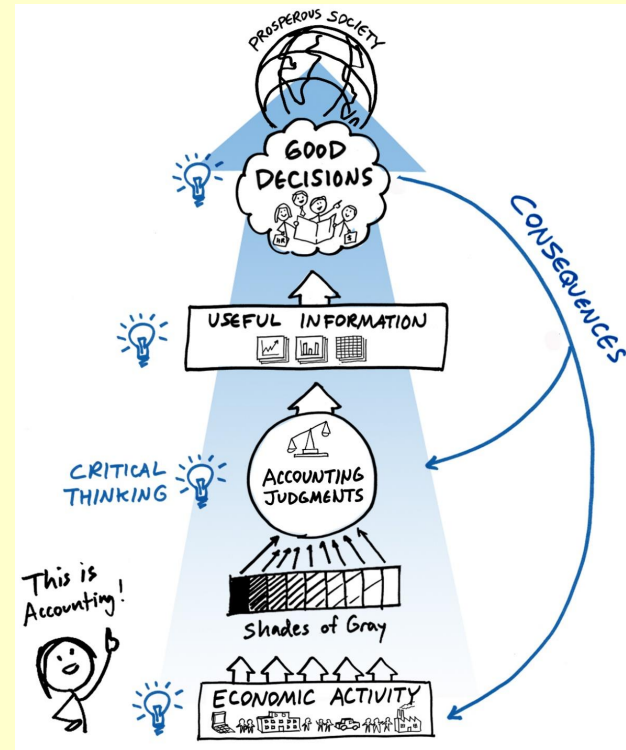
SIDE OF COMPLEXITY



Simple yet deep



Reality



Simplicity on the Far Side of Complexity



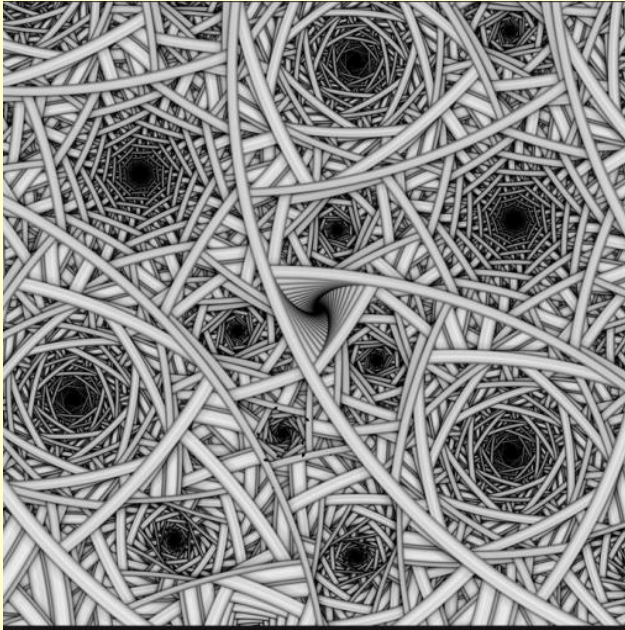
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Flipping the Classroom to Up our Game

Simplicity on the Far Side of Complexity



<http://integral-options.blogspot.com/2013/03/eric-storm-and-beth-meredith-beyond.html>

Success Factors

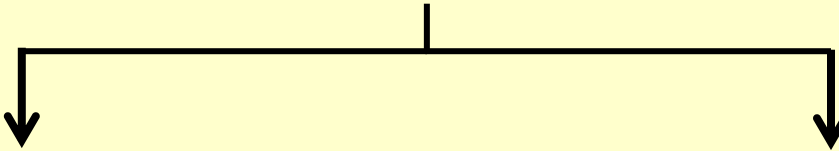
- Internalize concepts
- Apply concepts repeatedly in diverse contexts

SIMPLICITY ON THE FAR

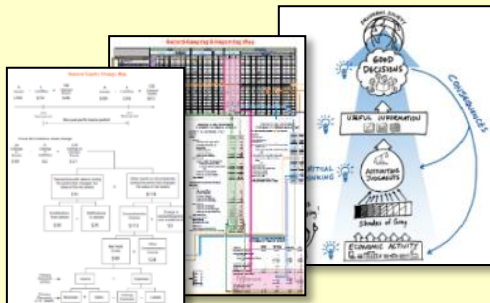
SIDE OF COMPLEXITY



Simple yet **deep**



**Robust concepts
and frameworks**



**Rich
applications**

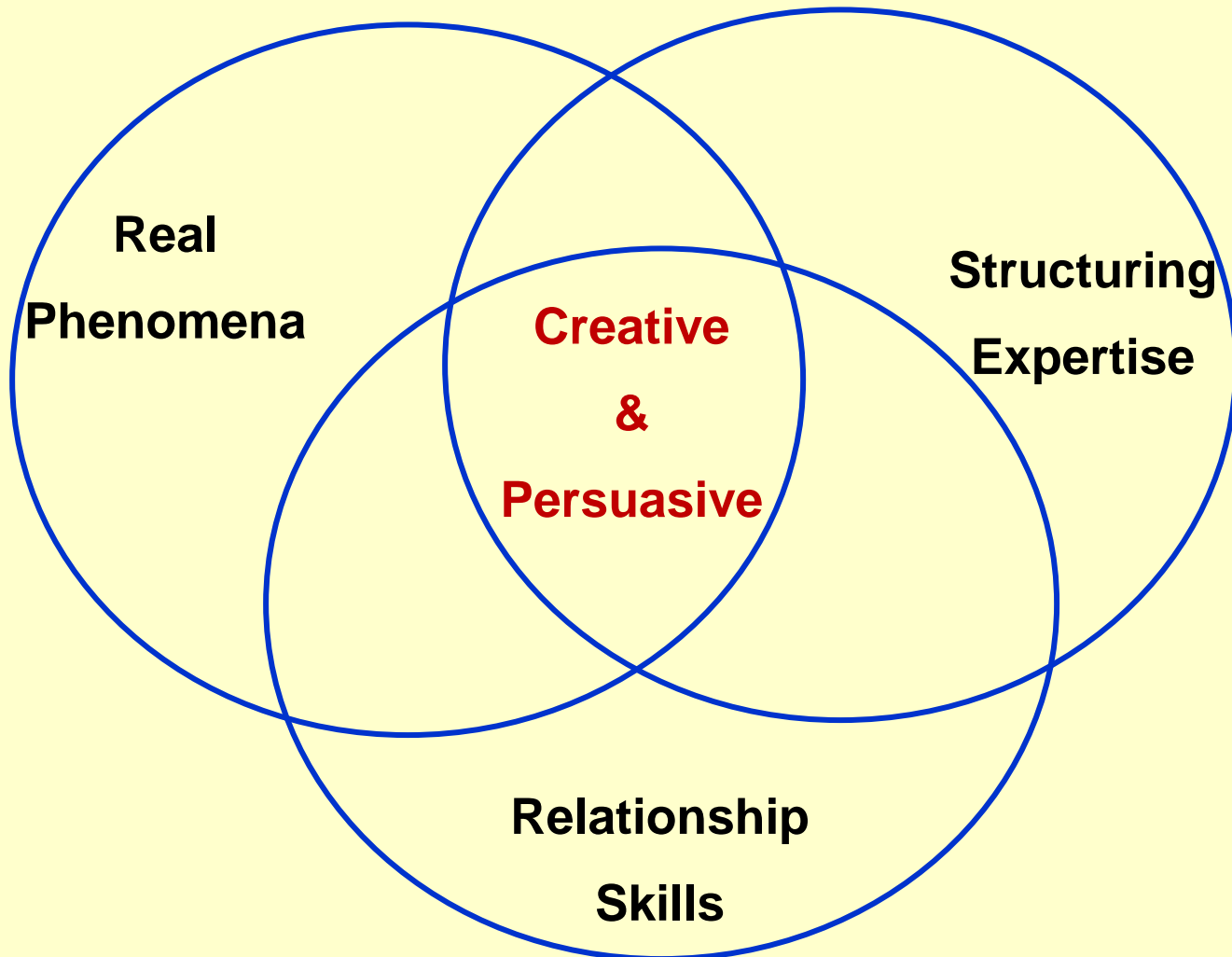


Simplicity on the Far Side of Complexity

Flipping the Classroom to Up our Game

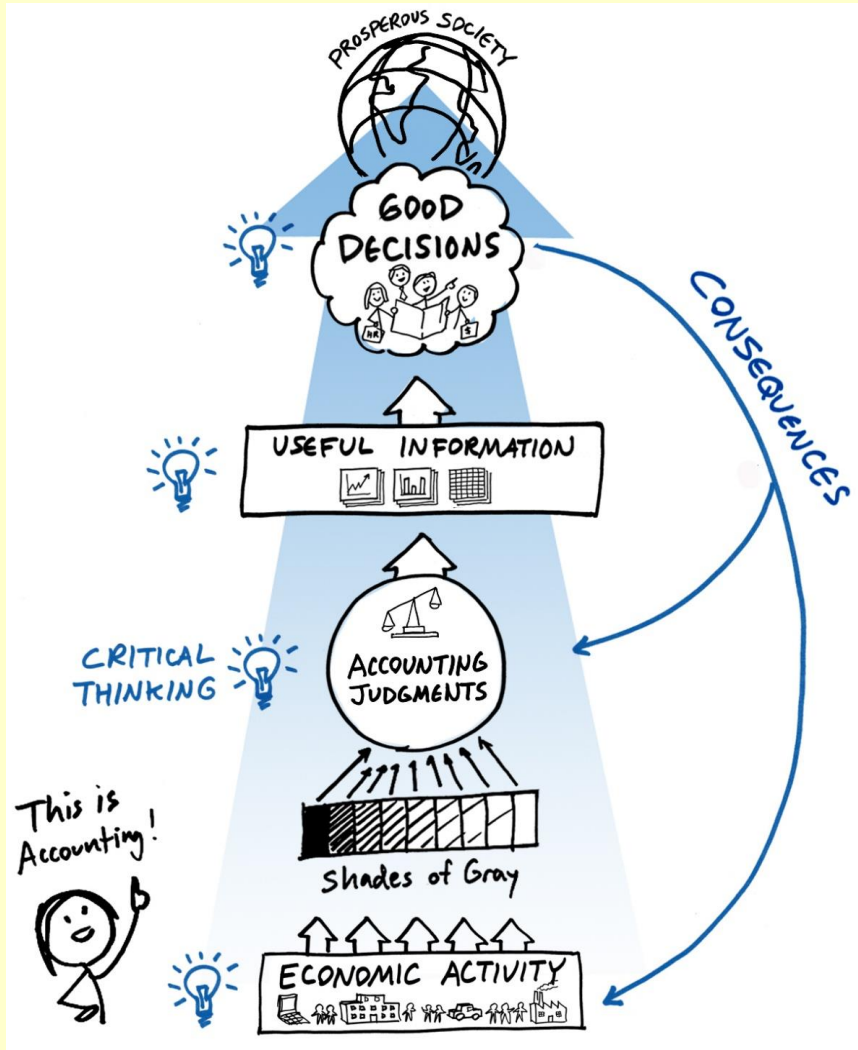
Find the Healthy Tension Between Teaching and Research

Core Competencies of Highly Successful Scholars



Flipping the Classroom to Up our Game

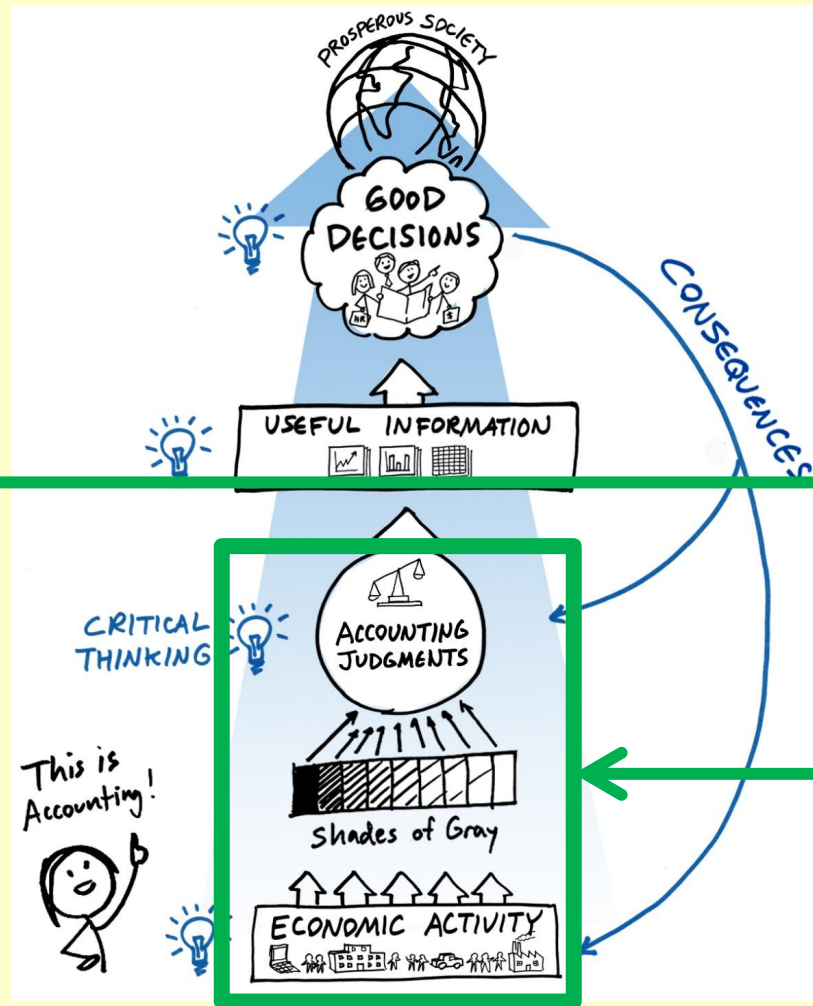
Pathways Commission Vision Model



- Inclusive
- Interdependent elements
- Simple, yet deep

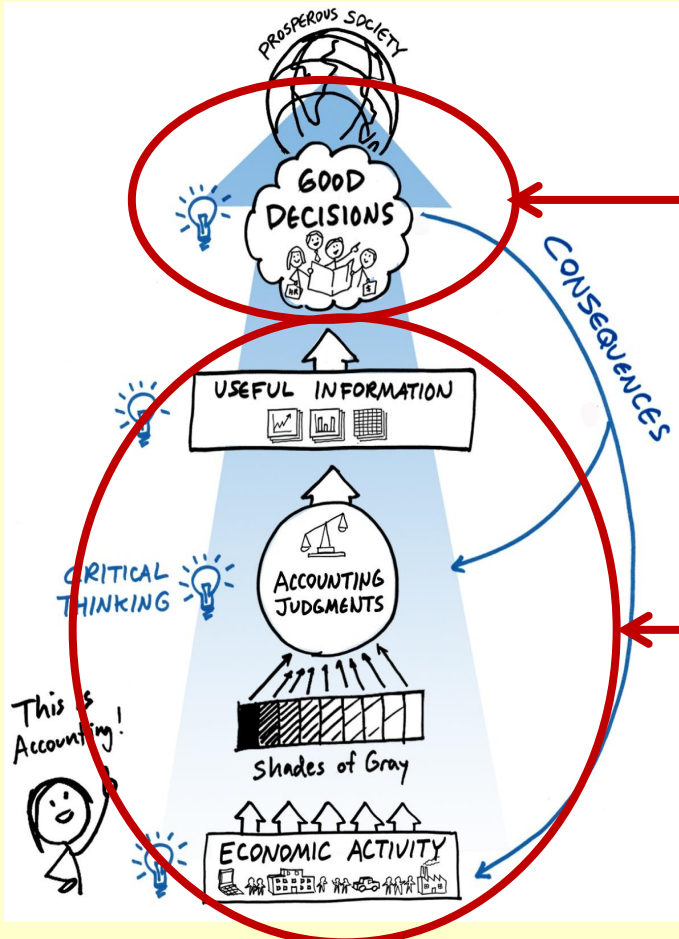
Flipping the Classroom to Up our Game

Pathways Commission Vision Model



Flipping the Classroom to Up our Game

Learning Framework



Step 1

What do I see on the surface?

Step 3

How do I use what I see and my understanding of what's behind what I see?

Step 2

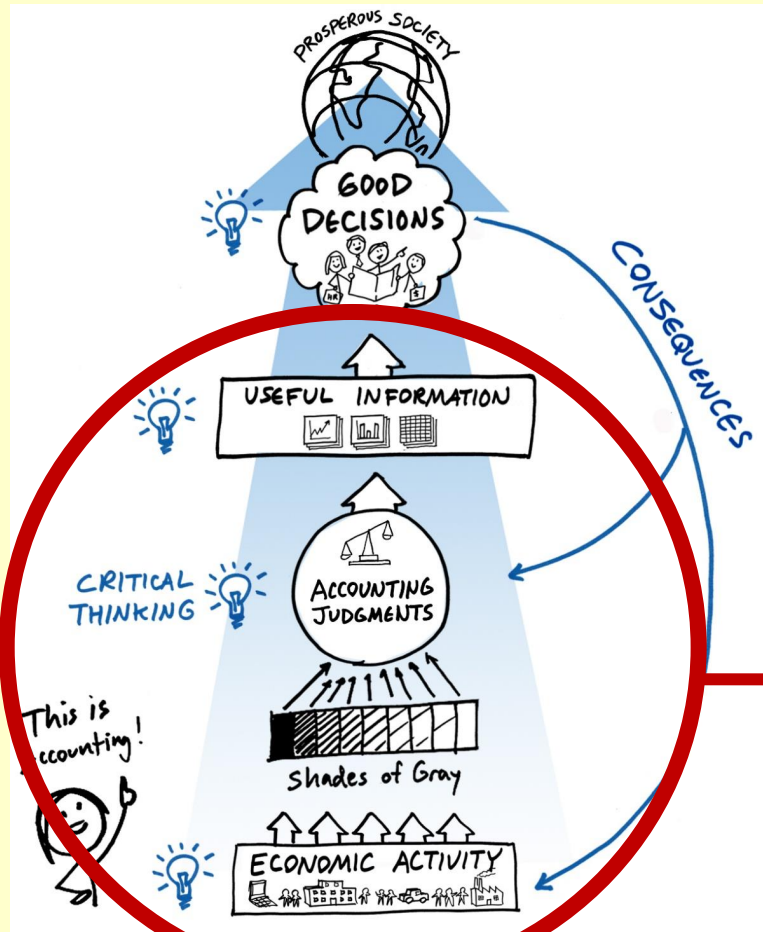
What's behind what I see?



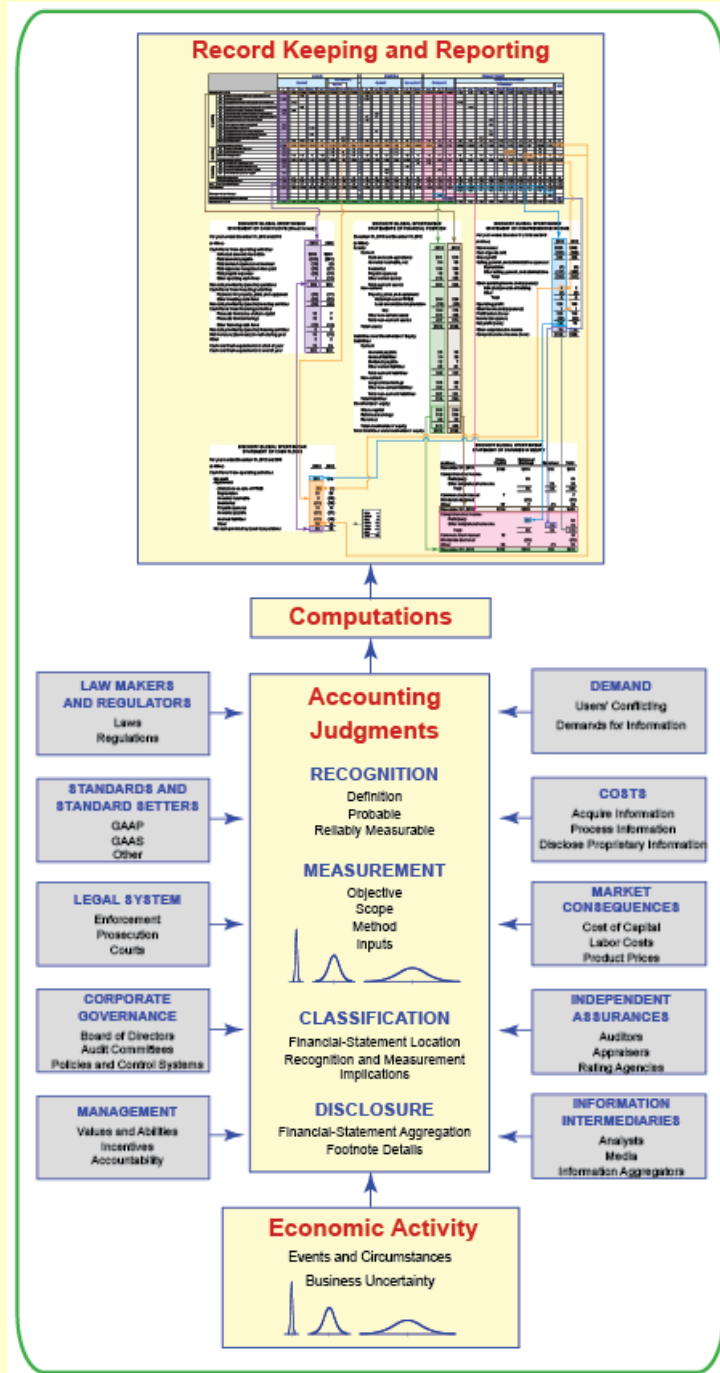
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Step 2

Accounting Decision Map



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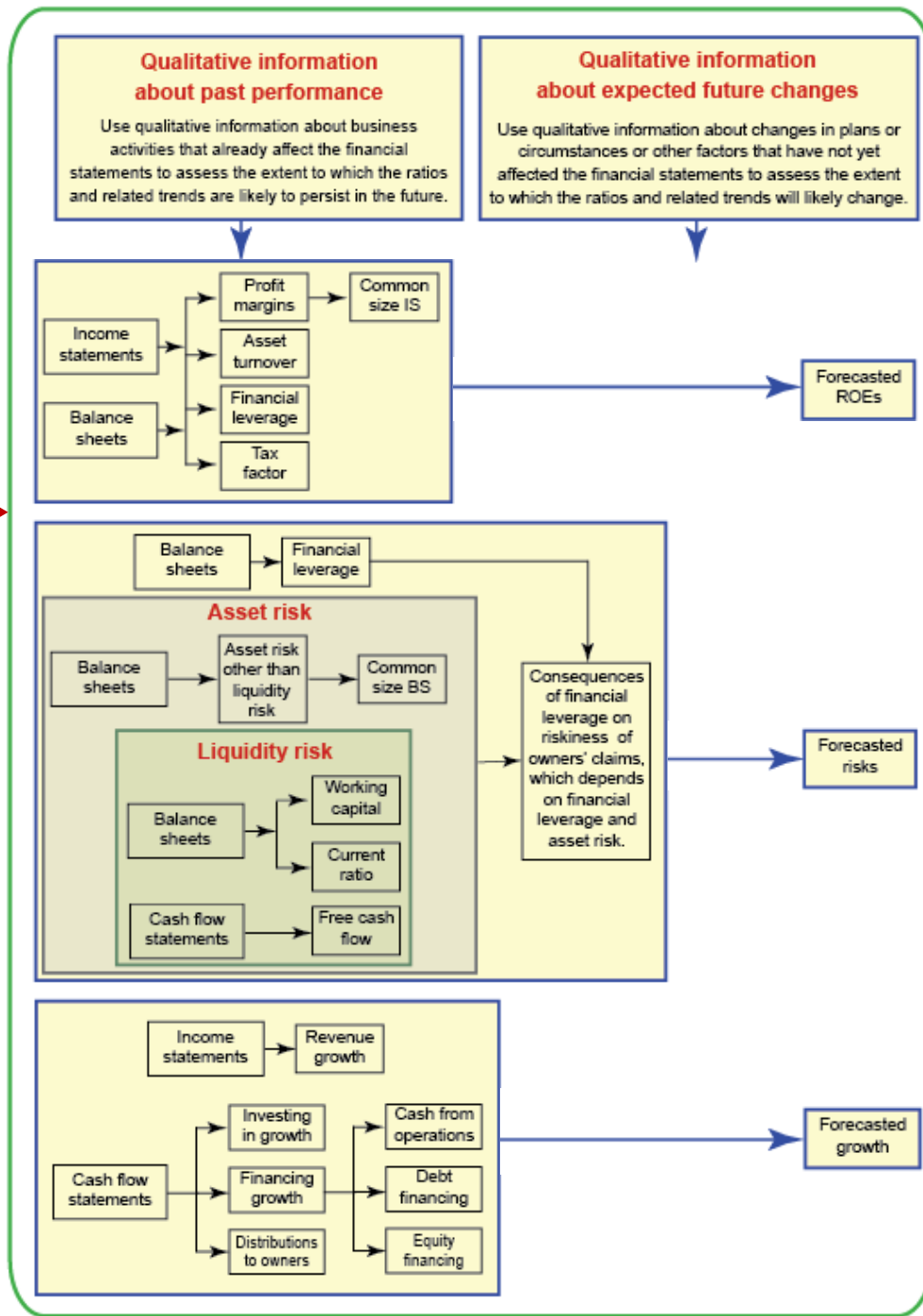
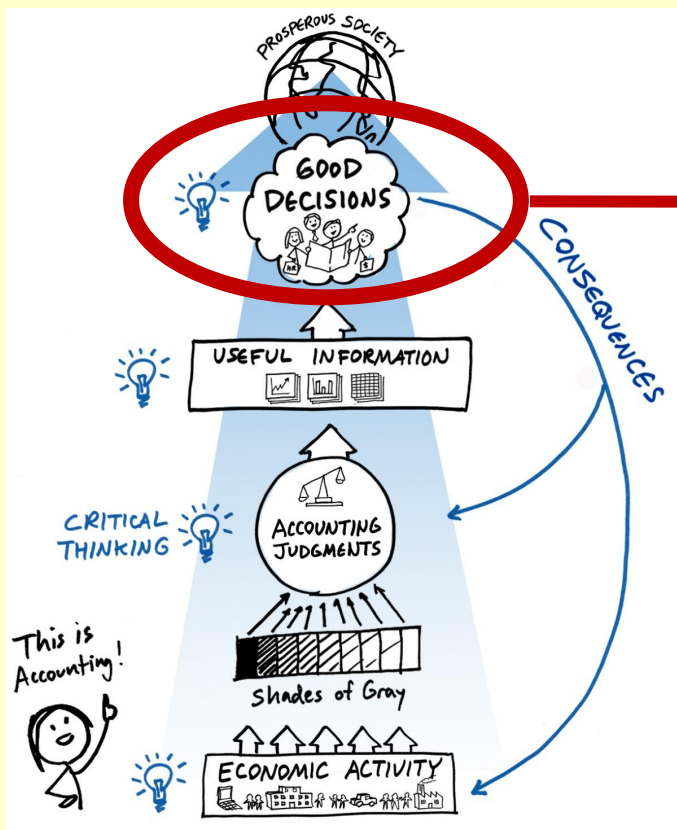


Flipping the Classroom to Up our Game

Step 3

Analysis

Consideration Map



Flipping the Classroom to Up our Game

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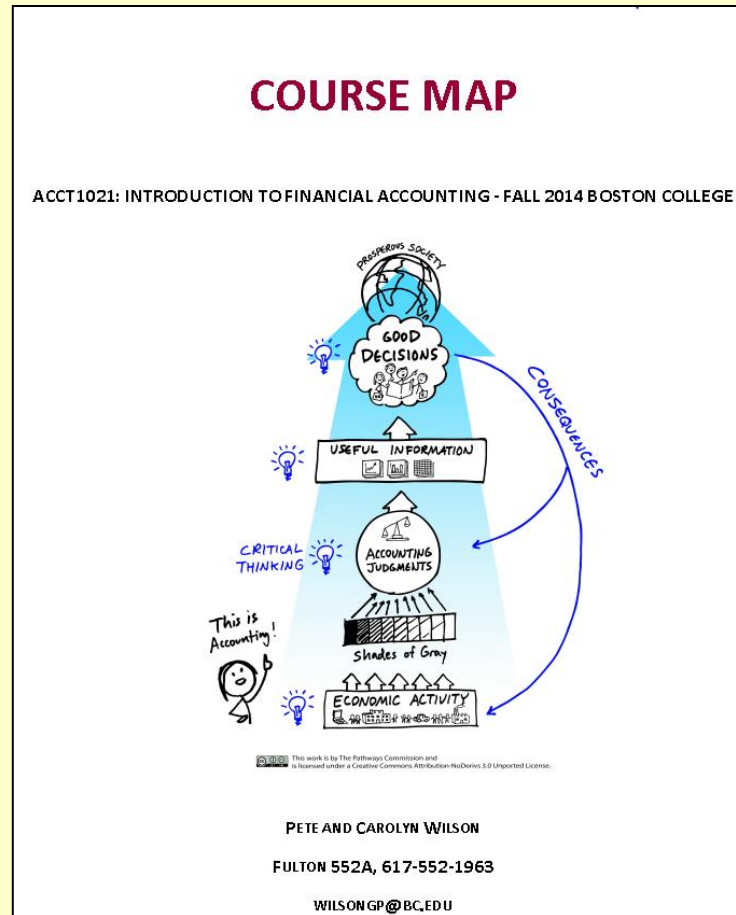
Flipping the Classroom to Up our Game

Flipping Process: Guidance

Before class

During class

After class



16th Session

Pre-class work

Begin to learn terms and concepts from on-line texts/videos

Apply concepts to fictitious companies

Learn how to locate and interpret real-company disclosures

Apply concepts to real companies

Session 16: Customer-related allowances: Bad debts

Read

We have yet to create videos for customer-related allowances. However, these topics are covered in a written document, *Revenue and Customer-Related Balance Sheet Concepts*, along with other topics we will not be covering in this course:

http://www.navigatingaccounting.com/sites/default/files/Posted/Chapters/Ch_07_rv/3_Wbn/5_txt/Documents/Acrobat/rv_wbn_revenue_and_customer_related_balance_sheet_concepts.pdf

- Skim: pages 4-8 (starting with Risks and Risk Sharing)
- Skim: pages 10-11 (starting with Accounting Implication of Risks)
- Skim: page 16 (through to the start of Discounts for Early Payments)
- Skim: pages 18-19 (return to the assumptions as needed to comprehend the examples)
- Grasp: pages 20-21 (parts (a) and (b) of the example – no collateral)
- Skim: pages 21-22 (parts (d) and (e) of the example – collateral)
- Master: page 22 (part (f) of the example – connection to credit risk)
- Skim: pages 22- 23 (starting with Recovering Write-offs)
- Master: pages 23- 26 (starting with Example)

Do

Practice exercises – Within course scope, but not discussed in class

- Exercise rv.wbn.rec.010 – Bischoff and Intel
<http://www.navigatingaccounting.com/exercise/exercise-rvwbrec010>
- Exercise rv.wbn.rec.030 – Neal Company
<http://www.navigatingaccounting.com/exercise/exercise-rvwbrec030>

Read

- Grasp: pages 27-30 (through Measuring and Calibrating Credit Risk)
- Skim: remainder of page 30 and page 31

Do

Assigned exercise – highest priority for class discussion

- Exercise rv.wbn.rec.020 – HP
<http://www.navigatingaccounting.com/exercise/exercise-rvwbrec020>

Flipping the Classroom to Up our Game

Flipping Process: Motivation

16th Session

MARKETS

Big Banks Are Padding Profits With 'Reserve' Cash

As Revenue Slows, Some Banks Increasingly Use Loan-Loss Reserves to Boost Income

By MICHAEL RAPOPORT

Updated Oct. 25, 2013 7:23 p.m. ET

Federal regulators have warned banks to be careful about padding their profits with money set aside to cover bad loans. But some of the nation's biggest banks did more of it in the third quarter than earlier this year.



J.P. Morgan Chase & Co., Wells Fargo & Co., Bank of America Corp. and Citigroup Inc., the nation's largest banks by assets, tapped a total of \$4.9 billion in loan-loss reserves in the third quarter, up by about a third from both the second quarter and the year-ago quarter after adjustments. All the banks except Citigroup showed significant increases compared with the second quarter.

The banks justify the releases. They cite improvements in credit quality and economic conditions—which make it less necessary for them to hold large amounts of reserves as a cushion against loans that go sour—and they say they are following accounting rules that require them to release funds as losses ease.

A Bank of America spokesman said "the significant impact in credit quality we've seen in the last 12 months" has driven the reserve releases. J.P. Morgan, Wells Fargo and Citigroup all pointed to previous comments their top executives recently made indicating that reserve releases were merited because of factors like improving credit quality and the recent increase in housing prices.

But the Office of the Comptroller of the Currency, which regulates nationally chartered banks and federal savings associations, is reiterating warnings to banks about overdoing it.

Wall Street Journal, October 25, 2013

Federal regulators have warned banks to be careful about padding their profits with money set aside to cover bad loans. But some of the nation's biggest banks did more of it in the third quarter than earlier this year.

The banks justify the releases. They cite improvements in credit quality and economic conditions – which makes it less necessary for them to hold large amounts of reserves as cushion against loans that go sour –

Flipping the Classroom to Up our Game

Flipping Process: Class Structure for Non-Analysis Days

16th Session

- **Sample:** Basic assessment
 - “Know what you don’t know”
- **Respond:** Mini-lectures
 - Concepts
 - Homework problems
- **Apply and Extend:** Problem solving
 - New context
 - More complex context
- **Discuss:** Related risks & judgments

Class OneNote Slides

01 Clicker: basics assessment rv.wbn.war: question 01
02 Clicker: basics assessment rv.wbn.war: solution 01
03 Clicker: basics assessment rv.wbn.war: question 02
04 Clicker: basics assessment rv.wbn.war: solution 02
05 Clicker: basics assessment rv.wbn.war: question 03
06 Clicker: basics assessment rv.wbn.war: solution 03
07 Clicker: basics assessment rv.wbn.war: question 04

08 concepts: allowances: key business and accounting issues
09 concepts: anticipate warranty claims
10 concepts: settle warranty claims
11 rv.wbn.war.010: exercise
12 rv.wbn.war.010: part I(a): question
13 rv.wbn.war.010: part I(a): accounts
14 rv.wbn.war.010: part I(a): Note 12: warranties table
15 rv.wbn.war.010: part I(a): blank JE template and inputs
16 rv.wbn.war.010: part I(a): solution
17 rv.wbn.war.010: part I(b): question
18 rv.wbn.war.010: part I(b): blank JE template and inputs
19 rv.wbn.war.010: part I(b): solution
20 rv.wbn.war.010: part II(c) question
21 rv.wbn.war.010: part II(c) R&R map: replenishing allowances
22 rv.wbn.war.010: part II(c): fs effects: BS
23 rv.wbn.war.010: part II(c): fs effects: IS
24 rv.wbn.war.010: part II(c): fs effects: SCOE
25 rv.wbn.war.010: part II(c): fs effects: SCF
26 rv.wbn.war.010: part II(c): solution
27 rv.wbn.war.010: part II(d) question
28 rv.wbn.war.010: part II(d) R&R map: replenishing allowances
29 rv.wbn.war.010: part II(d): fs effects: BS
30 rv.wbn.war.010: part II(d): fs effects: SCF
31 rv.wbn.war.010: part II(d): solution

32 Clicker: applications and extensions rv.wbn.war: solution 01
33 Clicker: applications and extensions rv.wbn.war: question 02
34 Clicker: applications and extensions rv.wbn.war: solution 02
35 Clicker: applications and extensions rv.wbn.war: question 03
36 Clicker: applications and extensions rv.wbn.war: solution 03
37 Clicker: applications and extensions rv.wbn.war: question 04

Flipping the Classroom to Up our Game

Flipping Process: Guidance for Analysis Days

8th Session

Pre-class work

Session 8: Group assignment 2 – Analyzing financial performance

Things you should do to prepare for class

Read

- [Group Assignment Polices](#) [11 pages]

Follow these important guidelines for preparing, submitting and presenting group reports.

Do

Assigned exercise – highest priority for class discussion

- [Exercise is.hun.afp.040](#)

Topics: analyzing income statements and financial performance

Companies: Coca-Cola & PepsiCo

The guidance for the group assignments is in the exercises

Flipping the Classroom to Up our Game

Flipping Process: Guidance for Analysis Days

Students are to use the Toulmin Model of Argumentation

Which company, Coke or Pepsi, appears to have the better future prospects: expected future ROEs, growth rates and risks?

Analysis Consideration Map not completed by Session 8

is.hun.afp.040 Analyzing information to assess companies' future prospects

(Analysis Mini-Case Series)

This exercise has an open-ended question that allows for several good alternative responses. While there aren't correct responses to the question, some are definitely better than others. Generally, responses are better to the extent they identify and fully vet arguments, counterarguments, and rebuttals, include appropriate qualifiers, and provide insights regarding the way you assessed the relative merits of the arguments, counterarguments and rebuttals. See [The Toulmin Model of Argumentation](#) as a reference.

Additionally, responses must cite sources and use quotation marks when copying word for word. Admittedly, this is overkill here because you can only use the provided information. However, citing here is good practice for situations where there are fewer or no restrictions on the admissible information. Still, you needn't cite the provided tabular data.

Usage



This exercise helps you learn how to use accounting information.

Required

In this question, you will explore Coke's and Pepsi's future ROEs, growth rates, and risks.

Based solely on concepts covered thus far in the course and the provided background information and tabular data, which company, Coke or Pepsi, appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future return-on-equity (ROE), growth rates, and risks?

- Respond to this question by completing Parts I-III.

Note: If you conclude one company doesn't dominate the other on all three factors (ROEs, growth rates and risk): (1) In your opening remarks, identify the company that has the best prospects for each of the factors; and (2) incorporate the companies' relative strengths into your arguments, counterarguments, and the confidence you attribute to your claim

Use the [Analysis Consideration Map - Phase 2](#) (on page 18) to help you develop a response that integrates the quantitative and qualitative background information.

Flipping the Classroom to Up our Game

Flipping Process: Guidance for Analysis Days

Claim

Part I: Your qualified claim and opening remarks

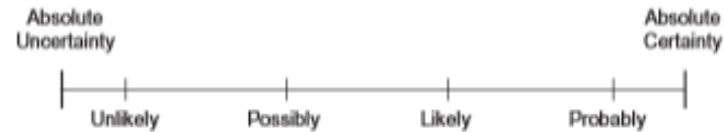
Fill in the blank with either Coke or Pepsi:

_____ appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks.

Qualifiers

Qualifiers:

Put an X at the spot on the scale below that indicates the likelihood your claim is correct, given the available information and concepts covered thus far.



The Youkin Method of Argumentation: The Second Ed., Keith Green
http://www.youtube.com/watch?v=gRtC_vZDB8

Arguments

Part II: Your arguments

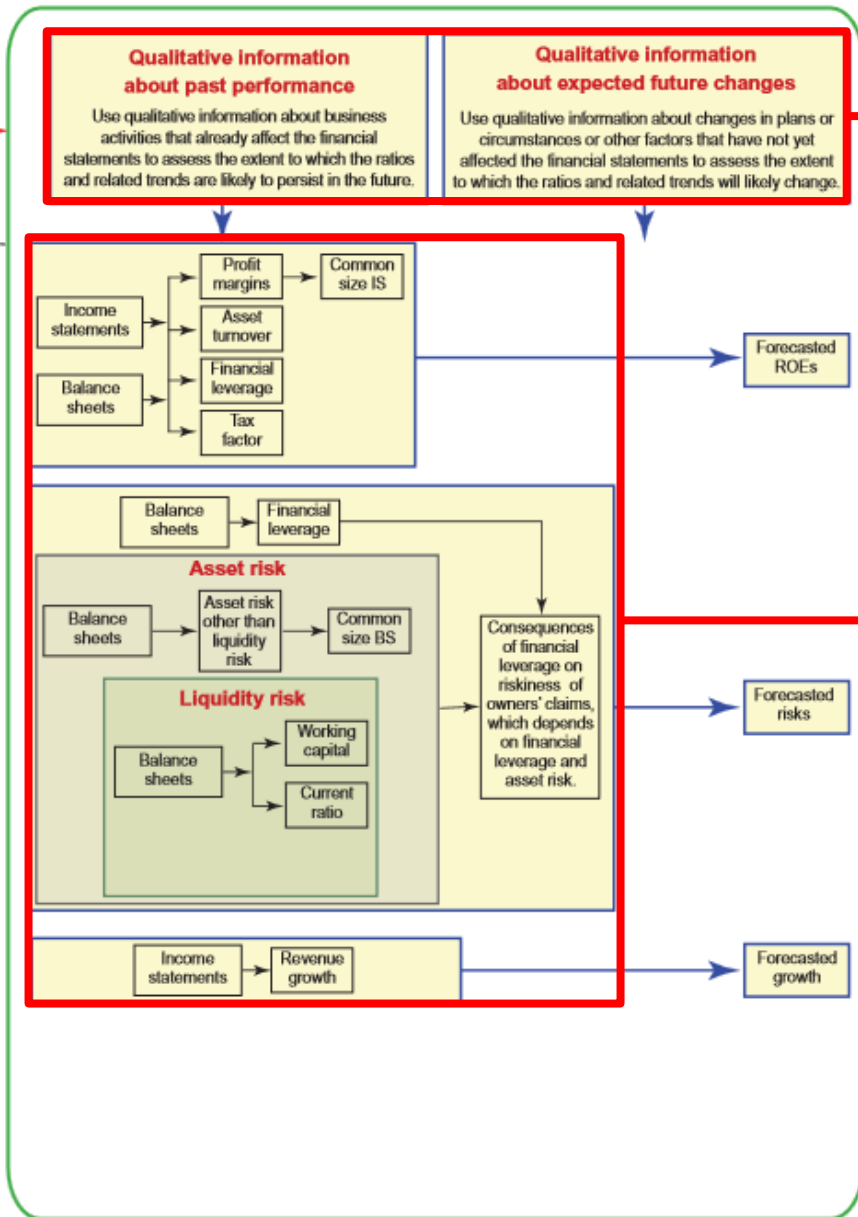
Provide no more than three arguments in support of your claim in the space provided below, numbered and arranged according to your assessment of their strength (from strongest to weakest).

Counterarguments

Part III: Your counterarguments and rebuttals

Provide no more than three counterarguments to your claim, numbered and arranged according to your assessment of their challenge to the claim (from strongest to weakest). If possible provide rebuttals immediately below each counterargument.

Analysis Consideration Map - Phase 2

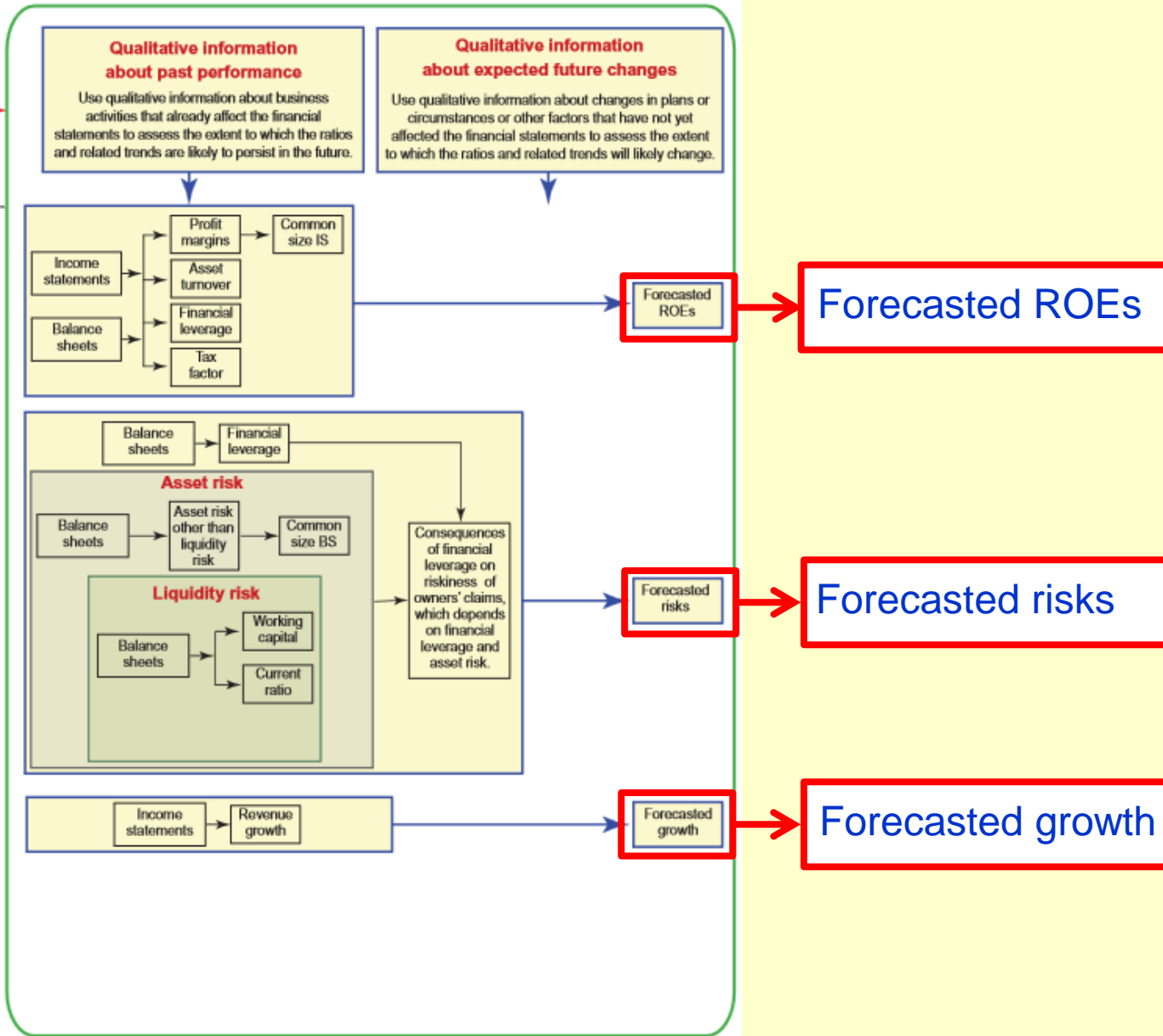


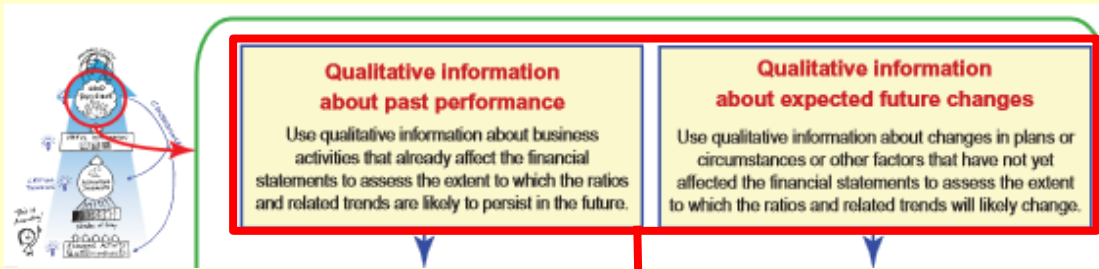
Qualitative inputs based mostly on quotes from earnings conference call transcripts, annual reports and media articles

Quantitative inputs based mostly on balance sheets, income statements and footnotes
Cash flow statement not covered by session 8



Analysis Consideration Map - Phase 2





John Faucher - JPMorgan Chase & Co. - Analyst

“... responding to Gary’s question about ramping up the marketing, ... there’s a sense out there in the market that given the headwinds for the category, that adding more marketing could be pushing on a string, so to speak. So what is it that you’re seeing that says these headwinds that you are facing can be offset with higher marketing? Thanks.”

Muhtar Kent - The Coca-Cola Co - Chairman & CEO

“John, I’ll just tell you very simply that the Coca-Cola way is to grow our way to success. We invest for growth together with our bottling partners and we have the greatest system in the world.

We have a tremendous amount of experience to say that good marketing, good selling works for our Business. And it will work for our business. We have numerous cases to prove that.

We’re going to continue to build on our marketing in both quantity and quality. This is a global increase in marketing.

In every country that we operate in, large or small, we know it works. When we invest in marketing, our global partners invest in feet-on-the-street, in more coolers, in more trucks, in more [lines], and that’s what we see happening. That’s what we will see, we believe, happening to our Business as we restore steady momentum in through 2014 and beyond.”

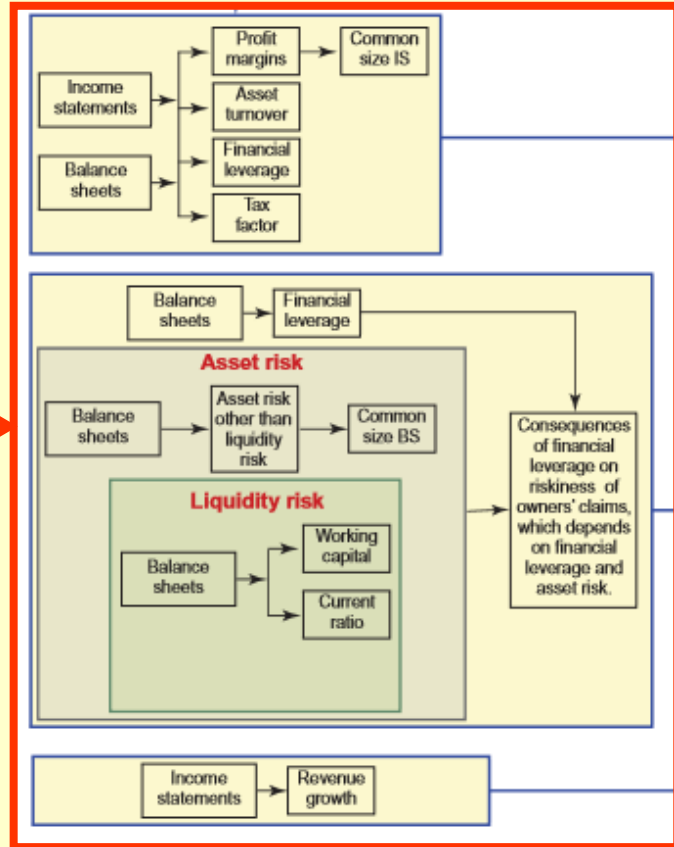
Flipping the Classroom to Up our Game

Flipping Process: Guidance For Analysis Days

Comparing Income Statements and Select Performance Ratios

Numbers below are either disclosed on the company's statements with similar captions or they combine numbers with related captions.

	Coca-Cola Company				PepsiCo, Inc.			
	year ended Dec				year ended Dec			
	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2013	fiscal 2012	fiscal 2011	fiscal 2010
	USD Millions \$				USD Millions \$			
INCOME STATEMENTS								
Net revenues	46,854	48,017	46,542	35,119	66,415	65,492	66,504	57,838
Cost of goods or services sold	18,421	19,053	18,215	12,693	31,243	31,291	31,593	26,575
Gross profit	28,433	28,964	28,327	22,426	35,172	34,201	34,911	31,263
Other operating income and (expenses)	18,205	18,185	18,154	13,977	25,467	25,089	25,278	22,931
Operating profit	10,228	10,779	10,173	8,449	9,705	9,112	9,633	8,332
Other income and (expenses)	(1,249)	(1,030)	(1,285)	(5,794)	814	808	799	100
Profit before taxes	11,477	11,809	11,458	14,243	8,891	8,304	8,834	8,232
Income tax refund and (expense)	2,851	2,723	2,812	2,384	2,104	2,090	2,372	1,894
Net profit (loss) from continuing operations	8,626	9,086	8,646	11,859	6,787	6,214	6,462	6,338
SELECTED FINANCIAL DATA								
(controlling and non-controlling)								
Comprehensive income	8,576	8,513	7,329	11,154	7,145	6,951	3,928	6,489
Beginning total assets	86,174	79,974	72,921	48,671	74,638	72,882	68,153	39,848
Ending total assets	90,055	86,174	79,974	72,921	77,478	74,638	72,882	68,153
Average total assets (beginning + ending total assets)/2	88,115	83,074	76,448	60,796	76,058	73,760	70,518	54,001
Beginning owner's equity	33,168	31,921	31,317	25,346	22,399	20,899	21,476	17,442
Ending owner's equity	33,440	33,168	31,921	31,317	24,389	22,399	20,899	21,476
Average owners' equity (beginning + ending owner's equity)/2	33,304	32,545	31,619	28,332	23,394	21,649	21,188	19,459
RATIOS								
Level 1: Comprehensive income								
Return-on-equity-Comprehensive income (ROE-CI) CI/average owners' equity	25.75%	26.16%	23.18%	39.37%	30.54%	32.11%	18.54%	33.35%
Level 2: Major categories								
Return-on-equity (ROE) net profit/average owner's equity	25.90%	27.92%	27.34%	41.86%	29.01%	28.70%	30.50%	32.57%
Level 3: Significant Subcategories--DuPont Model								
Profit margin ratio profit before taxes/revenue	24.50%	24.59%	24.62%	40.56%	13.39%	12.68%	13.28%	14.23%
Asset turnover revenue/average total assets	0.53	0.58	0.61	0.58	0.87	0.89	0.94	1.07
Financial leverage average total assets/average owners' equity	2.65	2.55	2.42	2.15	3.25	3.41	3.33	2.78
Income tax factor 1- (tax expense/pretax income)	0.75	0.77	0.75	0.83	0.76	0.75	0.73	0.77
Level 4: Line items								
Common size income statements:	Percent of revenues				Percent of revenues			
Net revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of goods or services sold	39.32%	39.68%	39.14%	36.14%	47.04%	47.78%	47.51%	45.95%
Gross profit margin	60.68%	60.32%	60.86%	63.86%	52.96%	52.22%	52.49%	54.05%
Other operating income and (expenses)	38.85%	37.87%	39.01%	39.80%	38.35%	38.31%	38.01%	39.65%
Operating profit margin	21.83%	22.45%	21.88%	24.06%	14.61%	13.91%	14.48%	14.41%
Other income and (expenses)	-2.67%	-2.15%	-2.78%	-16.50%	1.23%	1.23%	1.20%	0.17%
Profit margin before taxes	24.50%	24.59%	24.62%	40.56%	13.39%	12.68%	13.28%	14.23%
Income tax expense	6.08%	5.67%	6.04%	6.79%	3.17%	3.19%	3.57%	3.27%
Net profit margin (loss)	18.41%	18.92%	18.58%	33.77%	10.22%	9.49%	9.72%	10.96%
Revenue growth (current year-prior year)/prior year	-2.42%	3.17%	32.53%		1.41%	-1.52%	14.98%	



Flipping the Classroom to Up our Game

Flipping Process: Class Structure for Analysis Days

Class OneNote Slides

- Survey groups' initial claims
- Discuss supporting arguments, counterarguments and rebuttals
- Survey groups' ending claims
- Ask students what they learned?

01	Announcement
02	Part I: survey of claims
03	Part II Arguments
04	Part III Counterarguments
05	Exercise
06	Tabular data: BS
07	Tabular data: IS
08	Tabular data: Net revenues by segment
09	Financial leverage based on market versus book values
10	Distributions to owners
11	Total return to owners: 2011-2013
12	Pepsi IS
13	Pepsi BS
14	Coke IS
15	Coke BS
16	Analysis Consideration Map
17	Pathways Vision Model
18	Survey ending claims
19	What did you learn?

Flipping the Classroom to Up our Game

Take Aways

#1 Goals drive everything

- Robust conceptual frameworks students can apply to navigate complexity and uncertainty throughout their careers
- Relationship skills and attitudes that promote effective and rewarding interactions with others
- A passion for life-long learning and strategies to learn on their own

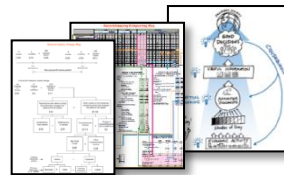
Flipping the Classroom to Up our Game

Take Aways

#2 Use building blocks to meet goals



1. Robust concepts and frameworks



2. Rich applications



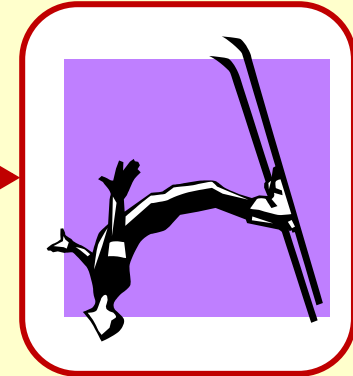
3. Detailed course maps



4. Enabling technology



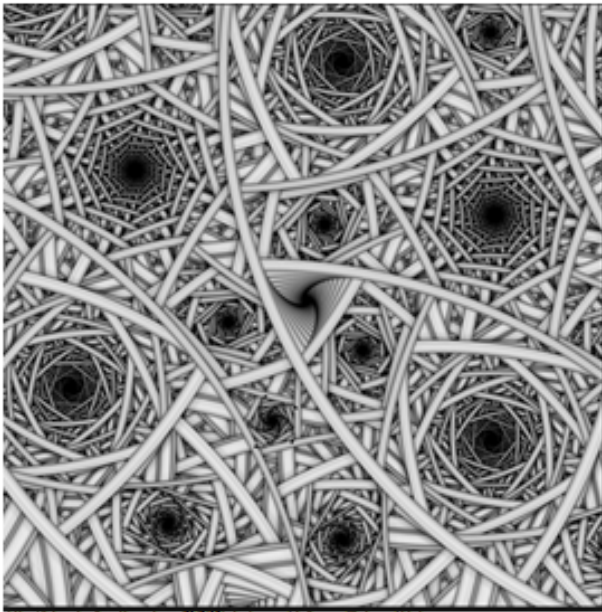
5. Effective motivation



Flipping the Classroom to Up our Game

Take Aways

#3 Seek simplicity on the far side of complexity



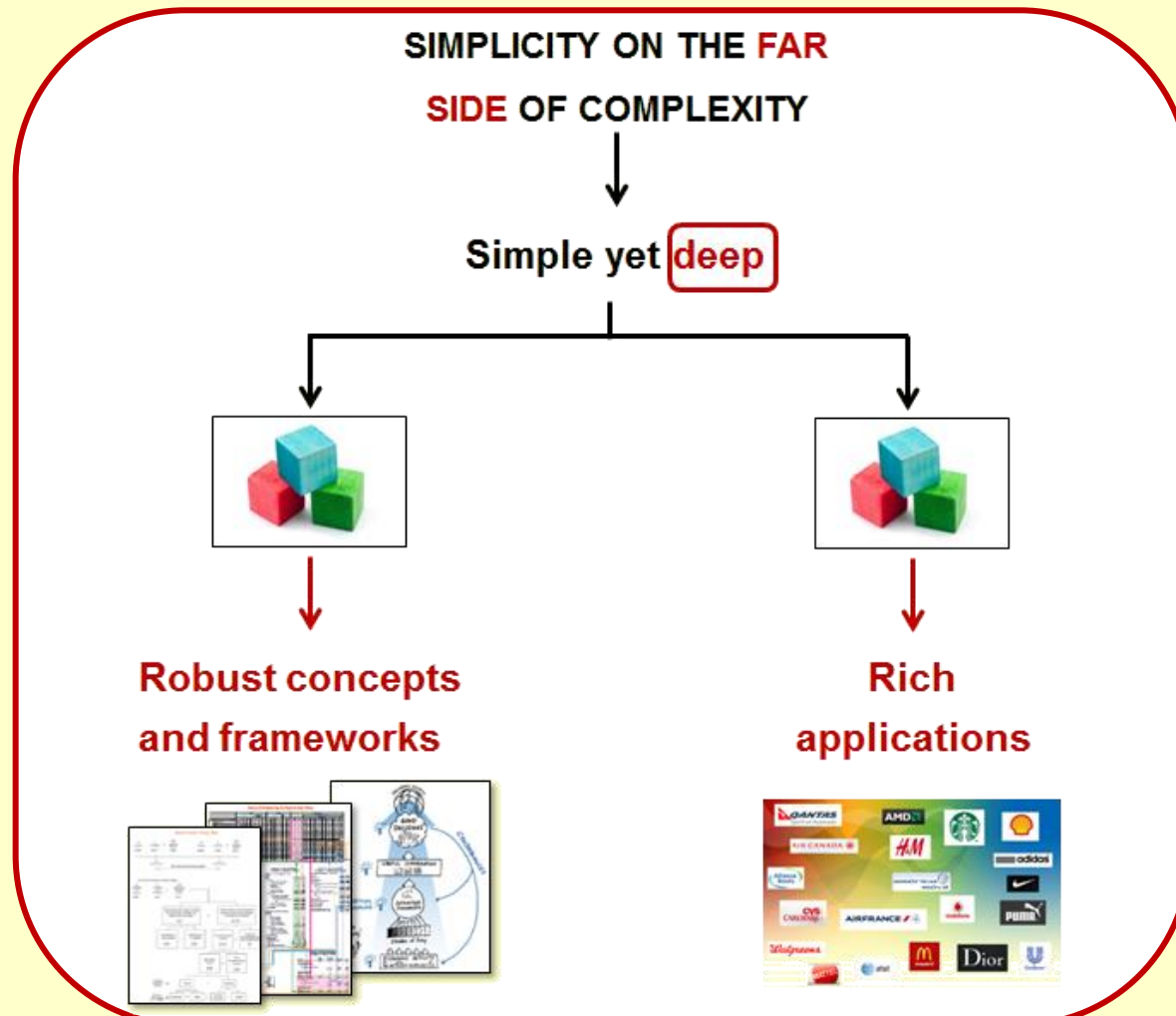
“I wouldn’t give a fig for the simplicity **this side of complexity** but I’d give my life for simplicity on the **far side of complexity**”

Oliver Wendell Holmes

Flipping the Classroom to Up our Game

Take Aways

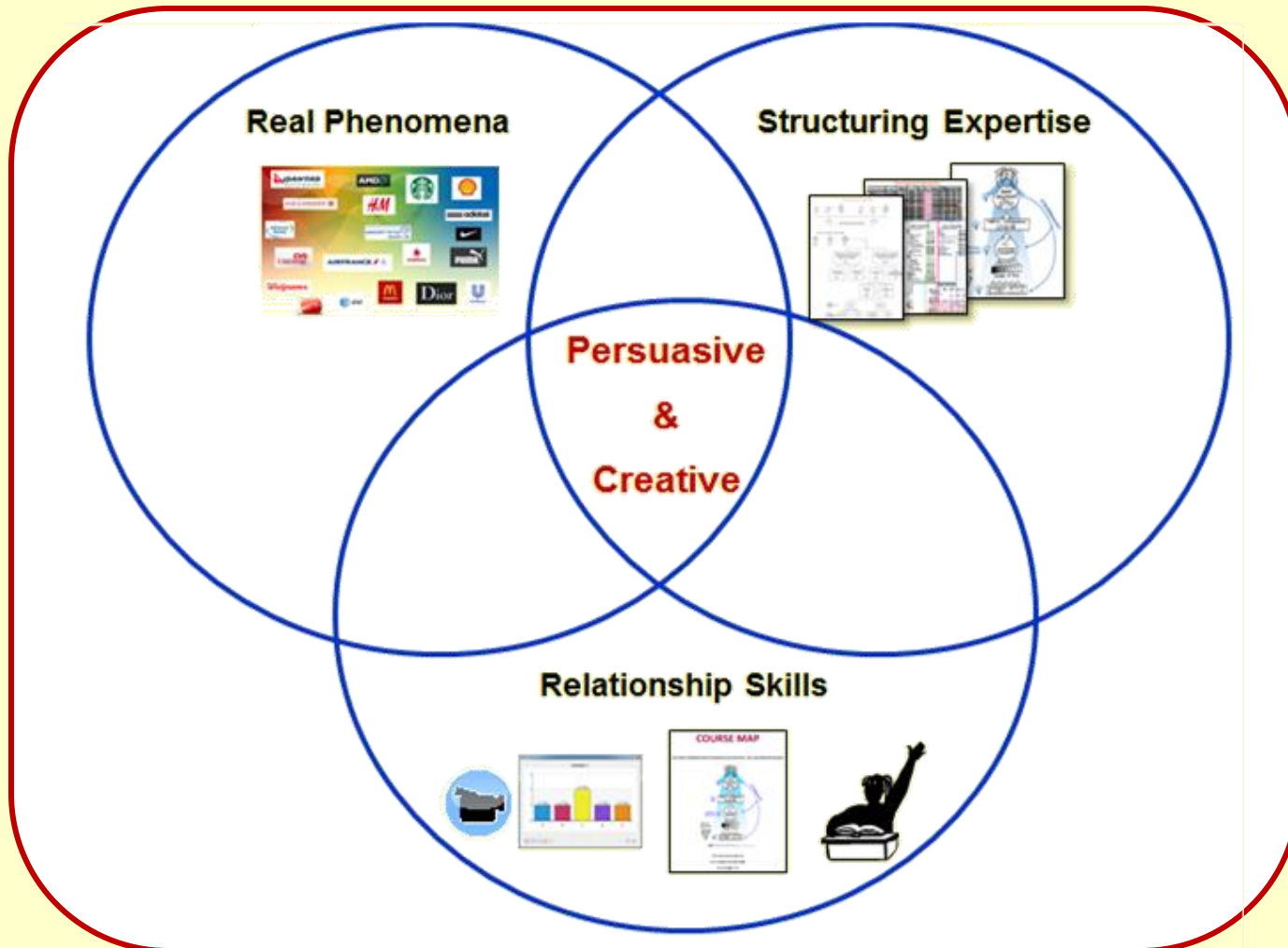
#4 Use robust concepts and rich applications



Flipping the Classroom to Up our Game

Take Aways

#5 Develop competencies for effective scholarship



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Take Aways

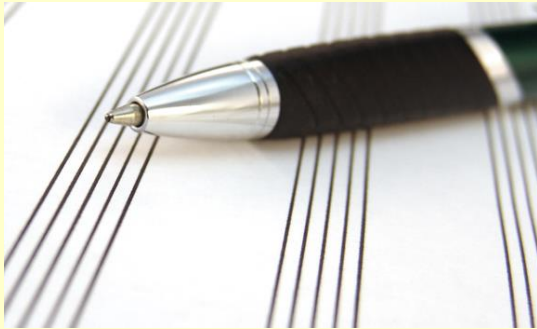
#6 Make great music with your students



Flipping the Classroom to Up our Game

Take Aways

7 We don't need to be composers ...



to create great music and make a difference.

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QUESTIONS OR COMMENTS

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Closing Thought

Thanks again for this incredible honor!

