

# Transforming the Student Experience in Accounting

## Flipping the Classroom to Up our Game

University of Calgary  
June 19, 2015

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Slides will be posted at

[www.navigatingaccounting.com/presentation/presentations#Teaching](http://www.navigatingaccounting.com/presentation/presentations#Teaching)

# Transforming the Student Experience in Accounting

## Flipping the Classroom to Up our Game

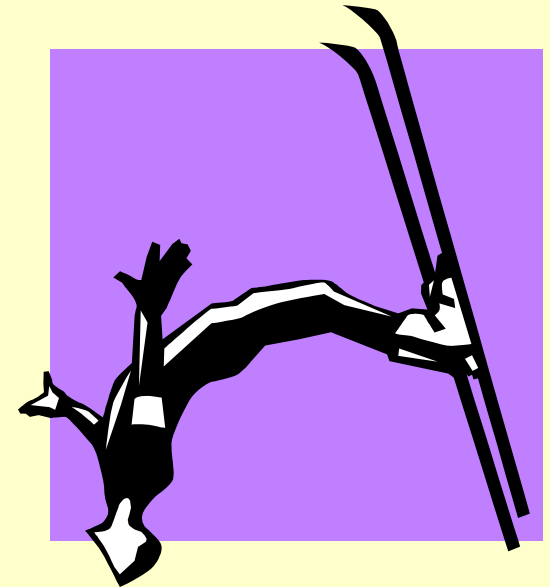
### Agenda

- **Framing**
  - Flipping
  - Building blocks and goals
  - Pathways Vision Model
- **Hands on demonstrations**
  - Balance-sheet judgments
  - Record keeping and reporting
  - Critical thinking and accounting judgments
- **Take aways**

# Framing Flipping

## What is flipping?

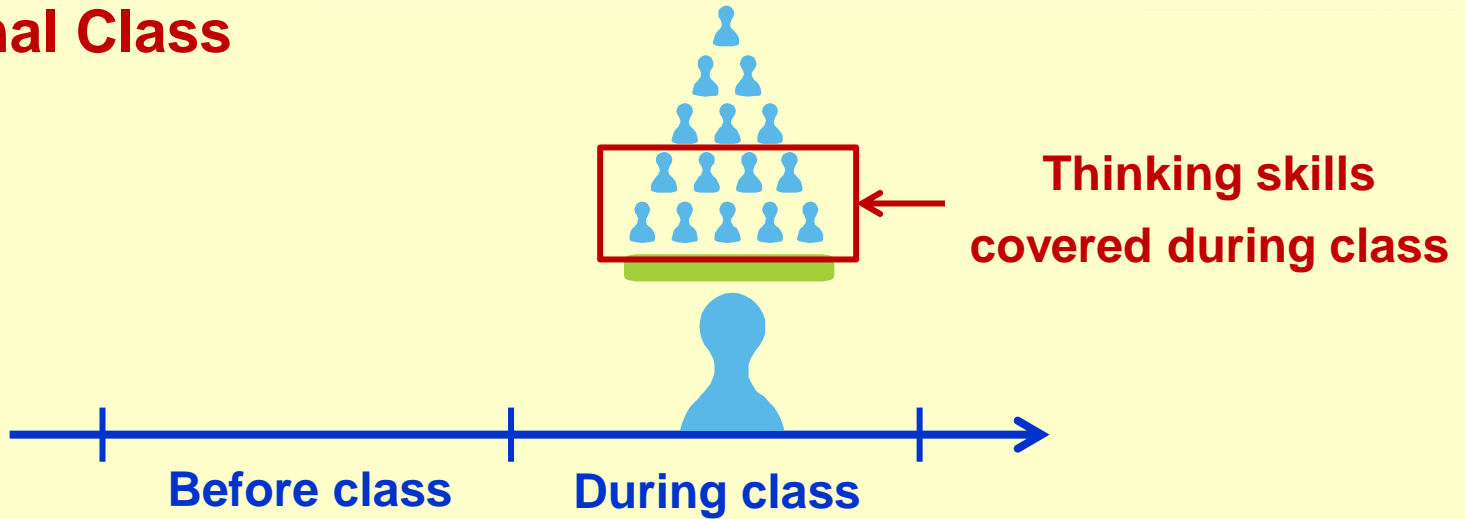
“Students gain first exposure to new material outside of class, usually via reading or lecture videos, and then use class time to do the harder work of assimilating that knowledge, perhaps through problem-solving, discussion, or debates.”



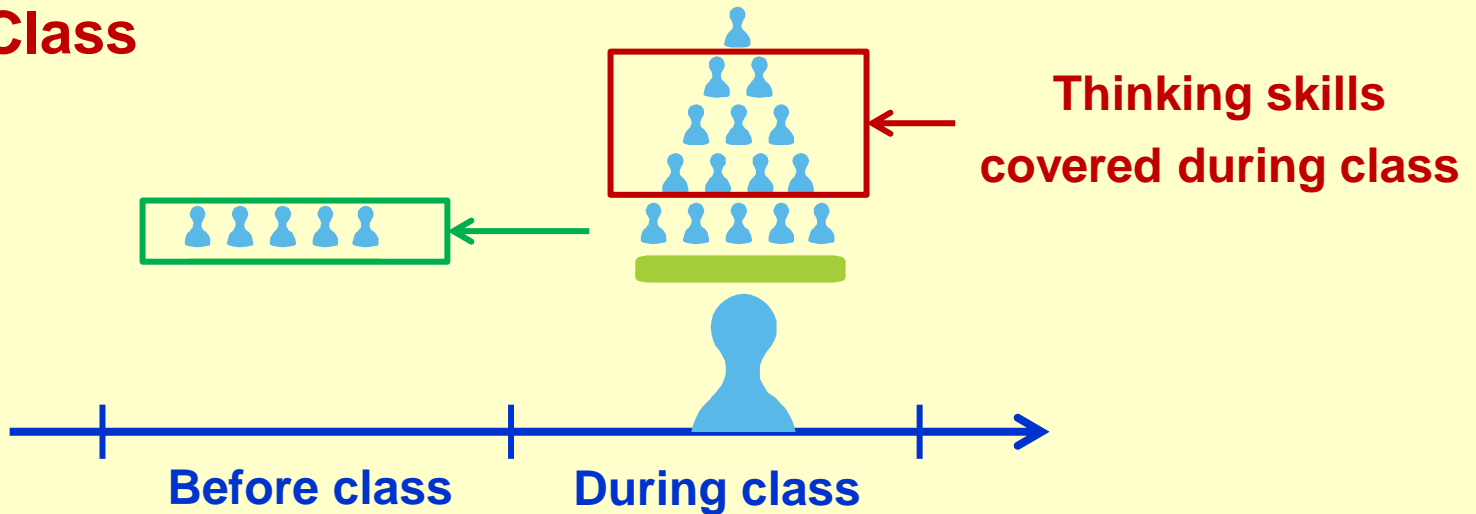
# Framing

## Upping our Game

### Traditional Class



### Flipped Class

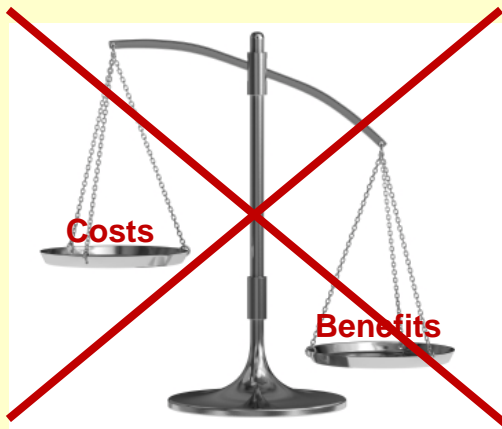


# Framing

## 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

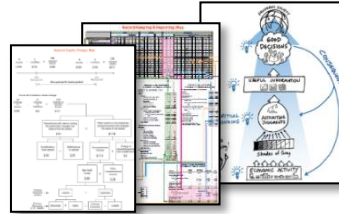


<http://bestfunnyaccidents.com/gymnastics-fail-blog-funny-flip-bloopers-gone-wrong-accidents.html>

# Framing

## Building Blocks

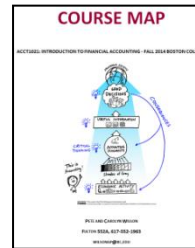
1. Robust concepts and frameworks



2. Rich applications



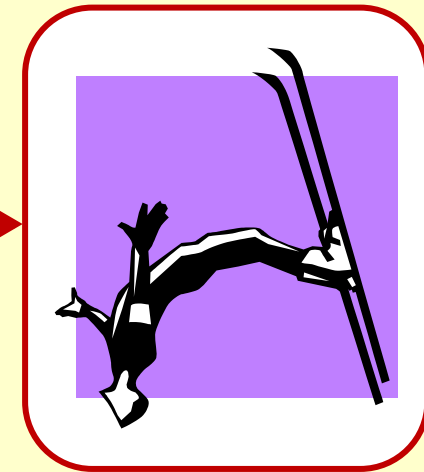
3. Detailed course maps



4. Enabling technology



5. Effective motivation



# Framing

## Overarching Course Goals

### Help students develop

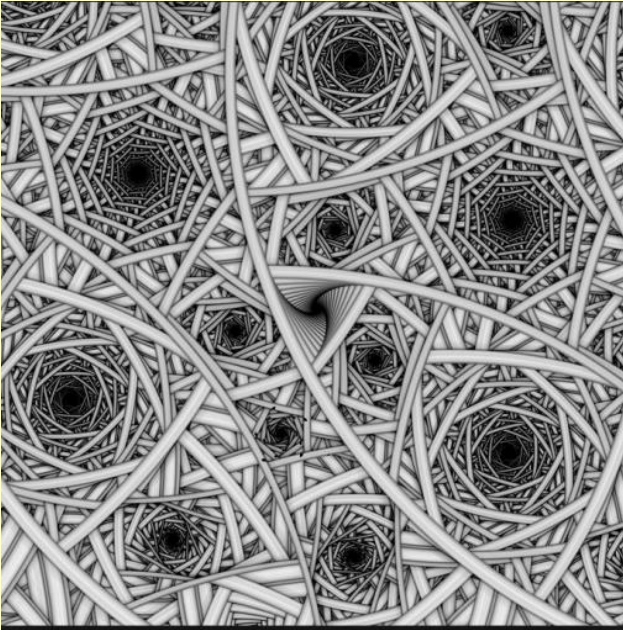
- Robust conceptual frameworks they can apply to navigate complexity and uncertainty throughout their careers
- Relationship skills and attitudes that promote effective and rewarding interactions with others
- A passion for life-long learning and strategies to learn on their own

***“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>*

# Framing

## 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

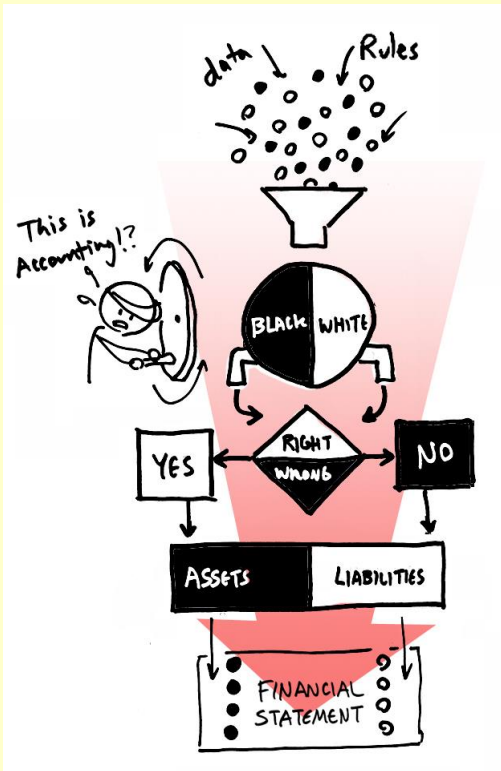
OF COMPLEXITY



Simple but shallow



Perception



# SIMPLICITY ON THE FAR

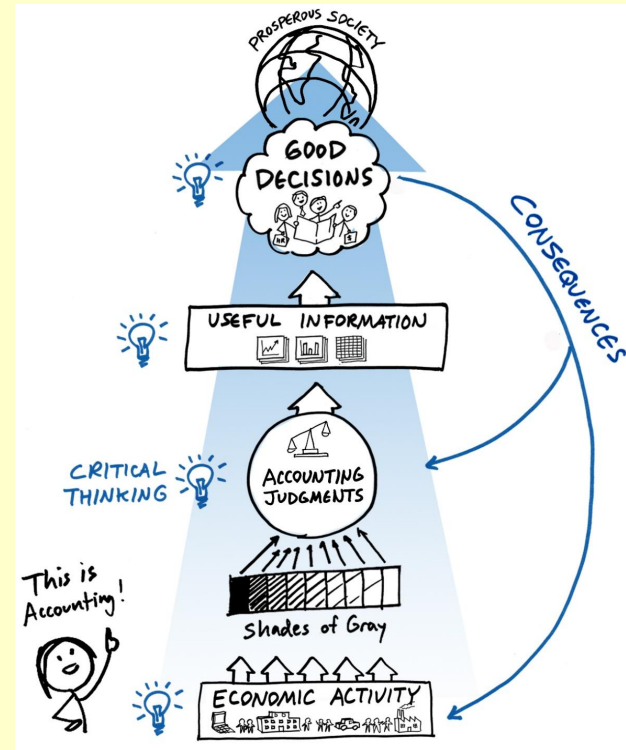
SIDE OF COMPLEXITY



Simple yet deep



Reality



Simplicity on the Far Side of Complexity



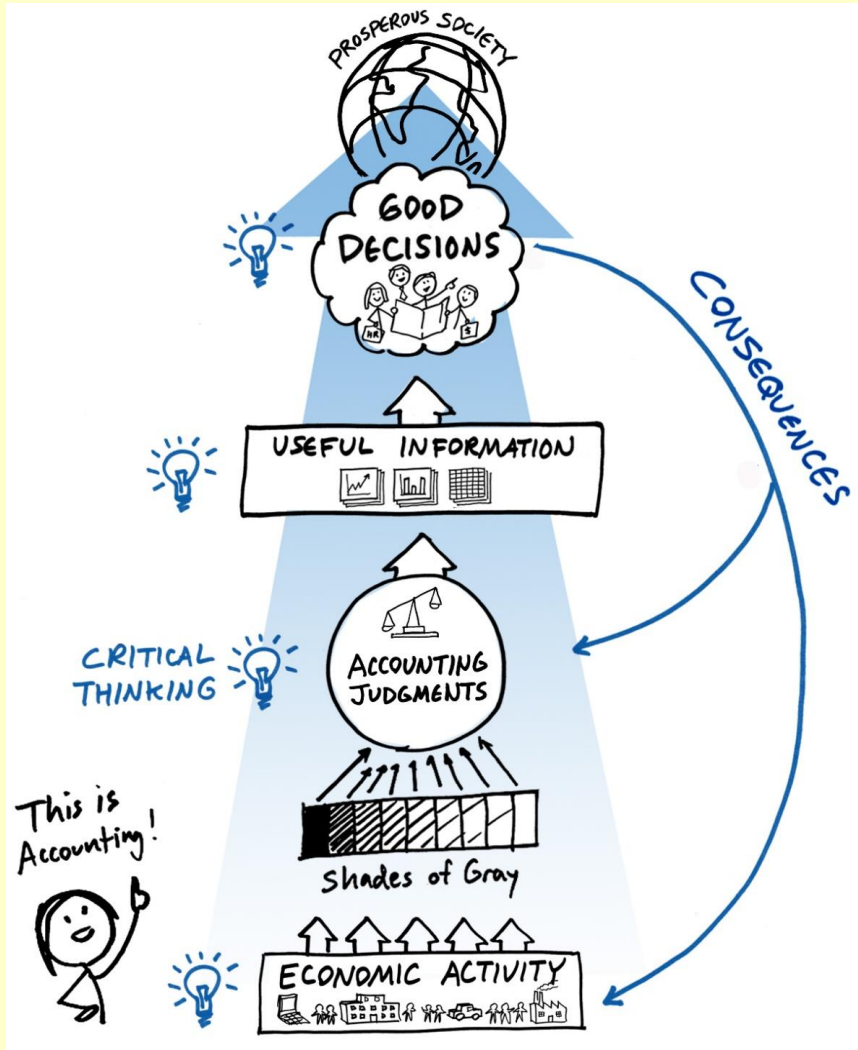
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# Framing

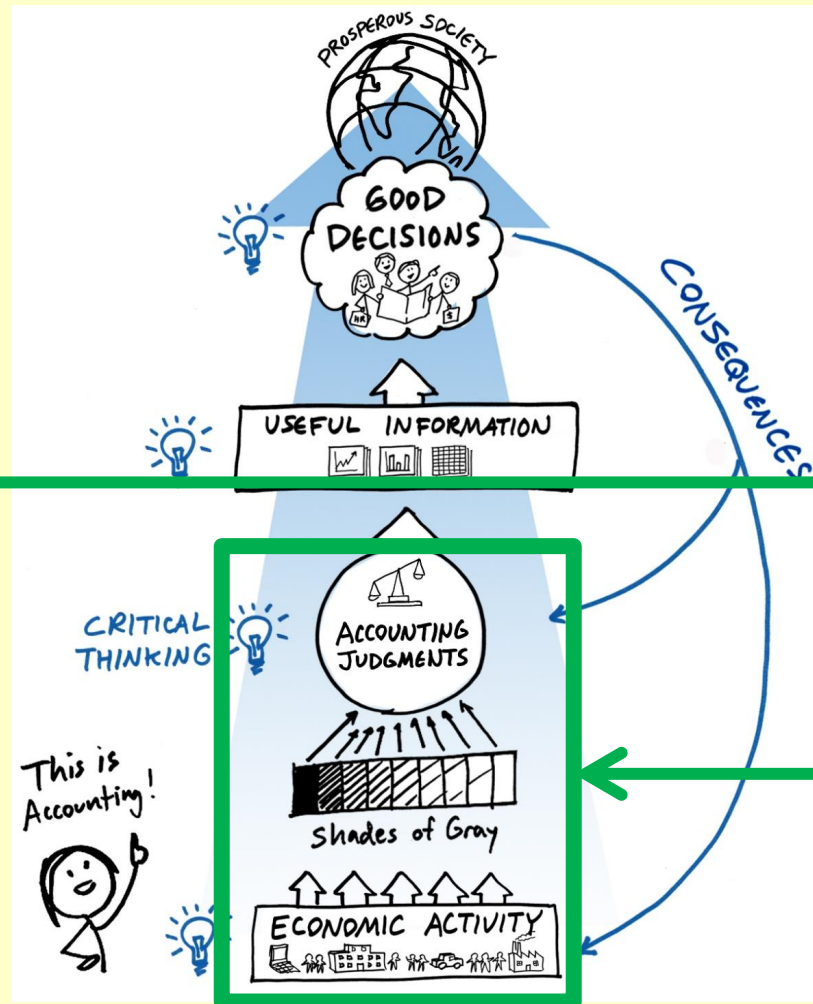
## Pathways Commission Vision Model



- Inclusive
- Interdependent elements
- Simple, yet deep

# Framing

## Pathways Commission Vision Model



Outsiders

Insiders

Reporting entity

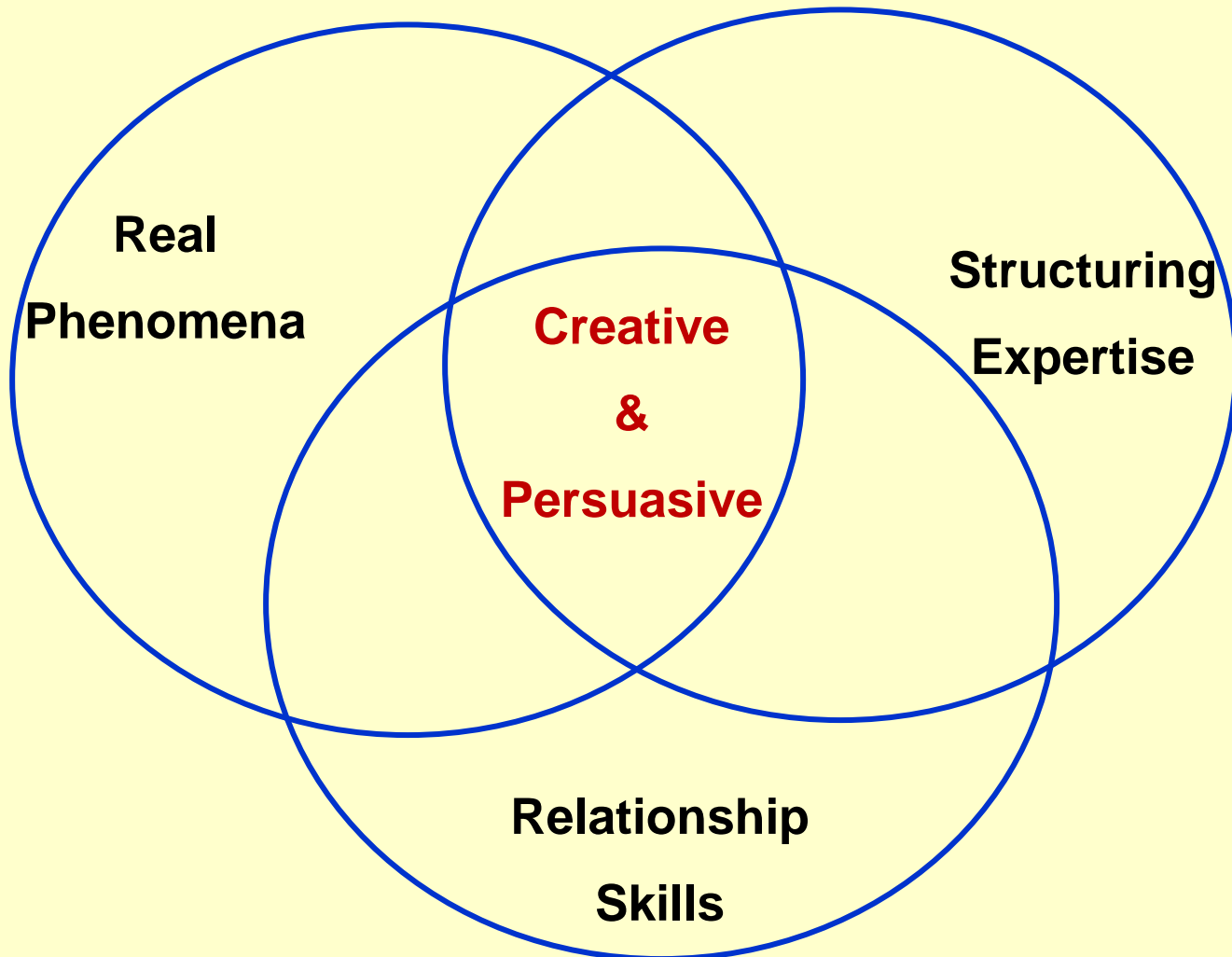


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# Framing

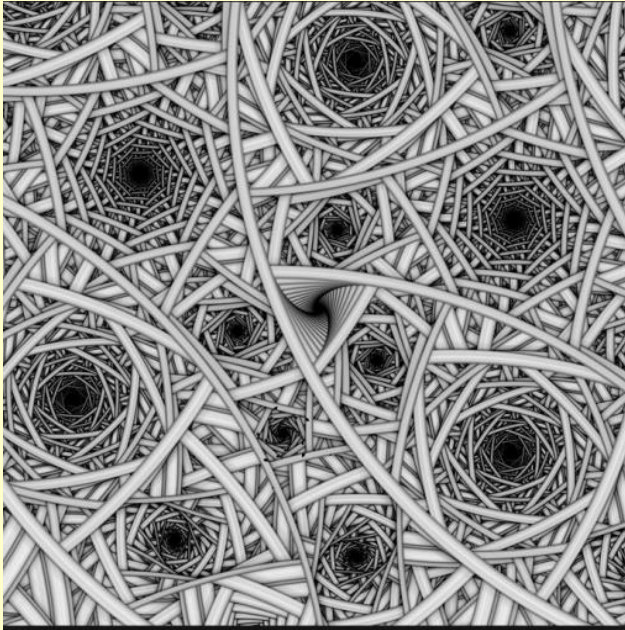
Find the Healthy Tension Between Teaching and Research

## Core Competencies of Highly Successful Scholars



# Framing

## Simplicity on the Far Side of Complexity



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

### Success Factors

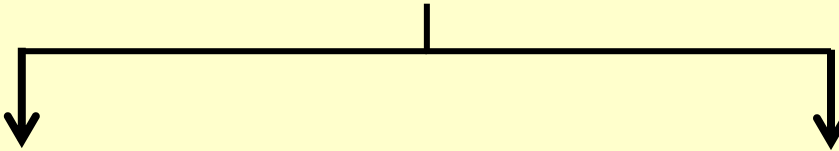
- Internalize concepts
- Apply concepts repeatedly in diverse contexts

**SIMPLICITY ON THE FAR**

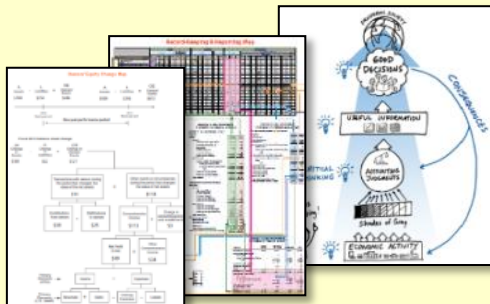
**SIDE OF COMPLEXITY**



Simple yet **deep**



**Robust concepts  
and frameworks**



**Rich  
applications**

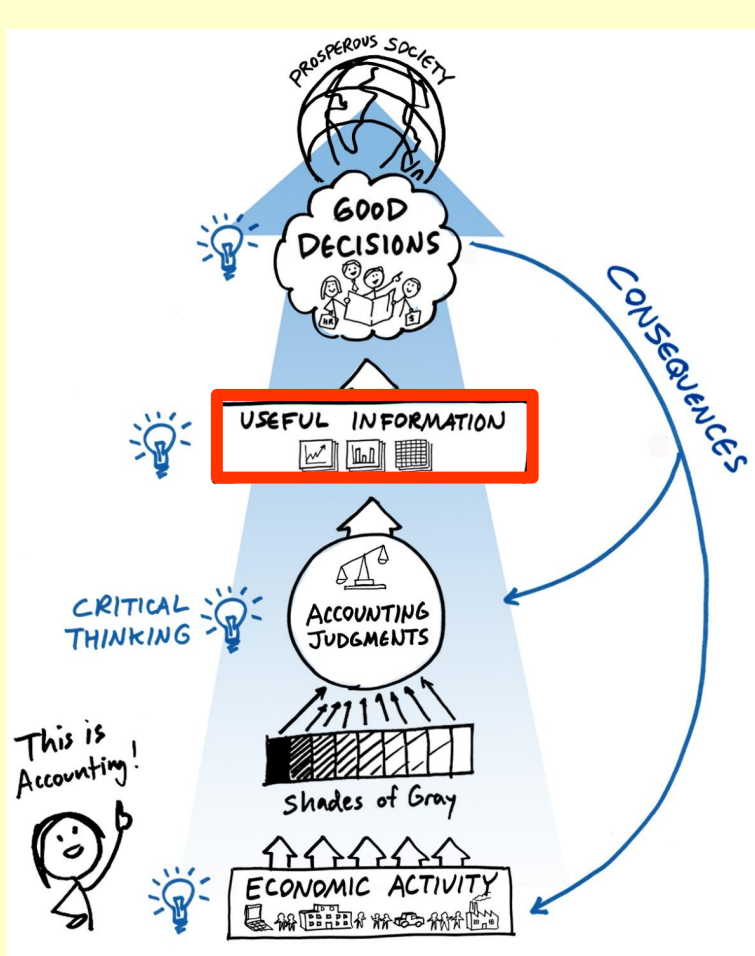


Simplicity on the Far Side of Complexity



# Framing

## Course Design Choices



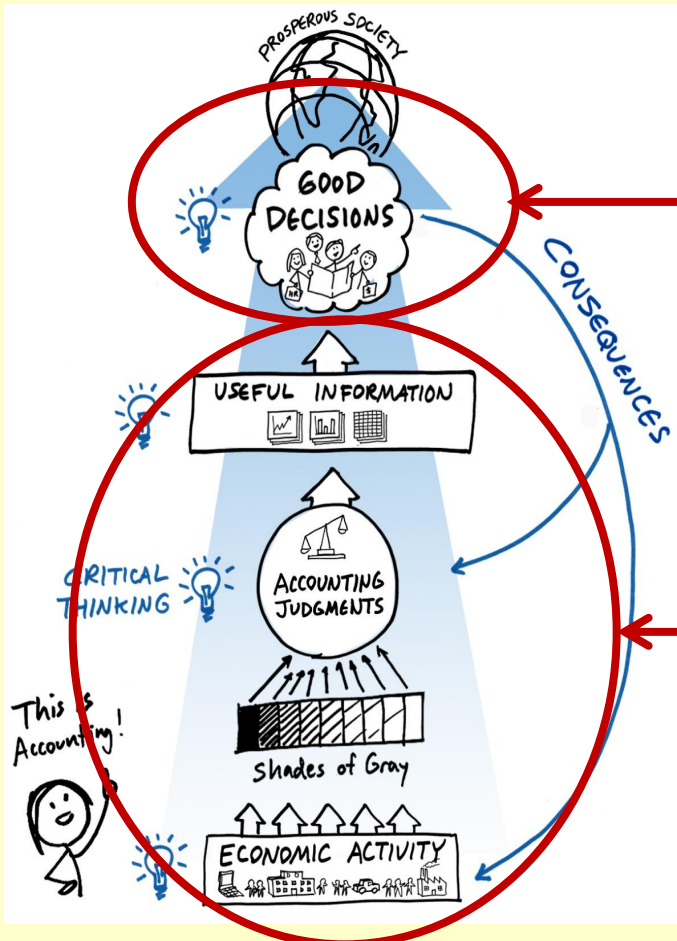
- Analysis
- Ratio effects
- Financial-statement effects
- Entries
- Computations
- Accounting Judgments
- Analyze economic activity
  - Events
  - Risks & incentives



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# Framing

## 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?

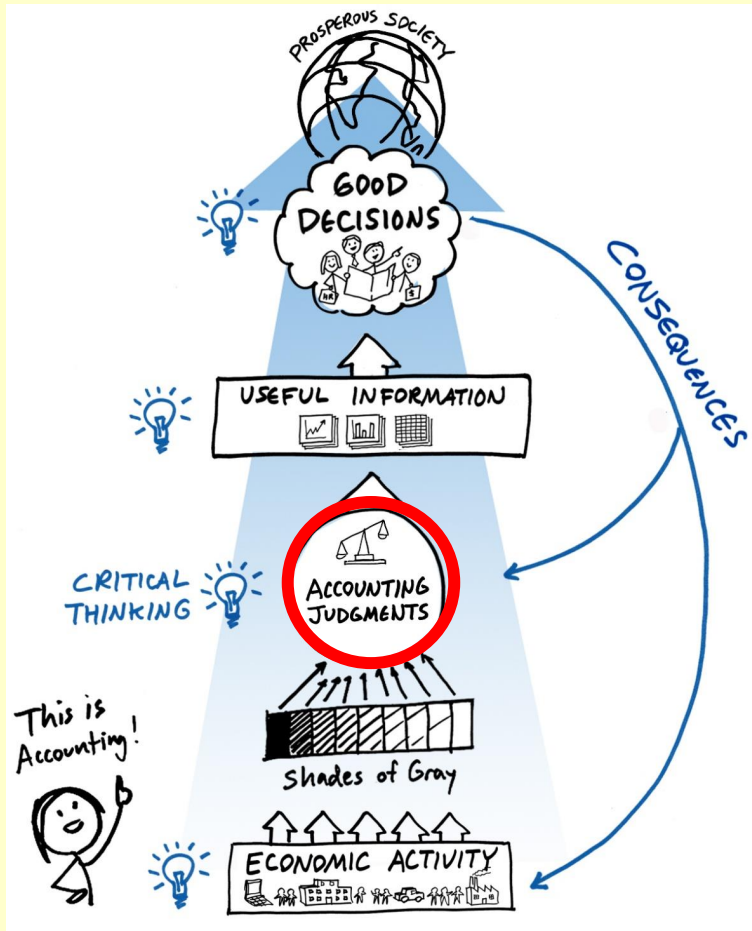


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# Balance-Sheet Judgments

## Session 1



- Analysis
- Ratio effects
- Financial-statement effects
- Entries
- Computations
- **Accounting Judgments**
- Analyze economic activity
  - Events
- **Risks & incentives**



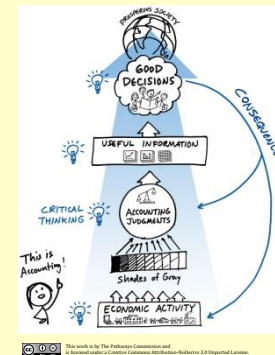
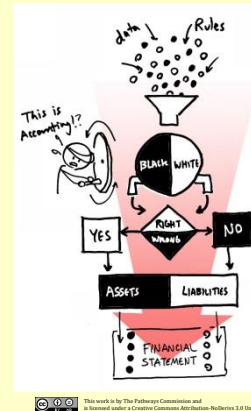
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# Balance-Sheet Judgments

## Shifting Perceptions

Balance Sheet	
Assets	■
Liabilities	■
Owners' Equity	■

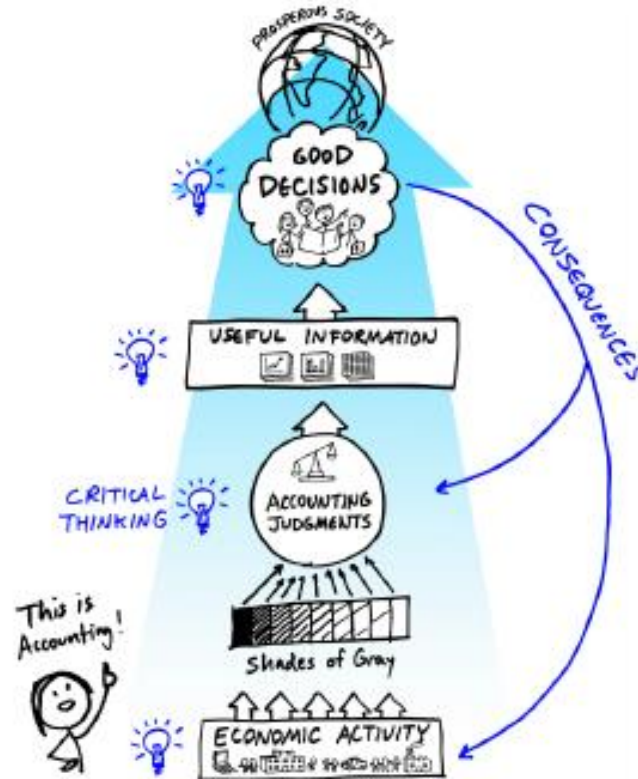
**Picture of  
company's  
financial health  
at reporting  
date**



**A balance sheet is a fuzzy, but useful, picture of a company's financial health at a reporting date, if properly interpreted.**

# COURSE MAP

## INTRODUCTION TO FINANCIAL ACCOUNTING



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**THERE IS AN ASSIGNMENT FOR THE FIRST CLASS!**

**SEE THE SESSION 1 ASSIGNMENT**

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## Session 1: Introduction to course

### Things you should do to prepare for class

#### Read

- [Course Goals, Principles, Policies and Tips](#) (earlier in this document)

View the Grading Policies video linked to earlier in this document.

We will not discuss these issues during class but will gladly do so before class, after class, or during an office visit. They are very important!

#### Do

- If you would like to form your own group, see [Group Work](#). (earlier in this document)

#### Watch

- Pathways Vision Model

- [Part 1](#) [4 minutes]

Part 1 introduces the Pathways Vision Model.

- [Part 2](#) [8 minutes]

Part 2 explains the model elements where people make decisions or are involved in activities (spine).

- [Part 3](#) [10 minutes]

Part 3 explains the model elements that connect and motivate decisions.

- [Part 4](#) [4 minutes]

Part 4 explains the model's connections to course title: Financial Accounting: An Enlightening Journey into the Language of Business.

- [Course Goals and Relevance](#) [4 minutes]

Financial Accounting course goals

Relevance of goals to your career

- Introduction to Financial Statements

- [Part 1](#) [11 minutes]

Part 1 introduces the purpose, structure, and uses of balance sheets.

- [Part 2](#) [14 minutes]

Part 2 introduces the purpose, structure, and uses of income statements.

- [Part 3](#) [16 minutes]

Part 3 introduces the purpose, structure, and uses of cash flow statements.

Video link

Assigned  
Videos





## Navigation

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## Using Navigating Accounting

We've spend over 20 years developing *Navigating Accounting*® content, so it may be overwhelming if you just randomly browse this site (which, of course, you are welcome to do). However, if you want a structured approach to browsing or would like some navigation tips, [click here](#).

Public

## Exercises: Critical Thinking Using Toulmin Model

This Analysis Mini-Case Series uses the **Toulmin Model of Argumentation** as a framework for critical thinking. These are chapter exercises and listed here for your reference. New exercises (for these and other chapters) will posted as they're completed. Click below for exercises.

[Read more](#)

Public

## Master Book: Work-in-Process

Click here for our Master Book: WIP: [Financial Accounting, Master Book: Work-in-Process](#)

Master Book: Work-in-Process is the complete collection of our published chapter content: videos, exercises, and text. New content is posted as it's completed. [When will the book be complete?](#)

## Maps

[Accounting Decisions Map](#)

[Analysis Considerations Map](#)

[Course Maps \(examples\)](#)

[Owners' Equity Change Map \(OEC Map and template\)](#)

[Record Keeping & Reporting Map \(R&R Map\)](#)

[Statement of Cash Flows Entry Map \(SCF Map\)](#)



## Financial Accounting

- [Preface](#)
- [Cash Flows and Financial Reporting](#)
- [Balance Sheets](#)
- [Income Statements](#)
- [Statement of Cash Flows](#)
- [Quality of Reported Numbers](#)
- [Financial Reporting Environment](#)
- [Revenue and Customer-Related Balance Sheet Concepts](#)
- [Cost of Sales and Supplier-Related](#)

Home

### Financial Accounting

 You voted! 262

The purpose of this video book is to help you attain two over arching goals and thus help you make better business decisions regardless of your career choice:

1. Acquire a broad conceptual framework for understanding and preparing financial reports that will serve as a solid foundation for your career and other courses.
2. Become reasonably proficient at interpreting numbers in financial statements and assessing their usefulness for your decisions.

By attaining these goals, you will be comfortable with financial reports, prepared to have more informed discussions with experts, and make better decisions.

- [Preface](#)
- [Cash Flows and Financial Reporting](#)
- [Balance Sheets](#)
- [Income Statements](#)
- [Statement of Cash Flows](#)

## Maps

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[Statement of Cash Flows Entry Map \(SCE Map\)](#)

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## Financial Accounting

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- [Cash Flows and Financial Reporting](#)
- [Balance Sheets](#)
- [Income Statements](#)
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- [Revenue and Customer-Related Balance Sheet Concepts](#)
- [Cost of Sales and Supplier-Related Balance Sheet Concepts](#)

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## Balance Sheets

### CHAPTER MAP: BALANCE SHEETS

 [Click to print this chapter's exercises \[pdf\]](#)

#### Chapter: [Introduction](#)

#### Outsider Perspective: [What Do I See?](#)

- [Balance Sheets](#)

#### Insider Perspective: [What's Behind the Numbers?](#)

- [Framing Record Keeping and Reporting](#)
- [Recording Entries: Balance-Sheet Equation Approach](#)
- [Recording Entries: Journal Entry Approach](#)
- [Accounting Judgments: Basics](#)



- [Owners' Equity and Related Balance Sheet Concepts](#)
- [Comprehensive Income and Investments](#)
- [Financial Statement Analysis and Valuation Overview](#)
- [Business Combinations](#)
- [Pensions](#)
- [Foreign Currencies](#)
- [Derivatives](#)
- [Reflection](#)

## What Do I See?

### Balance Sheets



[Learning objectives and key take-aways](#)



[Express Route Video](#) [16 min]



[Exercises](#)



**Scenic Route Videos:**

#### [1. Reporting Dates and Periods](#) [9 min]

**Terms and concepts:** Reporting dates and periods; Calendar and fiscal years.  
**Company disclosures:** Southwest Airlines, Qantas Airways, and British Airways.

#### [2. Reporting Entity](#) [12 min]

**Terms and concepts:** Parents and subsidiaries; Company reporting (parent company reporting); Group reporting (consolidated reporting); Controlling and non-controlling interests. **Company disclosures:** Southwest Airlines, Qantas Airways, and British Airways.

### WORKBOOK

[Frequently Asked Questions \(FAQ\)](#)

[Glossary](#)

[Line-by-Line Tour: Intel's Financial Statements](#)  
(Reference)

[Practice Exams](#)

[Record Keeping Quick Reference](#)  
(Entries & T-Accounts)

[Self Assessment Quizzes](#)



[Toulmin Model of Argumentation](#)  
(Reference)

[Home](#)[Course](#)[Group Projects](#)[Master Book: Work-in-Process](#)[Presentations](#)[About](#)

Home



## Exercises: What Do I See on Balance Sheets?

**Click below for exercises and related materials.**

[bs.wis.010. Comparing and contrasting items on all financial statements](#)

[bs.wis.020. Identifying primary and major categories on balance sheets](#)

[bs.wis.030. Identifying common line items on balance sheets](#)

[bs.wis.040. Applying hierarchical approach to analyzing balance sheets](#)

[bs.wis.050. Applying definitions and measurement to assets, liabilities and owners' equity](#)

## Maps

[Accounting  
Decisions Map](#)

[Analysis  
Considerations  
Map](#)

[Course Maps  
\(examples\)](#)

[Owners' Equity  
Change Map \(OEC  
Map and template\)](#)



[Home](#)



## Exercise bs.wis.050

Click on the link below for the exercise.

### Exercise

[bs.wis.050 Applying definitions and measurement to assets, liabilities and owners' equity](#) [pdf]

### Exercise Materials

[Intel's balance sheet](#) [pdf]

Source: Intel's 2009 Form 10-K [www.intel.com](http://www.intel.com) Intel is the world's largest semiconductor chip maker, based on revenue. US GAAP

### Exercise Solution

No solution is provided.

[PDF version](#)

## Maps

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[Analysis Considerations Map](#)

[Course Maps](#)  
(examples)

[Owners' Equity Change Map](#) (OEC Map and template)

[Record Keeping & Reporting Map](#)  
(R&R Map)

[Statement of Cash Flows Entry Map](#)  
(SCF Map)

## EXERCISES

### bs.wis.050 Applying definitions and measurement to assets, liabilities and owners' equity

This exercise will help you better understand some of the key concepts in accounting by relating them to a representative student. We introduce the concepts here and develop them more formally in later modules. No solution is provided.

#### Part I: Asset definition

Here are some things you need to know to complete the exercises:

- Assets are resources with probable future benefits controlled by the entity as a result of past events or circumstances.
- A resource can meet the definition of an asset and still not be reported on the entity's balance sheet.
- To be recognized on the balance sheet, a resource must meet two criteria: it must meet the definition of an asset and it must be possible to measure its financial value reliably.

#### Required

Answer the following from the perspective of a representative student:

You are an entity and you have a balance sheet.

- Measurement aside, what tends to be your 2-3 biggest assets? That is, what are the resources with probable future benefits controlled by you as a result of past transactions (events or circumstances).
- Do you meet the definition of an asset on your parent's balance sheet?
- Does your apartment or dorm room meet the definition of an asset on your balance sheet?
- Does a car leased for four years meet the definition of an asset on your balance sheet?
- Does a car rented for two days meet the definition of an asset on your balance sheet?
- Which assets on Intel's balance sheet most resemble cash and cars on students' balance sheets? See the exercise materials for Intel's balance sheet.
- Is the patent for Intel's latest microprocessor chipset recognized on Intel's balance sheet?

#### Judgment



This exercise helps you learn how to analyze accounting judgments.

# Balance-Sheet Judgments

## Session 1

### **Exercise materials**

PowerPoint and OneNote slides and teaching note video

<http://navigatingaccounting.com/content/instructors-forum#part-2-asset-liability-and-owners-equity-measures-anchor>

Your Balance Sheet Exercise

<http://www.navigatingaccounting.com/exercise/exercise-bswis050>

# Balance-Sheet Judgments

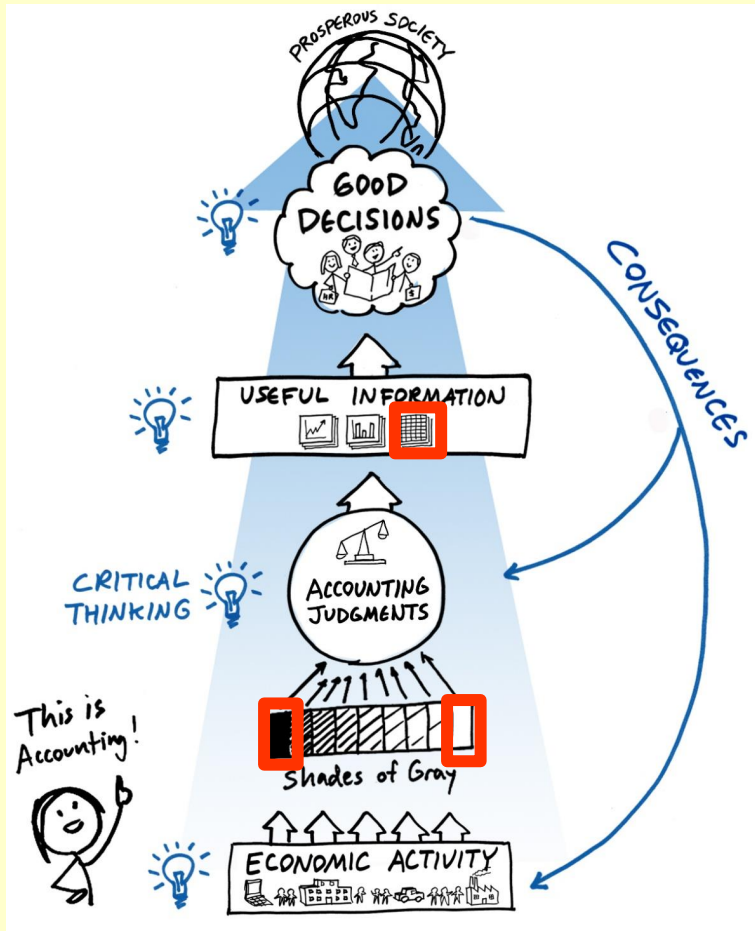
## Session 1 – Discussion

- What are the essential design elements of the exercise?
- Would similar exercises be effective in other areas besides financial accounting?
- Outline an exercise for a topic in another area where students face similar learning challenges.



# Record Keeping & Reporting

## Sessions 3-16



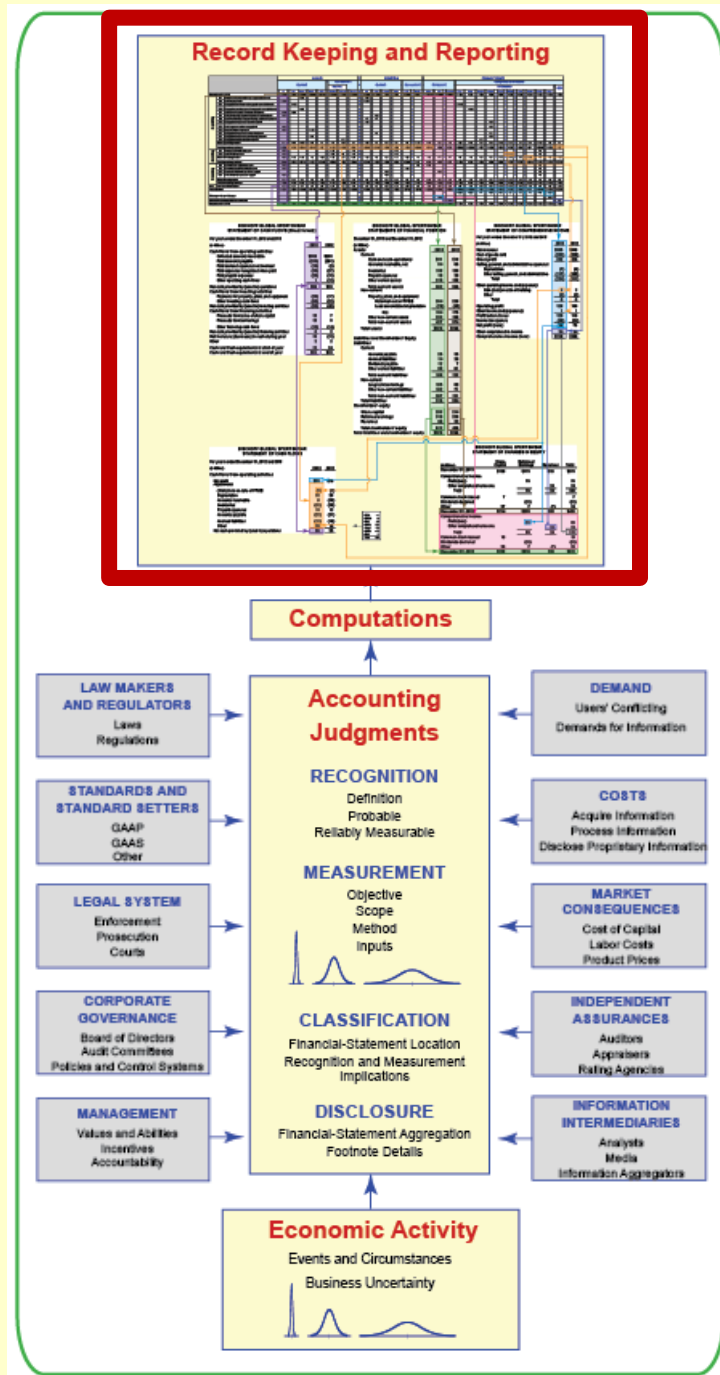
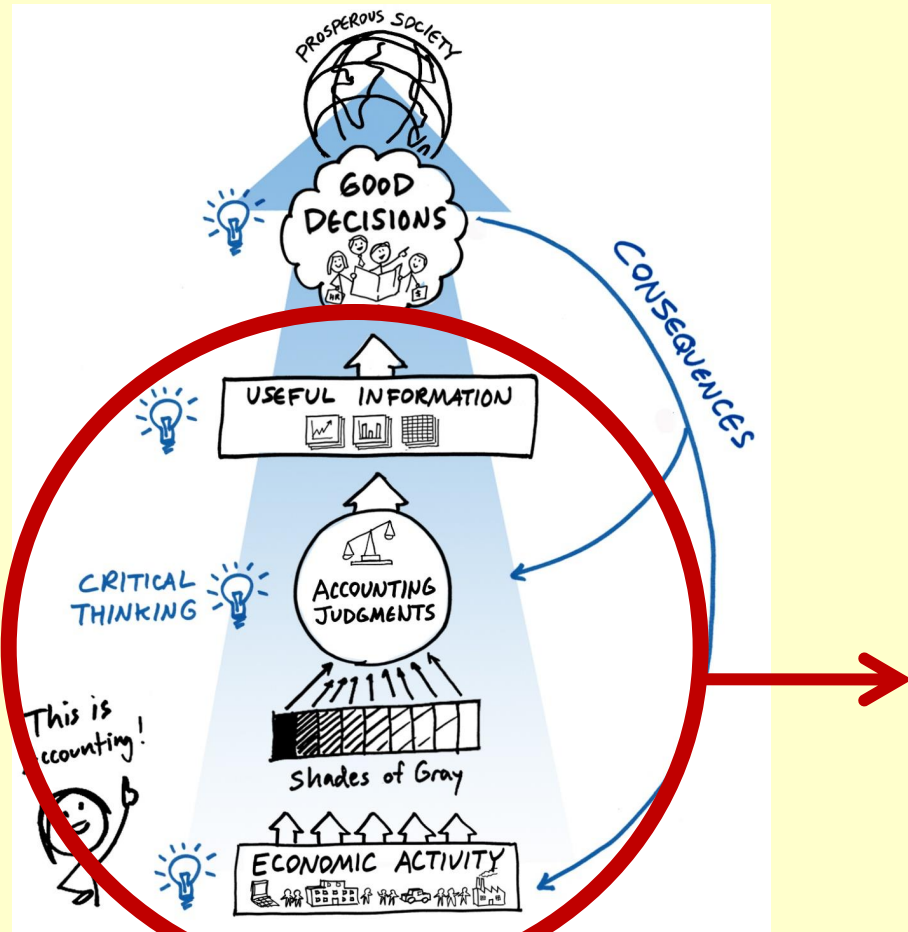
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# Drilling into Step 2 of Learning Framework

## Accounting Decision Map



Record Keeping and Reporting  
R&R Map



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## Framing Record Keeping video

### Session 3: Introduction to record keeping and reporting

#### *Things you should do to prepare for class*

##### *Watch*

- [Framing Record Keeping](#) [12 minutes]

Terms and concepts: top-down perspective: accounts, events, measures, entries, judgments; balance-sheet equations matrix; record keeping and reporting map: insider perspective, outsider perspective

- [Entries Using BSE](#) [12 minutes]

Terms and concepts: six-step process for balance-sheet-equation (BSE) entries: (1) what happened, (2) identify accounts, (3) determine account signs, (4) determine entry signs, (5) record entry, and (6) check quality.

- [Recording Entries Using the OEC Map and Glossary](#) [8 minutes]

Terms and concepts: using the OEC Map to help determine what happened (step 1) and using the Glossary to help determine the accounts.

##### *Read*

- [Using Navigating Accounting: Paper or Paperless](#)

##### *Do*

#### Assigned exercises – highest priority for class discussion

- [Exercise bs.wbn.bse.030](#)

Topics: recording BSE entries and creating balance sheets

Fictitious company: Chancellor's Sweet Treats

- [Exercise bs.wbn.bse.040](#)

Topics: recording BSE entries, creating balance sheets, determining how entries affect ratios and balance sheets

Fictitious company: JP's Smart Phone Accessories

##### *Watch*

- [Recording Entries Using JE](#) [13 minutes]

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Session 5: Introduction to Income statements and statements of changes in owners' equity

Things you should do to prepare for class

Watch

- [What Do I See: Income Statements?](#) [14 minutes]

*Skip this video if you have a reasonably good understanding of the OEC MAP*

**First two menu items (time stamp 0:00 – time stamp 13:33)**

Terms and concepts: fast paced review of concept covered in earlier video: OEC Map

Fictitious company: Bischoff.

- [Comprehensive income](#) [4 minutes]

**Controlling interests (time stamp 7:45 – time stamp 11:12)**

Terms and concepts: controlling and non-controlling interests

Fictitious company: Bischoff.

- [Statement of Changes in Owners' Equity](#) [19 minutes]

*Skip the first ten minutes of this video if you felt reasonably comfortable with the Statement of Changes of Owners' Equity after watching the related video in the Introduction module.*

**Company disclosures and take-aways (time stamp 10:29 – end)**

Terms and concepts: locating and interpreting items reported in real companies' statements of changes in owners' equity

Companies: Vodafone, América Móvil and AT&T

Do

- Self-Assessment Quizzes:

[Income Statements: What Do I See: Basics](#) [4 questions]

[Statements of Changes in Shareholders' Equity: What Do I See: Basics](#) [3 questions]

Assigned exercise – highest priority for class discussion

- [Exercise is.wis.scoe.023](#)

Topics: Intel's OEC Map

Company: Intel

**No solution is posted to Navigating Accounting but one will be posted to Canvas after class.**

Things you should do as soon as possible

What Do I See:  
Income  
Statements?

Intel exercise  
that is highest  
priority for class  
discussion

Announcement - Microsoft OneNote

File Home Insert Share Draw Review View

Session 01 Session 02 Session 03 Session 04 **Session 05** Session 12

Search All Notebooks (Ctrl+E)

Announcement

- Identify and prioritize parts of the assigned exercise where you would like clarification beyond the

**SAMPLE**  
Basic assessment  
"Know what you don't know"

**RESPOND**  
Mini lectures  
Review key concepts

Announcement

- 01 Clicker: basics assessment is.wis: question 01
- 02 Clicker: basics assessment is.wis: solution 01
- 03 Clicker: basics assessment is.wis: question 02
- 04 Clicker: basics assessment is.wis: solution 02
- 05 Clicker: basics assessment is.wis: question 03
- 06 Clicker: basics assessment is.wis: solution 03
- 07 Clicker: basics assessment is.wis: question 04
- 08 Clicker: basics assessment is.wis: solution 04
- 09 Clicker: basics assessment is.wis: question 05
- 10 Clicker: basics assessment is.wis: solution 05
- 11 Concepts: income — evolution of Intel's BS 01
- 12 Concepts: income — evolution of Intel's BS 02
- 13 Concepts: income — evolution of Intel's BS 03
- 14 Concepts: income — evolution of Intel's BS 04
- 15 Concepts: income — evolution of Intel's BS 05
- 16 Concepts: OEC Map — Bischoff
- 17 Concepts: OEC Map — Bischoff: connecting map to financial statements 01
- 18 Concepts: OEC Map — Bischoff: connecting map to financial statements 02
- 19 Concepts: OEC Map — Bischoff: connecting map to financial statements 03
- 20 Concepts: OEC Map — Bischoff: connecting map to financial statements 04
- 21 Concepts: OEC Map — Recording entries template
- 22 Concepts: OEC Map — Recording entries example

23 is.wis.scoe.023: question - Microsoft OneNote

File Home Insert Share Draw Review View

Session 01 Session 02 Session 03 Session 04 **Session 05** Session 12 ...

Search All Notebooks (Ctrl+E)

23 is.wis.scoe.023: question

Income Statements » What Do I See? » Statements of Changes In Owner's Equity » Exercises  
[www.navigatingaccounting.com](http://www.navigatingaccounting.com)

**EXERCISES**

**is.wis.scoe.023 Applying a hierarchical approach to measuring Intel's performance**

These questions pertain to Intel's consolidated financial statements in their fiscal 2013 annual report. See the exercise materials for this section. No solution is provided.

**Part I: Owners' Equity**

- (a) Use Intel's fiscal 2013 annual consolidated statements of changes in owner's equity to determine the amount of each component of owner's equity.
- (b) Complete the owners' equity section of the balance sheet for Intel as of December 31, 2013.

**Part II: True or False**

- (c) True or False: Intel received dividends from its subsidiaries during fiscal 2013.
- (d) True or False: There was no change in owners' equity during fiscal 2012 or 2013 due to changes in accounting policies or restatements.
- (e) True or False: Intel's other comprehensive income was negative during fiscal 2012 (representing a loss) and positive during fiscal 2013.
- (f) True or False: Intel's net profit was positive during fiscal 2012 and negative during fiscal 2013 (representing a loss).

**Usage**  
This exercise helps you learn how to use accounting information.

**RESPOND**  
Assigned exercise  
Slides for interactive discussion

New Page

- 23 is.wis.scoe.023: question
- 24 is.wis.scoe.023: BS change template
- 25 is.wis.scoe.022: BS change solution
- 26 is.wis.scoe.022: question 01
- 27 is.wis.scoe.022: solution 01
- 28 is.wis.scoe.022: question 02
- 29 is.wis.scoe.022: solution 02
- 30 is.wis.scoe.022: question 03
- 31 is.wis.scoe.022: solution 03
- 32 is.wis.scoe.022: question 04
- 33 is.wis.scoe.022: solution 04
- 34 is.wis.scoe.022: question 05
- 35 is.wis.scoe.022: solution 05
- 36 is.wis.scoe.022: question 06
- 37 is.wis.scoe.022: solution 06
- 38 is.wis.scoe.022: question 07
- 39 is.wis.scoe.022: solution 07
- 40 is.wis.scoe.022: question 08
- 41 is.wis.scoe.022: solution 08
- 42 is.wis.scoe.022: question 09
- 43 is.wis.scoe.022: solution 09
- 44 is.wis.scoe.022: connecting BS changes to IS
- 45 is.wis.scoe.022: connecting BS changes to SCOPE

46 Clicker: applications and extensions is.wis: qu - Microsoft OneNote

File Home Insert Share Draw Review View

Session 01 Session 02 Session 03 Session 04 **Session 05** Session 06 Session 12 ... Search All Notebooks (Ctrl+E)

**APPLY & EXTEND**  
New context  
More complex

ACCT1031F14M

committed to closing stores. An expense adjustment can also be recognized in a later period when the actual costs are known (or the earlier estimate is otherwise revised).

**PREVIEW**  
Next topic is challenging  
Give them a jump start

Question:  
W  
a)  
b)  
c)  
d)  
e)

New Page

- 46 Clicker: applications and extensions is.wis: question 01
- 47 Clicker: applications and extensions is.wis: solution 01
- 48 Clicker: applications and extensions is.wis: question 02
- 49 Clicker: applications and extensions is.wis: solution 02
- 50 Clicker: applications and extensions is.wis: question 03
- 51 Clicker: applications and extensions is.wis: solution 03
- 52 Preview: is.wbn.is.bse.060: Starbucks questions
- 53 Preview: is.wbn.is.bse.060: Starbucks: part (a): assumptions
- 54 Preview: is.wbn.is.bse.060: Starbucks: part (a) net assets effect?
- 55 Preview: is.wbn.is.bse.060: Starbucks: part(a): owners' involvement?
- 56 Preview: is.wbn.is.bse.060: Starbucks: part (a): restatement?
- 57 Preview: is.wbn.is.bse.060: Starbucks: part (a): OCI?
- 58 Preview: is.wbn.is.bse.060: Starbucks: part (a): income or expense?
- 59 Preview: is.wbn.is.bse.060: Starbucks: part (a): revenue or gain?
- 60 preview: is.wbn.is.bse.060: Starbucks: part (a): entry
- 61 preview: is.wbn.is.bse.060: Starbucks: part(b) expense recognition
- 62 preview: is.wbn.is.bse.060: Starbucks: part(e): assumptions
- 63 Preview: is.wbn.is.bse.060: Starbucks: part(e): value card sale entry and judgment
- 64 preview: is.wbn.is.bse.060: Starbucks: part (e): coffee sale affect on net assets?
- 65 Preview: is.wbn.is.bse.060: Starbucks: part(e): delivery date entry
- 66 Preview: is.wbn.is.bse.060: Starbucks solution
- 67 closing thoughts
- 68 Intel's BS



# Record Keeping and Reporting

## Session 5

### **Intel and Owners' Equity Change (OEC) Map**

Intel Exercise

<http://www.navigatingaccounting.com/exercise/exercise-iswisscoe023>

### Owners' Equity Change (OEC) Map

[http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Resources\\_web\\_book/OEC\\_map\\_and\\_template.pdf](http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Resources_web_book/OEC_map_and_template.pdf)

Teaching note video with PowerPoint and OneNote slides

<http://www.navigatingaccounting.com/content/instructors-forum#part-7-income-measures-anchor>

### **Starbuck's Revenue Recognition using OEC Map**

Starbuck Exercise

<http://www.navigatingaccounting.com/exercise/exercise-iswbnisbse060>

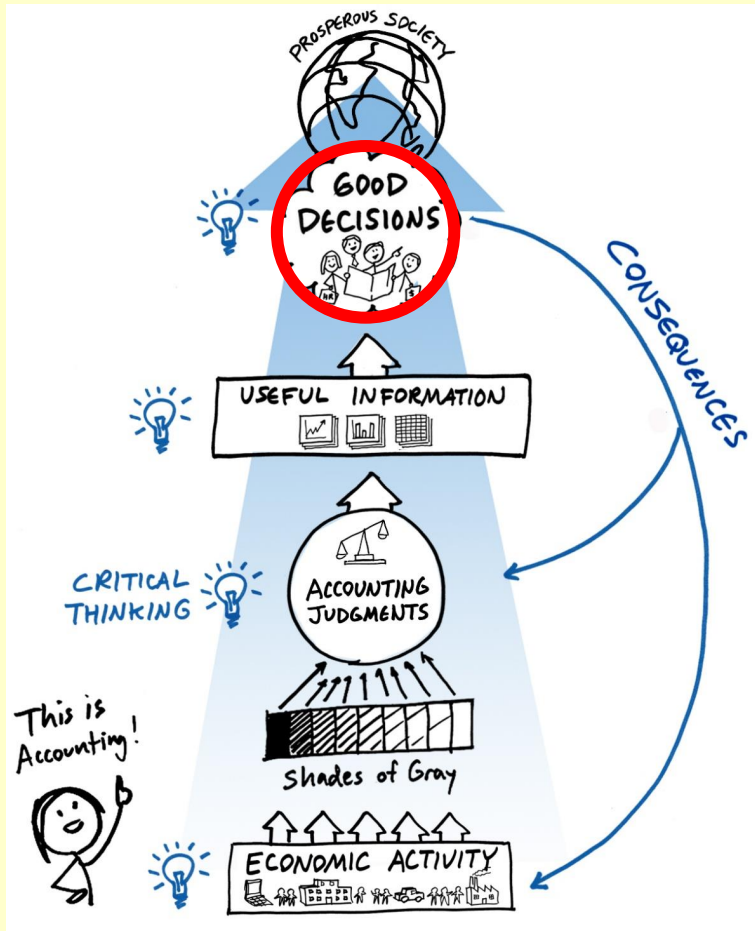
Class OneNote Slides for Session 5

[http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Instructors'\\_Forum/2\\_OneNote/Session\\_05.one](http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Instructors'_Forum/2_OneNote/Session_05.one)



# Critical Thinking Using Toulmin Model

## Session 8



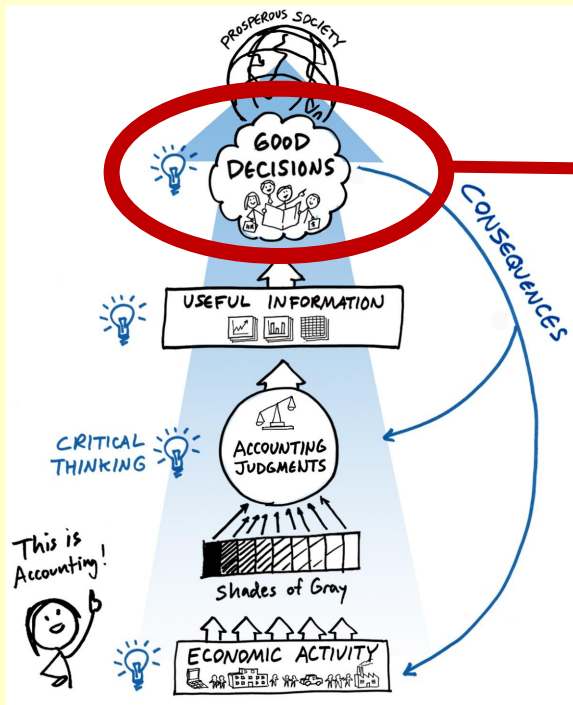
- Analysis
- Ratio effects
- Financial-statement effects
- Entries
- Computations
- Accounting Judgments
- Analyze economic activity
  - Events
  - Risks & incentives



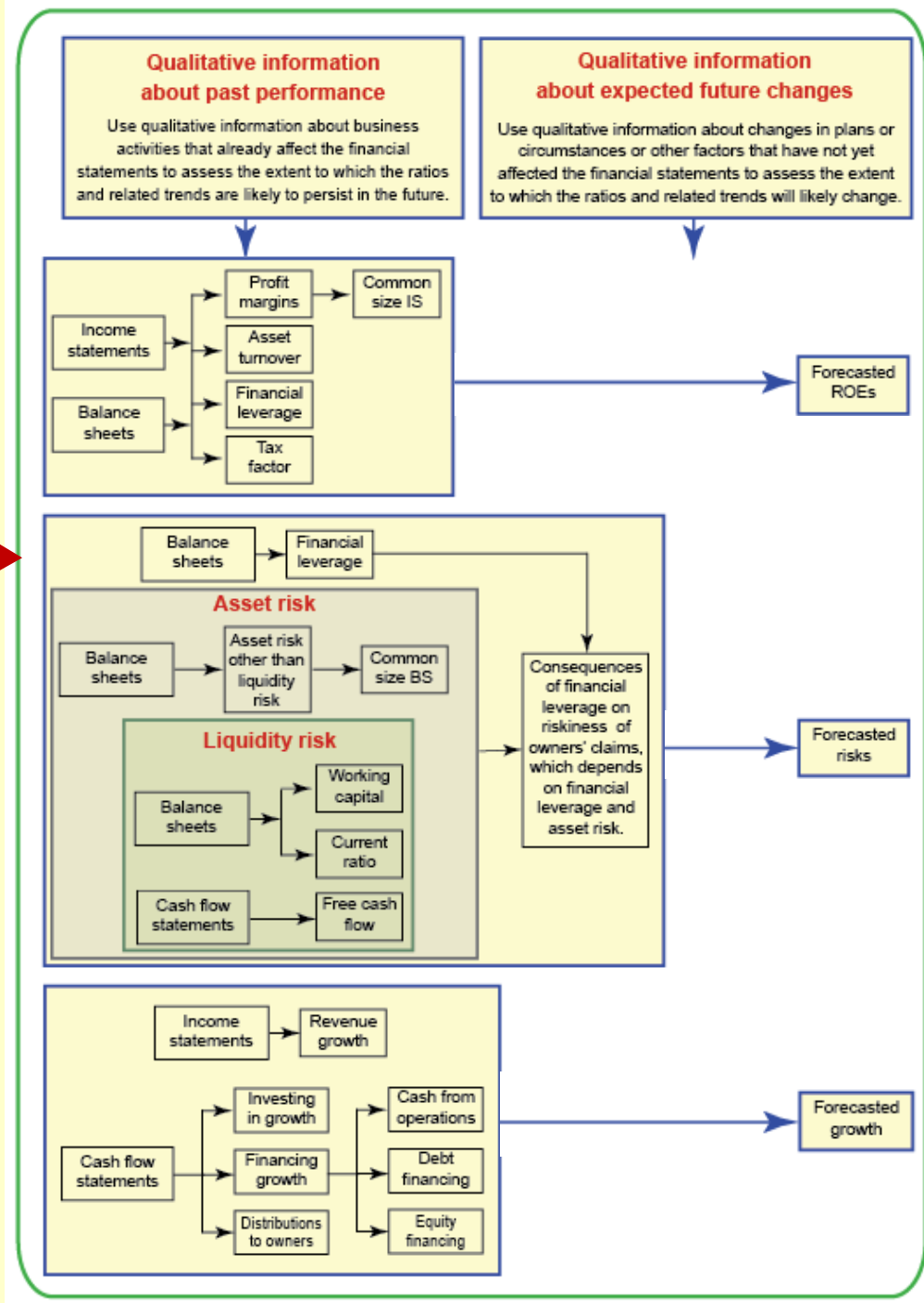
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# Drilling into Step 3 of Learning Framework

## Analysis Consideration Map



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## 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

### *Things you can do to prepare for exams*

#### Do

- Self-Assessment Quiz:

[Income Statements: How do I use the Numbers: Basics](#) [4 questions]

[Income Statements: How do I use the Numbers: Applications and Extensions – 02](#) [4 questions]

- [Practice Exam 1.1](#) Question 7

Topic: assessing future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs and risks

Companies: Walmart and Target

- [Practice Exam 1.2](#) Question 7

Topics: assessing performance during recent years and financial position at the most recent balance sheet date

Companies: Macy's and Nordstrom

Assigned Case  
Coke vs Pepsi



# Critical Thinking Using Toulmin Model

## 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.

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

#### 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.

# Critical Thinking Using Toulmin Model

## Requirements

Claim

### Part I: Your qualified claim and opening remarks

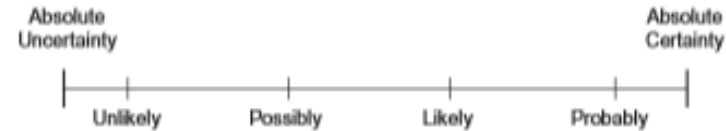
Fill in the blank with either Coke or Pepsi:

\_\_\_\_\_ 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 Toulmin Method of Argumentation: The Second Edition, Keith Green  
[http://www.youtube.com/watch?v=gRtC\\_vZDB](http://www.youtube.com/watch?v=gRtC_vZDB)

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.



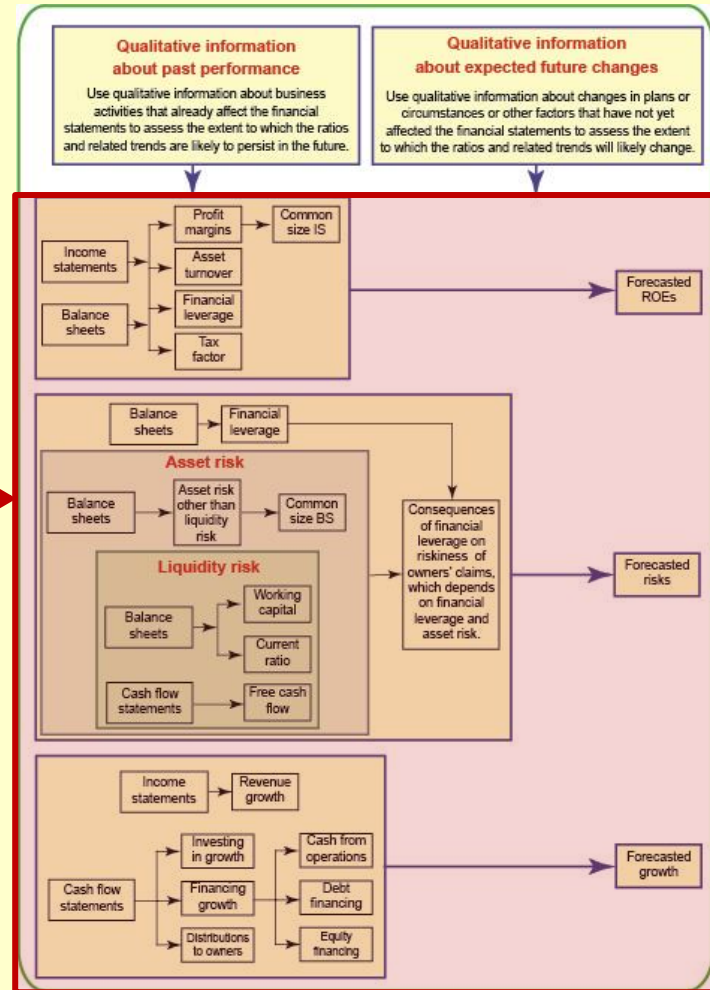
# Critical Thinking Using Toulmin Model

## Step 1 – Quantitative Analysis of Present Position and Past Performance

### 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 \$			
<b>INCOME STATEMENTS</b>								
<b>Net revenues</b>	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
<b>Gross profit</b>	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
<b>Operating profit</b>	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
<b>Profit before taxes</b>	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)
<b>Net profit (loss) from continuing operations</b>	8,626	9,086	8,646	11,859	6,787	6,214	6,462	6,338
<b>SELECTED FINANCIAL DATA</b> (controlling and non-controlling)								
<b>Comprehensive income</b>	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
<b>Average total assets</b> (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
<b>Average owners' equity</b> (beginning + ending owner's equity)/2	33,304	32,545	31,619	28,332	23,394	21,649	21,188	19,459
<b>RATIOS</b>								
<b>Level 1: Comprehensive income</b>								
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%
<b>Level 2: Major categories</b>								
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%
<b>Level 3: Significant Subcategories--DuPont Model</b>								
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



# Critical Thinking Using Toulmin Model

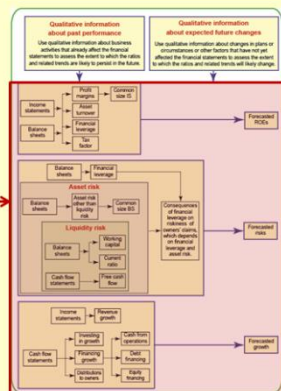
## Step 1 – Quantitative Analysis of Present Position and Past Performance

### STEP-1 OUTCOMES

- **ROEs**
  - Identify ROE patterns and outliers over time for each company.
  - Analyze differences in ROEs in terms of DuPont Model measures.
  - Analyze differences in profit margins in terms of common size income statements.
  - Investigate significant differences discovered above with disclosures on companies' balance sheets and income statements.
- **Risks**
  - Identify financial leverage patterns and outliers over time (based on book and estimated market values).
  - Analyze common-size balance sheets to identify significant assets and liabilities.
  - Analyze related asset and liquidity risks, including broader macroeconomic risks and risks specific to the company.
  - Investigate significant differences discovered above with disclosures on companies' balance sheets.
- **Growth**
  - Identify revenue growth patterns and outliers over time for each company.
  - Analyze differences in growth in terms of revenue components (e.g., geographic regions, business segments, products versus services).
  - Analyze investment patterns over time and effects on growth.
  - Analyze distributions to owners over time and effects on growth.

**Comparing Income Statements and Detect 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 31	Year ended Dec 31	Year ended Dec 31	Year ended Dec 31	Year ended Dec 31	Year ended Dec 31
	2010	2009	2008	2010	2009	2008
<b>INCOME STATEMENTS</b>						
	USD Millions \$			USD Millions \$		
Net revenues	48,054	48,057	46,542	38,119	46,421	46,544
Cost of goods or services sold	16,411	16,253	15,253	12,093	13,263	13,393
Gross profit	31,643	31,804	31,289	26,026	33,158	33,151
Operating expenses and (revenues)	18,255	18,385	18,134	15,977	25,467	25,278
Operating profit	13,388	13,419	13,155	10,049	7,691	7,873
Other income and (expenses)	11,209	11,582	11,273	9,764	814	799
Profit before taxes	14,597	14,999	14,428	10,813	8,505	8,672
Income tax refund and (expense)	(1,612)	(1,721)	(1,813)	(1,984)	(1,392)	(1,291)
Net profit (loss) from continuing operations	8,429	8,398	8,615	8,829	7,113	7,381
<b>SELECTED FINANCIAL DATA</b>						
(including and non-controlling)						
Comprehensive income	8,576	8,533	7,329	13,154	7,145	6,913
Beginning total assets	86,174	79,914	72,821	48,671	74,638	72,862
Ending total assets	102,053	86,219	79,703	51,521	75,478	74,683
Average total assets	88,115	83,074	76,468	60,796	70,068	70,760
Beginning owner's equity	33,348	31,821	31,327	25,346	22,399	20,899
Ending owner's equity	33,440	31,388	32,262	23,213	24,289	22,899
Average owner's equity	31,804	32,545	31,839	24,312	24,394	21,649
<b>RATIOS</b>						
Level 1: Comprehensive income	25.75%	26.58%	23.28%	39.37%	30.54%	32.11%
Level 2: Major categories						
Return-on-equity	25.90%	27.62%	27.34%	61.88%	19.01%	28.70%
Level 3: Significant Subcategories-DuPont Model						
Profit margin ratio	24.50%	24.39%	24.62%	63.56%	33.39%	32.88%
Asset turnover	0.53	0.58	0.61	0.58	0.87	0.89
Financial leverage	2.45	2.35	2.42	2.15	3.25	3.41
Income tax factor	0.75	0.77	0.78	0.83	0.76	0.79



**Why Pepsi Has The Edge**

While Coca-Cola has vowed to rebuild sales in the United States and focus on international sales, Pepsi has taken a different and smarter track. The change within Pepsi started back in 2006 with the hiring of Indra Nooyi as CEO.

A former management consultant, Nooyi understood the changing consumer with the shift from sugary soft drinks to healthy drinks and snacks. This fact is quite obvious due to the vast numbers of alternative and often health oriented drinks found at nearly every retail outlet. The new CEO refocused Pepsi on water, teas, juices and sport drinks. The company plans on expanding its nutritional business from \$10 billion to \$30 billion by 2020. It is relying on using its Gatorade, Quaker Oats, and Tropicana divisions, plus the newly formed Global Nutrition Group to follow the trend away from sugary sodas to healthier snacks and drinks.

To be sure, Coca-Cola has been on a buying frenzy to ramp up its healthy offerings with brands, such as VitaminWater and Odwalla. While this shift is a huge positive, soda remains 75% of Coca-Cola's global sales.

On the other hand, Pepsi's snack division makes up about 50% of the company's sales volume. Soda is just 25% of the company's U.S. sales compared to 60% of Coca Cola's. What this all means for investors is that Pepsi is better prepared to handle the unstopable trend away from its flagship product than Coca-Cola."

"Coke versus Pepsi: By the Numbers", Street Authority, March 24, 2014

**Excerpts from November 6, 2013 Motley Fool Article**

"Both companies enjoy tremendous brand power differentiating their products from smaller competitors: Coke's portfolio features 16 billion-dollar brands including Coca-Cola, Diet Coke, Fanta, Sprite, Coca-Cola Zero, VitaminWater, Powerade, and Minute Maid, among others. Pepsi owns more than 22 brands generating more than \$1 billion in sales, including famous names like Pepsi, 7UP, Gatorade, Lays, Doritos, and Cheetos.

Also, both Coke and Pepsi are facing similar challenges: stagnant volume growth in developed countries due to market saturation and the trend toward healthier nutritional habits. Not surprisingly, both companies are going through parallel roads in finding a solution to their challenges: product innovation and a focus on healthier alternatives in developed countries while at the same time capitalizing on volume growth opportunities in emerging markets."

"Better Buy: Coca Cola versus Pepsi", Andrés Cardenal, November 6, 2013

**Excerpts from Harvard School of Public Health Article (not dated)**

- "People who consume sugary drinks regularly—1 to 2 cans a day or more—have a 26% greater risk of developing type 2 diabetes than people who rarely have such drinks.
- A study that followed 40,000 men for two decades found that those who averaged one can of a sugary beverage per day had a 20% higher risk of having a heart attack or dying from a heart attack than men who rarely consumed sugary drinks. A related study in women found a similar sugary beverage–heart disease link.
- A 22-year-long study of 80,000 women found that those who consumed a can a day of sugary drink had a 75% higher risk of gout than women who rarely had such drinks. Researchers found a similarly-elevated risk in men.
- Dr. Frank Hu, Professor of Nutrition and Epidemiology at Harvard School of Public Health, recently made a strong case that there is sufficient scientific evidence that decreasing sugar-sweetened beverage consumption will reduce the prevalence of obesity and obesity-related diseases."

"Soft Drinks and Disease", Harvard School of Public Health: The Nutrition Source

**Excerpts from June 27, 2014 Forbes Article**

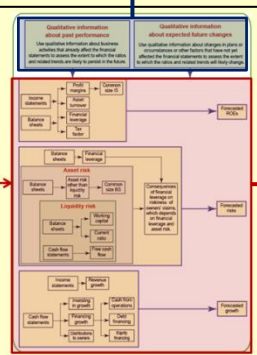
"The cracker segment is now the largest salty snack division, constituting almost one-fourths of the net sales in 2013. Back in 2011, potato chips was the largest segment of the U.S. savory snacks market with a 36% share, but its share has since fallen. This is mainly due to shifting consumer trends and healthier snacking

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**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.			
	New market data				New market data			
	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010
<b>INCOME STATEMENTS</b>								
Net revenues	46,824	46,817	46,142	45,123	46,425	45,487	46,324	45,249
Cost of goods sold	19,652	19,598	19,328	18,811	19,428	19,285	19,111	18,789
Gross profit	27,172	27,219	26,814	26,312	27,000	26,202	27,213	26,460
Other operating income and expenses	18,295	18,288	18,196	17,917	18,467	18,285	18,178	17,915
Operating profit	45,467	45,507	44,910	44,229	45,467	44,487	45,391	44,375
Other income and expense	11,201	11,016	10,975	10,744	9,914	9,991	9,999	9,991
Profit before taxes	56,668	56,523	55,885	54,973	55,381	54,478	55,390	54,366
Income tax expense	13,611	13,212	13,113	12,884	13,106	12,909	13,172	12,889
Net profit (loss) from continuing operations	43,057	43,311	42,772	42,089	42,275	41,569	42,218	41,477
<b>SELECTED FINANCIAL DATA</b>								
Operating and non-controlling interests	4,376	4,351	4,339	4,374	3,745	4,041	4,038	4,080
Comprehensive income	48,433	48,962	48,411	47,713	48,520	47,610	48,256	47,557
Operating total assets	86,174	78,811	78,402	74,612	74,601	70,222	70,222	69,445
Ending total assets	93,035	88,374	78,714	72,761	77,478	74,439	72,825	69,113
Average total assets	84,611	83,593	78,558	73,684	76,040	72,334	71,528	69,281
Operating - ending total assets/2	39,586	39,207	39,207	37,348	37,348	36,868	36,474	35,862
Operating income/total assets	51,440	51,028	51,028	51,213	51,440	51,028	51,028	51,028
Ending owners' equity	34,244	33,441	33,441	32,637	33,441	32,637	32,637	31,833
Average owners' equity	34,244	33,441	33,441	32,637	33,441	32,637	32,637	31,833
Operating - ending owners' equity/2								
<b>RATIOS</b>								
Level 1: Comprehensive income	25,706	26,166	25,336	24,717	25,706	25,026	24,946	24,376
Operating Income/Comprehensive Income (ROIC-Op)	55.1%	55.5%	55.5%	55.5%	55.5%	55.5%	55.5%	55.5%
Level 2: Major categories	25,706	27,024	27,024	27,024	27,024	27,024	27,024	27,024
Operating Income/ROIC	25.7%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Level 3: Significant Subcategories-DuPont Model	25,706	25,706	24,626	24,626	25,706	24,626	24,626	24,626
Level 4: Significant Subcategories-DuPont Model	25,706	25,706	24,626	24,626	25,706	24,626	24,626	24,626
Operating - ending total assets	1.45	1.55	1.45	1.35	1.45	1.45	1.45	1.35
Operating total assets/average owners' equity	1.45	1.55	1.45	1.35	1.45	1.45	1.45	1.35
Income tax factor	0.15	0.17	0.15	0.14	0.15	0.15	0.15	0.14
(L1-Op)/Operating Income								



- STEP-1 OUTCOMES**
- **ROEs**
    - Identify ROE patterns and outliers over time for each company.
    - Analyze differences in ROEs in terms of DuPont Model measures.
    - Analyze differences in profit margins in terms of common size income statements.
    - Investigate significant differences discovered above with disclosures on companies' balance sheets and income statements.
  - **Risks**
    - Identify financial leverage patterns and outliers over time (based on book and estimated market values).
    - Analyze common-size balance sheets to identify significant assets and liabilities.
    - Analyze related asset and liquidity risks, including broader macroeconomic risks and risks specific to the company.
    - Investigate significant differences discovered above with disclosures on companies' balance sheets.
  - **Growth**
    - Identify revenue growth patterns and outliers over time for each company.
    - Analyze differences in growth in terms of revenue components (e.g., geographic regions, business segments, products versus services).
    - Analyze investment patterns over time and effects on growth.
    - Analyze distributions to owners over time and effects on growth.

# Step 2 – Integration of Quantitative Step-1 Outcomes with Qualitative Information About Underlying Economic Activity

## STEP-2 OUTCOMES

- Identify qualitative evidence that would affect the persistence of future ROEs, risks, and growth for each company.
- Evaluate each companies' future prospects by combining Step-1 historical information with qualitative information discovered above.
- Create six arguments (2 companies x 3 factors: ROE, risks, growth).
- Select the company with the best overall future prospects, taking into account the relative strengths of the arguments above:
  - Superior expected future ROEs
  - Lower expected future risks
  - Superior expected future growth
- Create a well-organized report that concisely and persuasively presents your arguments and counterarguments (arguments for the company not selected) substantiated with evidence, facts and/or logic.

Qualitative information about underlying economic activity, including a discussion of the company's business model, competitive advantages, and risks. This information is used to evaluate the company's future prospects and to create arguments for and against the company.

Quantitative data from Step 1, including financial statements and ratios. This data is used to evaluate the company's performance and to create arguments for and against the company.

Company	Year	Revenue	Net Income	ROE	Risk	Growth
Company A	2010	100	10	10%	Low	High
Company A	2011	110	11	10%	Low	High
Company A	2012	120	12	10%	Low	High
Company B	2010	80	8	10%	Low	High
Company B	2011	85	8.5	10%	Low	High
Company B	2012	90	9	10%	Low	High

STEP-1 OUTCOMES

- **ROE**
  - Identify ROE patterns and outliers over time for each company.
  - Analyze differences in ROE in terms of DuPont model measures.
  - Analyze differences in profit margins in terms of common size income statements.
  - Investigate significant differences discussed above with disclosures on comparative balance sheets and income statements.
- **Risks**
  - Identify financial leverage patterns and outliers over time (based on books and reported market values).
  - Analyze common-size balance sheets to identify significant assets and liabilities.
  - Analyze related asset and liability risks, including broader macroeconomic risks and risks specific to the company.
  - Investigate significant differences discussed above with disclosures on comparative balance sheets.
- **Growth**
  - Identify revenue growth patterns and outliers over time for each company.
  - Analyze differences in growth in terms of revenue components (e.g., geographic regions, business segments, products versus services).
  - Analyze investment patterns over time and effects on growth.
  - Analyze distributions to owners over time and effects on growth.



# Critical Thinking Using Toulmin Model

## Class OneNote Slides

The screenshot shows a Microsoft OneNote window with the title "02 is.hun.afp.040: Part I: survey of claims and li - Microsoft OneNote". The window displays a survey question: "Which of the following best describes your claim and the likelihood it is correct?". Below the question are four Likelihood scales, each with a red 'X' indicating a selected response. The scales are labeled "Absolute Uncertainty" on the left and "Absolute Certainty" on the right, with intermediate labels "Unlikely", "Possibly", "Likely", and "Probably".

(a) **Your claim: Coke** had the better future prospects ....  
The likelihood your claim is correct is in the range indicated below:

(b) **Your claim: Coke** had the better future prospects ....  
The likelihood your claim is correct is in the range indicated below:

(c) **Your claim: Pepsi** had the better future prospects ....  
The likelihood your claim is correct is in the range indicated below:

(d) **Your claim: Pepsi** had the better future prospects ....  
The likelihood your claim is correct is in the range indicated below:

(e) Other

- Survey groups' initial claims
- Discuss supporting arguments, counterarguments and rebuttals
- Survey groups' ending claims
- What did you learn?

# Critical Thinking Exercises

## Analysis

### Toulmin Model Exercises

<http://www.navigatingaccounting.com/exercise/exercises-critical-thinking-using-toulmin-model>

### Toulmin Model of Argumentation Handout

[http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Resources\\_web\\_book/Toulmin\\_Model\\_of\\_Argumentation.pdf](http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Resources_web_book/Toulmin_Model_of_Argumentation.pdf)

### Analysis Considerations Map

[http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Resources\\_web\\_book/Analysis\\_Considerations\\_Map.pdf](http://www.navigatingaccounting.com/sites/default/files/Posted/Common/Resources_web_book/Analysis_Considerations_Map.pdf)

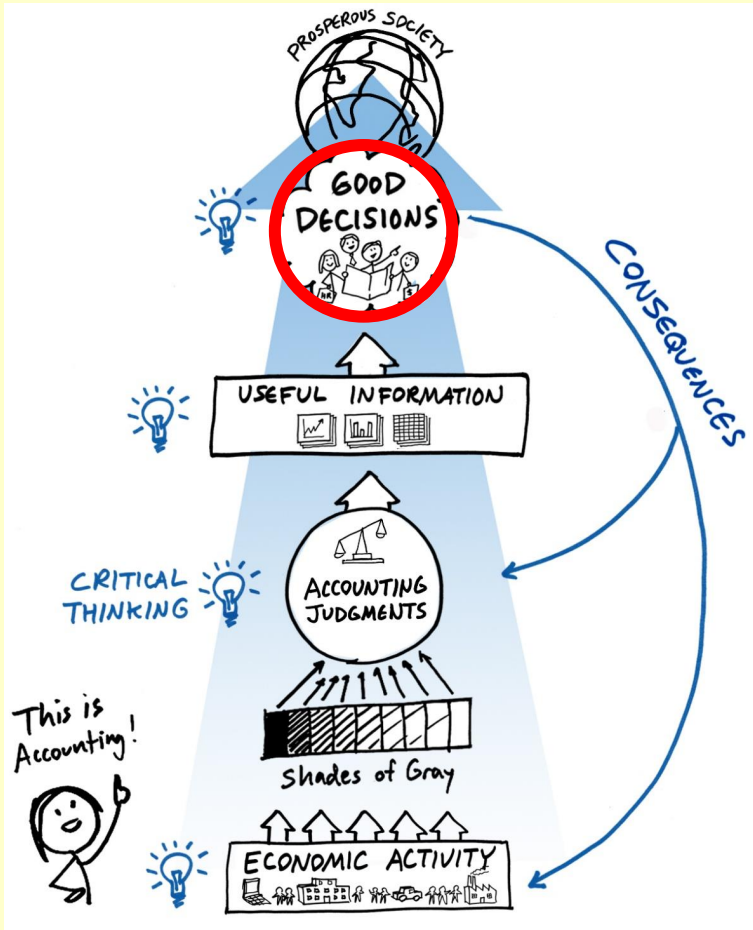
### Analyzing Financial Statements Across Time and Industries

<http://www.navigatingaccounting.com/content/analyzing-financial-statements-across-time-and-industries>



# Critical Thinking Media Reports

## Session 15



### Analysis

- Ratio effects
- Financial-statement effects
- Entries
- Computations
- Accounting Judgments
- Analyze economic activity
  - Events
  - Risks & incentives



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## Session 15: Customer-related allowances: Bad debts

### Things you should do to prepare for class

#### Read

- [Revenue and Customer-Related Balance Sheet Concepts](#)
  - Grasp: pages 4-7 (Credit Risk section only)
  - Grasp: pages 10-11 (starting with Accounting Implication of Risks, ending with key item on page 11)
  - 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- 30 (starting with Example, ending with Measuring and Calibrating Credit Risk)
  - Skim: remainder of page 30 and page 31

#### Do

- Self-Assessment Quiz:  
[Receivables: What's Behind the Numbers: Basics](#) [4 questions]

#### Assigned exercise – highest priority for class discussion

- [Exercise rv.wbn.rec.020](#)

Topics: recording entries related to the allowance for uncollectible accounts based on company disclosures, determining their financial statement consequences, and analyzing related risks

Companies: HP

Record HP's  
bad debts  
entries

# Critical Thinking Using Media Reports

## Session 15 – Motivation

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 –

# Critical Thinking Using Media Reports

## Session 15

### Class OneNote Slides

- **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

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  
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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

## Session 15: Customer-related allowances: Bad debts

### *Things you should do to prepare for class*

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#### **Assigned exercise – highest priority for class discussion**

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Topics: recording entries related to the allowance for uncollectible accounts based on company disclosures, determining their financial statement consequences, and analyzing related risks

Companies: HP

Self  
Assessment  
Quiz



# Critical Thinking Using Media Reports

## Session 15 – Building Skills to Analyze WSJ Article

The screenshot shows the Navigating Accounting website. At the top is a navigation bar with links for Home, Course, Group Projects, Master Book: Work-in-Process, Presentations, and About. Below this is a 'Navigation' sidebar with links for What's New, What's Popular, Browse by Content Type, and About Navigating Accounting. The main content area is titled 'Using Navigating Accounting' and contains several sections: 'Exercises: Critical Thinking Using Toulmin Model', 'Master Book: Work-in-Process', 'Analyzing Financial Statements Across Time and Industries', and 'Instructors' Forum'. The 'Instructors' Forum' section features a video series titled 'HELPING STUDENTS MAKE INFORMED JUDGMENTS' and a link to 'Self Assessment Quizzes' which is highlighted with a red box and a 'NEW' starburst icon. On the right side of the page, there are sections for 'Maps' (including Accounting Decisions Map, Analysis Considerations Map, Course Maps, Owners' Equity Change Map, Record Keeping & Reporting Map, and Statement of Cash Flows Entry Map) and 'Resources' (including Bischoff's Entries Study Aid, Bischoff's Financial Statement Effects Workbook, Frequently Asked Questions, Glossary, Line-by-Line Tour, and Practice Exams).

**Self Assessment Quizzes**

# Critical Thinking Using Media Reports

## Session 15 – Building Skills to Analyze WSJ Article

### Quizzes

---

#### Know What You Don't Know – Self Assessment Quizzes

A critical step in the learning process is to know what you don't know and seek help as soon as possible to ensure you don't fall behind.

Click below for quizzes that will help you know what you know and don't know about the topic.

---

- [Balance Sheet Quizzes](#)
- [Income Statement Quizzes](#)
- [Statement of Cash Flows Quizzes](#)
- [Revenue & Customer-related Balance Sheet Quizzes](#)
- [Cost of Sales & Supplier-related Balance Sheet Quizzes](#)
- [Deferred Expenses & Long-Lived Assets Quizzes](#)
- [Interest Expense & Creditor-Related Liabilities Quizzes](#)

# Critical Thinking Using Media Reports

## Session 15 – Building Skills to Analyze WSJ Article

### Revenue & Customer-related Balance Sheet Quizzes

#### Topics:

Receivables

Warranties

#### Basic

[rv.wbn.rec.basic.001](#)

[rv.wbn.war.basic.001](#)

#### Applications and Extensions

[rv.wbn.rec.appl.001](#)

[rv.wbn.war.appl.001](#)

### Quiz [rv.wbn.rec.basic.001](#)

[View](#) [Take](#)

Questions:	4
Attempts allowed:	Unlimited
Available:	Always
Pass rate:	90 %
Backwards navigation:	Allowed

Start quiz

# Critical Thinking Using Media Reports

## Session 15 – Building Skills to Analyze WSJ Article

### Question 1

#### Question

On January 1, 2013, Burke's Bikes (BB) had \$403,333 of gross receivables with a \$12,100 allowance for uncollectible accounts. During the year ended December 31, 2013, BB wrote off \$12,000 receivables.

What journal entry summarizes the entries BB recorded during 2013 to recognize the write-offs?

Which of the following is the best response?

<b>Write-off bad debts</b>		<b>Debit</b>	<b>Credit</b>
(a)	Bad debt expense	\$12,000	
	Allowance for doubtful accounts		\$12,000

<b>Write-off bad debts</b>		<b>Debit</b>	<b>Credit</b>
(b)	Allowance for doubtful accounts	\$12,000	
	Gross accounts receivable		\$12,000

<b>Write-off bad debts</b>		<b>Debit</b>	<b>Credit</b>
(c)	Gross accounts receivable	\$12,000	
	Allowance for doubtful accounts		\$12,000

(d) none of the above

# Critical Thinking Using Media Reports

## Session 15 – Building Skills to Analyze WSJ Article

### Revenue & Customer-related Balance Sheet Quizzes

#### Topics:

#### Basic

#### Applications and Extensions

#### Receivables

[rv.wbn.rec.basic.001](#)

[rv.wbn.rec.appl.001](#)

#### Warranties

[rv.wbn.war.basic.001](#)

[rv.wbn.war.appl.001](#)

[Home](#)

### Quiz [rv.wbn.rec.appl.001](#)

**View** [Take](#)

<b>Questions:</b>	7
<b>Attempts allowed:</b>	Unlimited
<b>Available:</b>	Always
<b>Pass rate:</b>	90 %
<b>Backwards navigation:</b>	Allowed

[Start quiz](#)

# Critical Thinking Using Media Reports

## Session 15 – Building Skills to Analyze WSJ Article

### Question 1

[Coach 2013 Reference Information \[pdf\]](#)

#### Question

Identify correct entries for Coach's "Allowance for Bad debts" for the year ended June 29, 2013.

Which of the following is the best response?

	Debit	Credit
(a) Provision for bad debt	\$529	
Allowance for doubtful accounts		\$529

	Debit	Credit
(b) Allowance for doubtful accounts	\$1,651	
Gross accounts receivable		\$1,651

	Debit	Credit
(c) Gross accounts receivable	\$1,651	
Allowance for doubtful accounts		\$1,651

(d) (a) and (b)

### Schedule II

**COACH INC**  
**Schedule II – Valuation and Qualifying Accounts**  
**For Fiscal Years Ended June 29, 2013, June 30, 2012, and July 2, 2011**  
 (amounts in thousands)

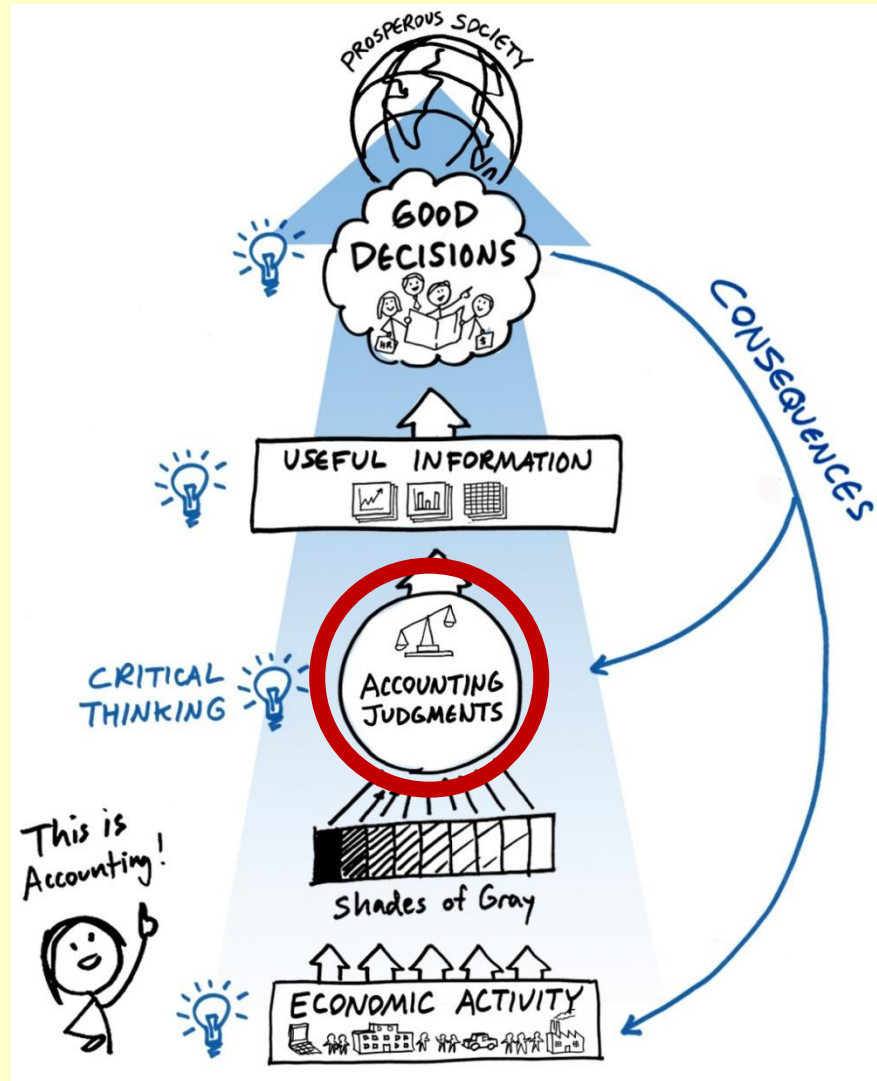
	Balance at Beginning of Year	Provision Charged to Costs and Expenses	Write-offs/ Allowances Taken	Balance at end of Year
<b>Fiscal 2013</b>				
Allowance for bad debts	\$3,318	(\$529)	(\$1,651)	\$1,138
Allowance for returns	2,810	8,644	(4,431)	7,023
Allowance for markdowns	3,685	22,484	(17,845)	8,324
Valuation allowance 1	53,503	29,252	(3,156)	79,599
<b>Total</b>	<u>\$63,316</u>	<u>\$59,851</u>	<u>(\$27,083)</u>	<u>\$96,084</u>
<b>Fiscal 2012</b>				
Allowance for bad debts	\$3,431	(\$117)	\$4	\$3,318
Allowance for returns	2,196	1,752	(1,138)	2,810
Allowance for markdowns	3,917	10,267	(10,499)	3,685
Valuation allowance 1	21,800	31,703		53,503
<b>Total</b>	<u>\$31,344</u>	<u>\$43,605</u>	<u>(\$11,633)</u>	<u>\$63,316</u>
<b>Fiscal 2011</b>				
Allowance for bad debts	\$1,943	\$1,495	(\$7)	\$3,431
Allowance for returns	1,371	3,837	(3,012)	2,196
Allowance for markdowns	3,651	7,233	(6,967)	3,917
Valuation allowance 1	1,217	20,583		21,800
<b>Total</b>	<u>\$8,182</u>	<u>\$33,148</u>	<u>(\$9,986)</u>	<u>\$31,344</u>

Coach, 2013 10K, page 87



# Critical Thinking and Accounting Judgments

## Session 15 – Who Makes Accounting Judgments?

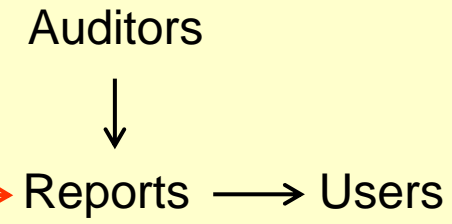
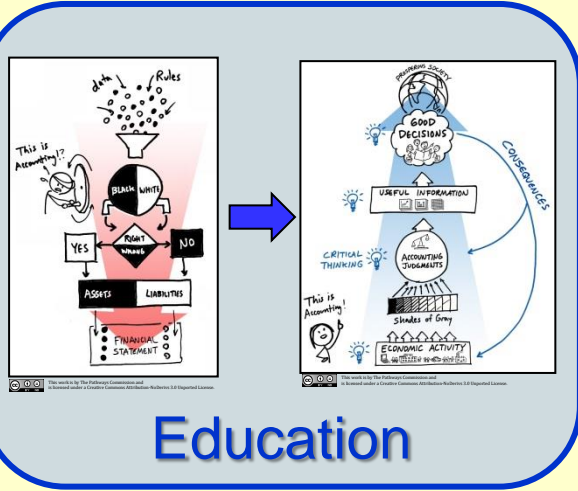
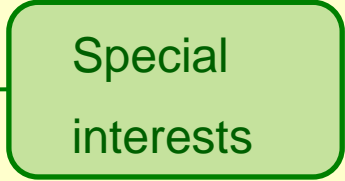
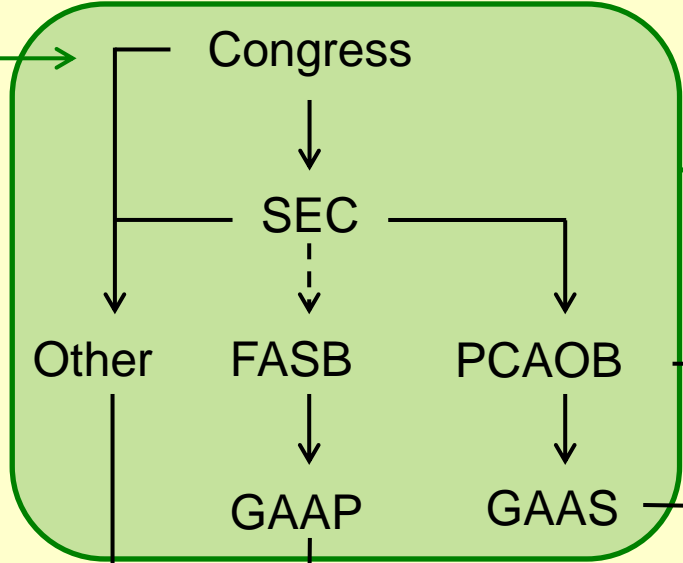
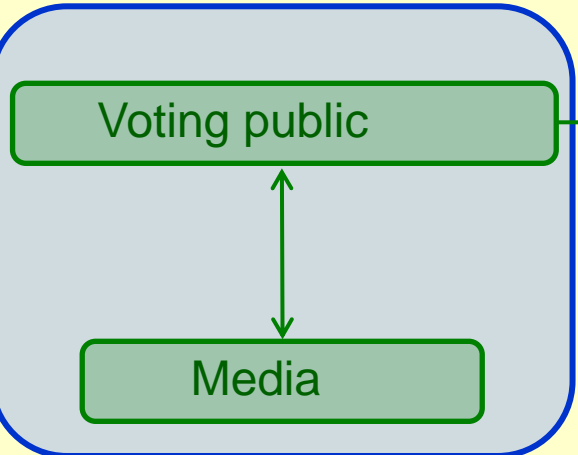


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# Critical Thinking and Accounting Judgments

## Session 15 – Decision Making Judgments

### Outside organizations



# Transforming the Student Experience in Accounting

## 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

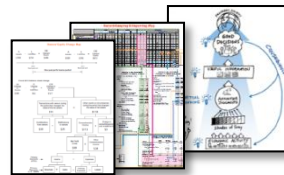
# Transforming the Student Experience in Accounting

## Take Aways

### #2 Use building blocks to meet goals



1. Robust concepts and frameworks



2. Rich applications



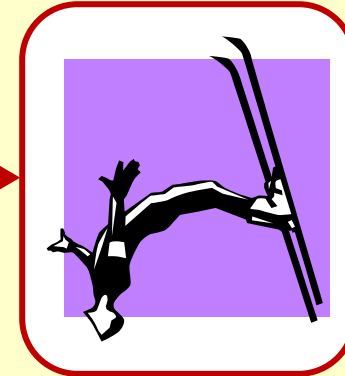
3. Detailed course maps



4. Enabling technology



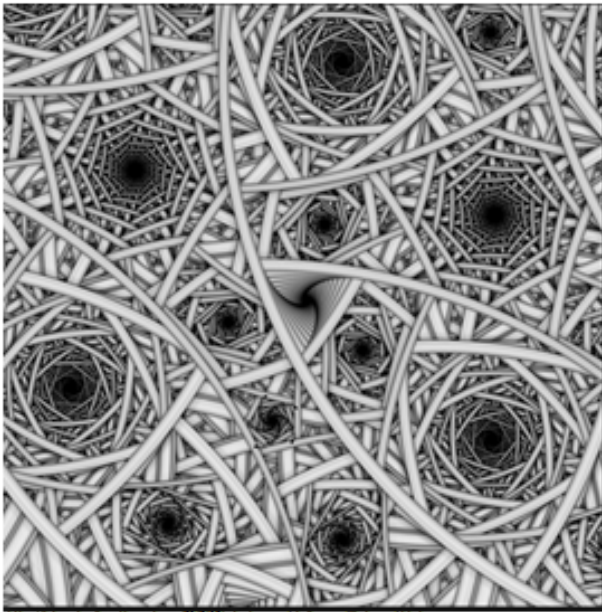
5. Effective motivation



# Transforming the Student Experience in Accounting

## Take Aways

### #3 Seek simplicity on the far side of complexity



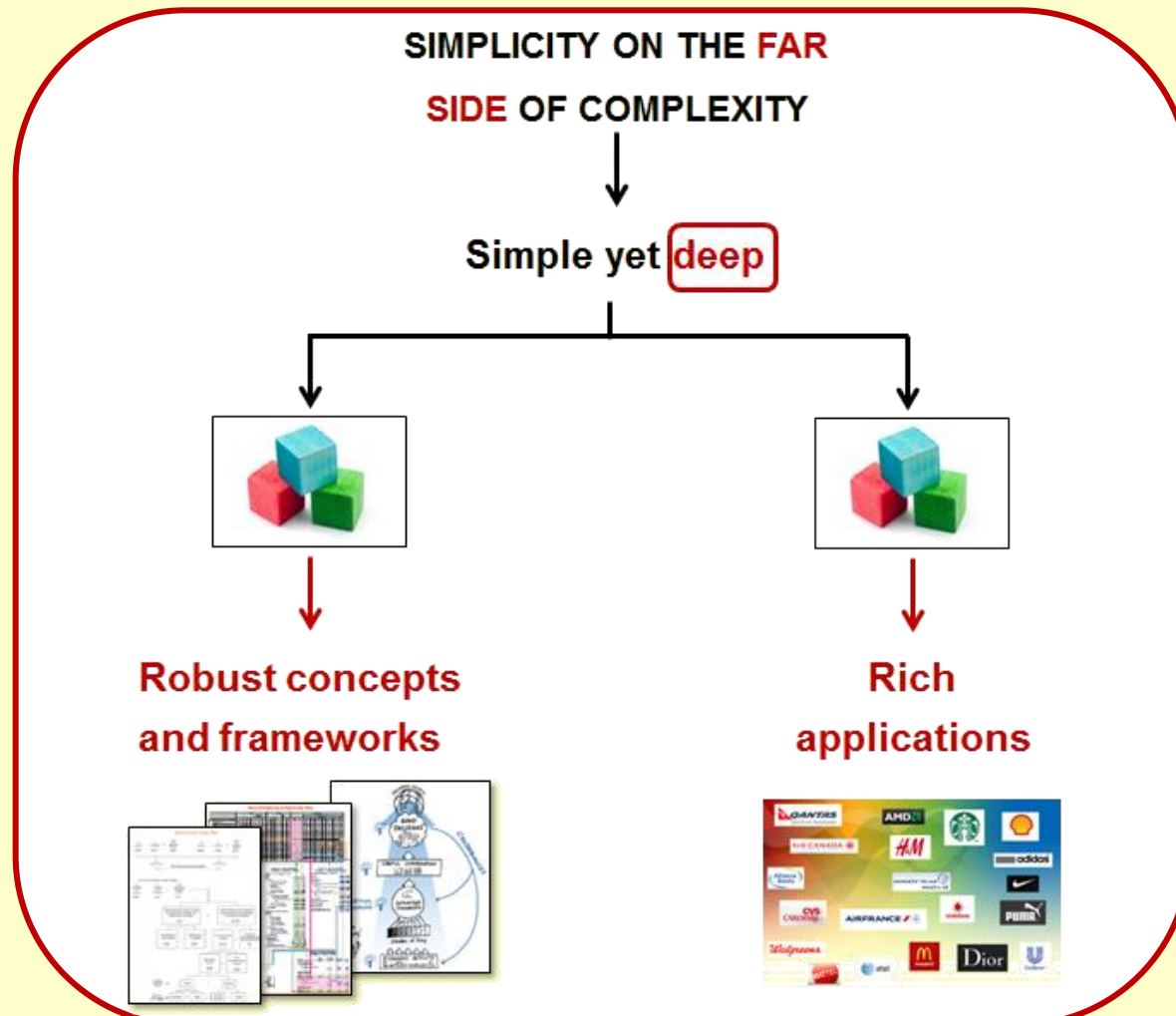
“I wouldn’t give a fig for the simplicity **this side of complexity** but I’d give my life for simplicity on the **far side of complexity**”

*Oliver Wendell Holmes*

# Transforming the Student Experience in Accounting

## Take Aways

### #4 Use robust concepts and rich applications

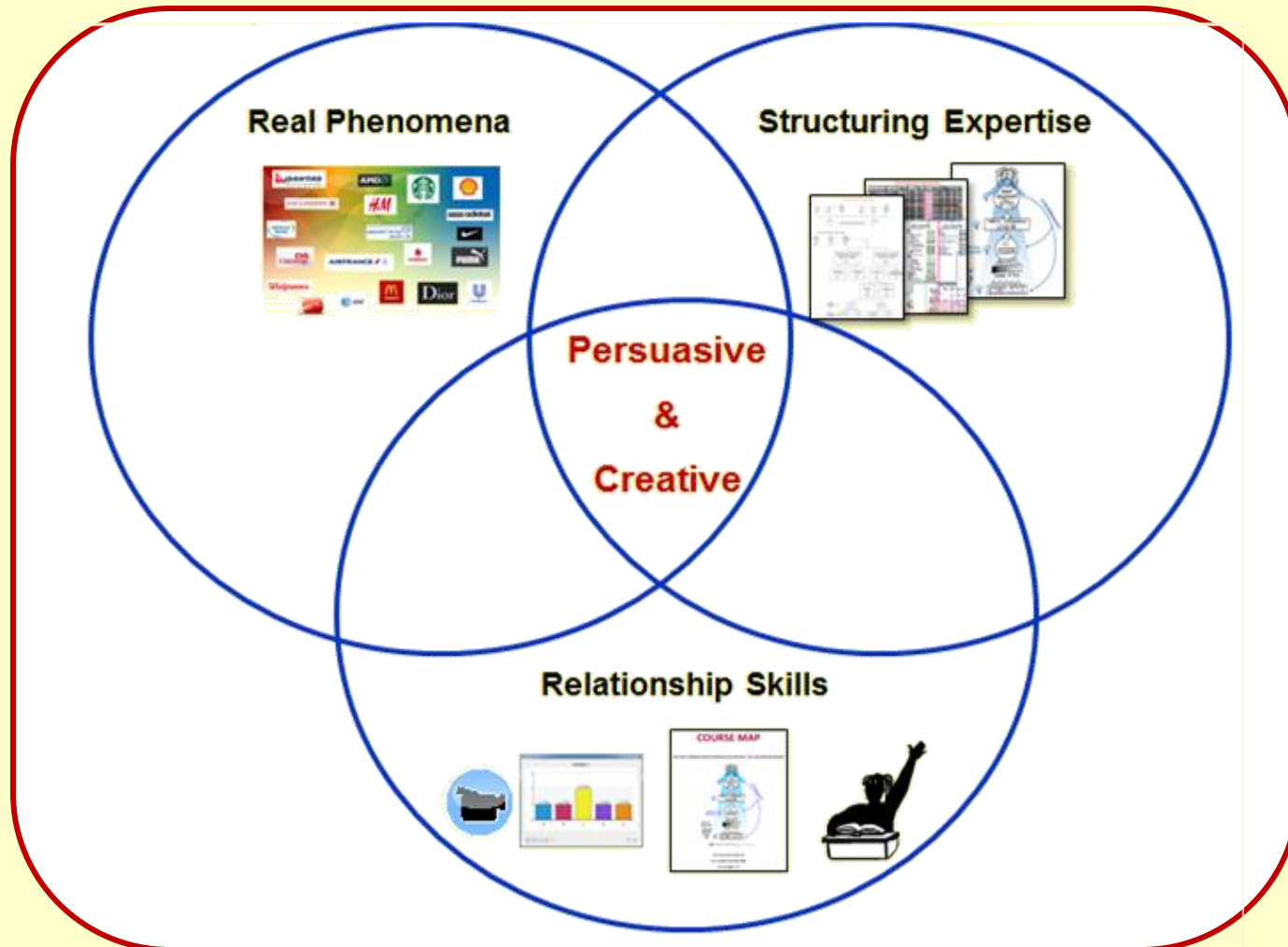




# Transforming the Student Experience in Accounting

## Take Aways

### #5 Develop competencies for effective scholarship



# Transforming the Student Experience in Accounting

## Take Aways

### #6 Make great music with your students



# Transforming the Student Experience in Accounting

## Take Aways

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



**to create great music and make a difference.**

# Transforming the Student Experience in Accounting

## Take Aways

- What are your take-aways?
- What are you willing to seriously consider as your next steps?

# Transforming the Student Experience in Accounting

## Resources

### **NavigatingAccounting.com**

#### **Instructors' Forum: Course Maps (Syllabuses) and Teaching Videos**

<http://www.navigatingaccounting.com/content/instructors-forum>

#### **Critical Thinking Exercises Using Toulmin Model**

<http://www.navigatingaccounting.com/exercise/exercises-critical-thinking-using-toulmin-model>

#### **Analyzing Financial Statements Across Time and Industries**

<http://www.navigatingaccounting.com/content/analyzing-financial-statements-across-time-and-industries>

#### **Students' Materials: Videos and Exercises**

<http://www.navigatingaccounting.com/book/financial-accounting>

#### **Peer Instruction Network**

<http://blog.peerinstruction.net/>

#### **AAA Commons**

<http://commons.aaahq.org/>

#### **Pathways Commission**

<http://pathwayscommission.org>