

Applying the Pathways Vision Model

Pete and Carolyn Wilson

April 9, 2014

Applying the Pathways Vision Model

Agenda

- Framing:
 - Our biggest challenges
 - Levers we use to address them
- Pathways Vision Model
- How we teach the intro course:
 - Learning framework
 - First day: Shattering misconceptions
 - Applying concept maps:
 - Allowance for bad debts
 - Comparing companies' future prospects
 - Developing concept maps and related skills
 - Last day: Pulling it all together

Framing

Our Biggest Challenges

- How do we accommodate students' differences?
- How do we put 20 pounds of sugar into a 5 pound bag?
- How do we respond to MOOC threats?



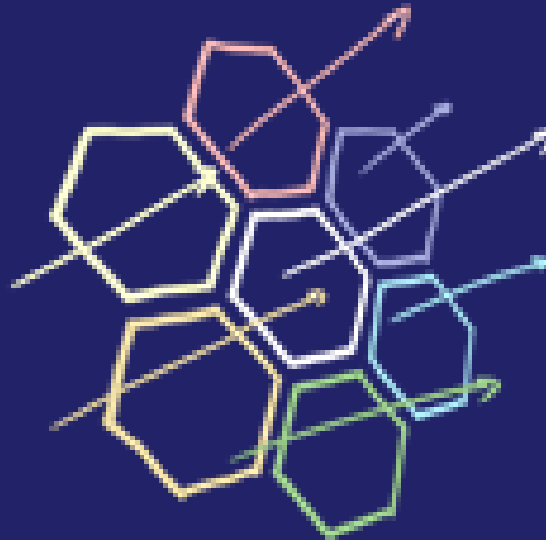
coursera



Pathways Vision Model

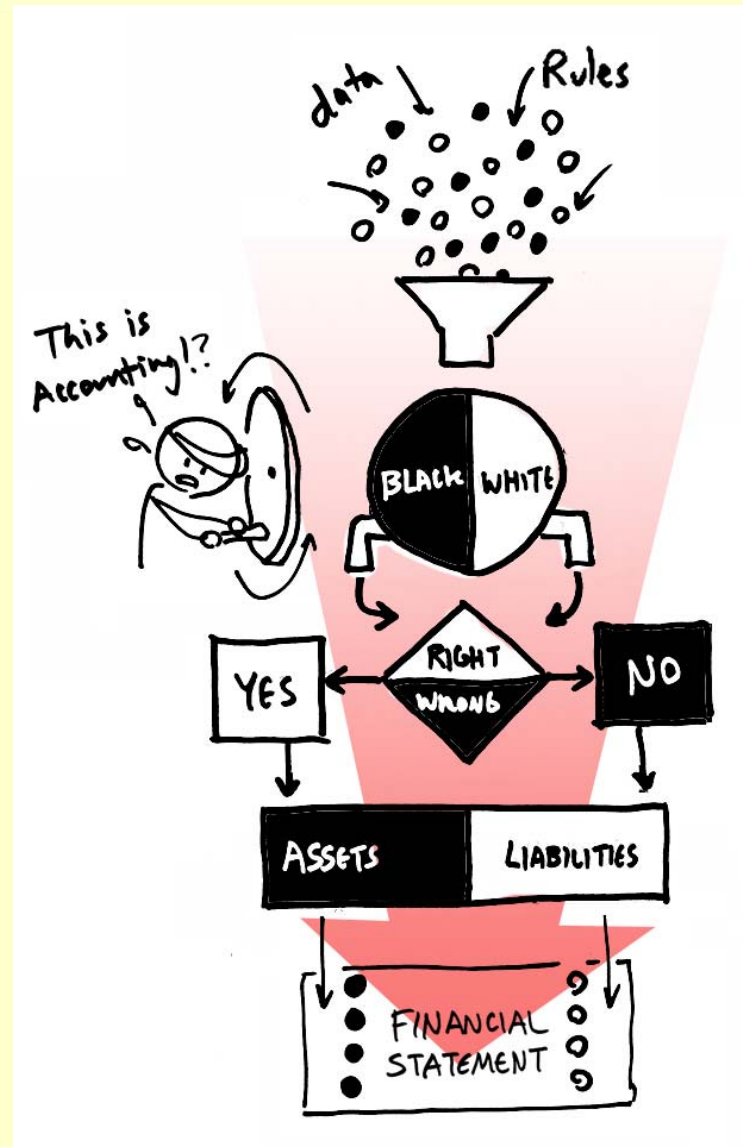
Vision for Accounting Education Committee

The Pathways Commission



Pathways Vision Model

Public Perception of Accounting



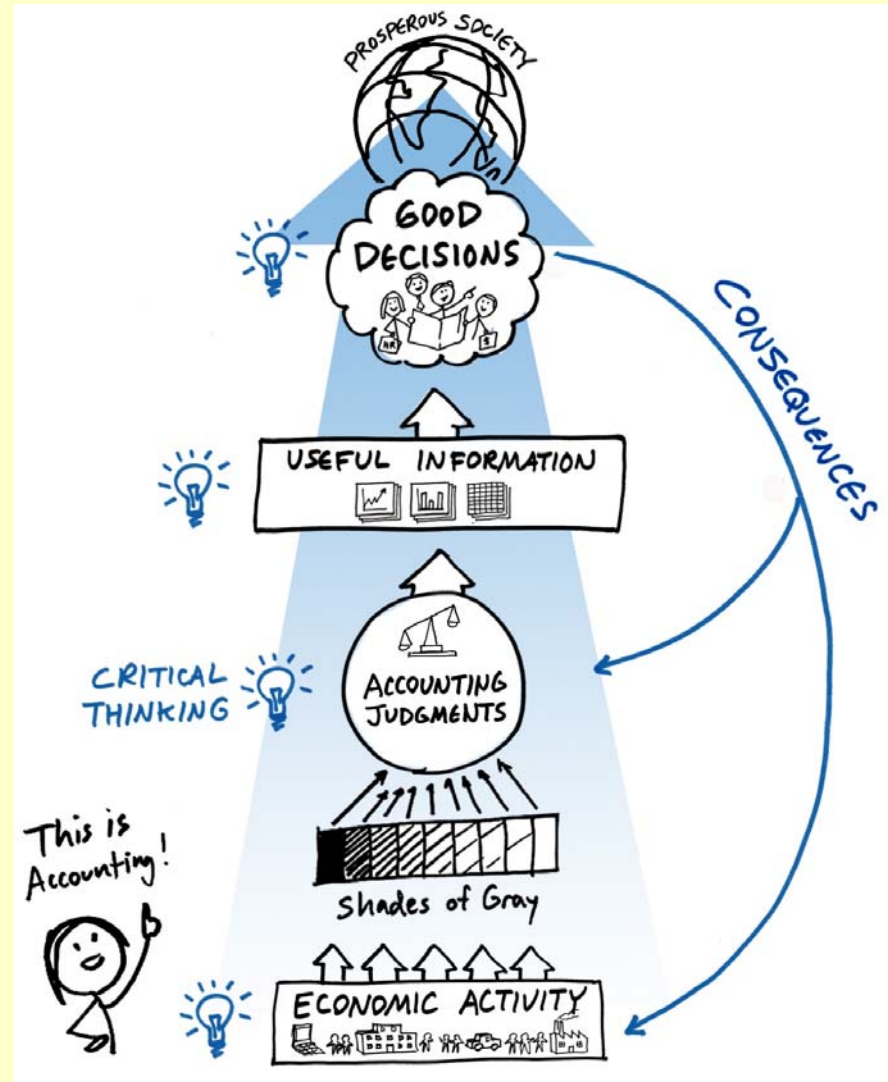
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Pathways Vision Model

Reality of Accounting

Three Overarching Features

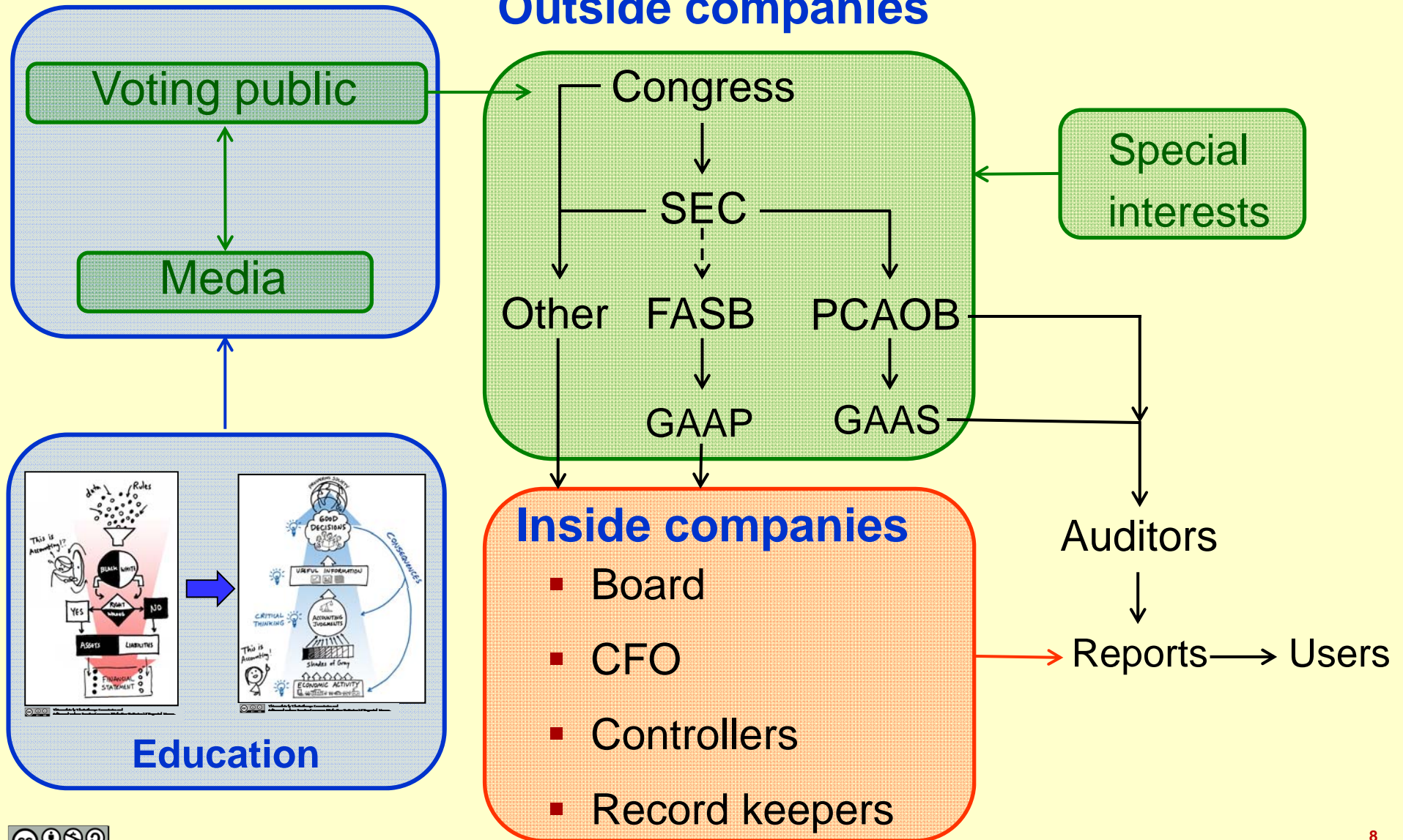
- Interdependent elements
- Simple, yet deep
- Very inclusive



Pathways Vision Model

Decision Making Hierarchy

Outside companies



Pathways Vision Model

Applying Vision Model to Financial Accounting

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.

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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.

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 –

Wall Street Journal, October 25, 2013

Pathways Vision Model

Applying Vision Model to Financial Accounting

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Bank	Q3	Q2
J.P. Morgan Chase	\$1.8	\$1.4
Bank of America	\$0.9	\$0.8
Wells Fargo	\$0.9	\$0.8
Citigroup	\$0.8	\$0.8

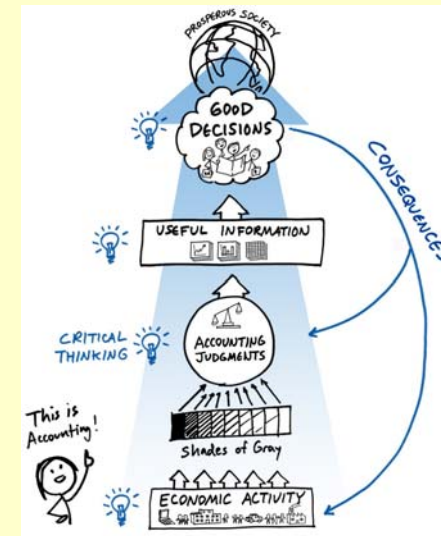
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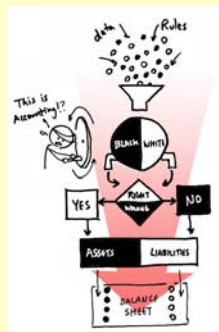
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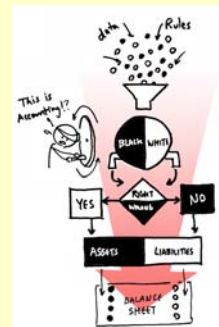
What is the accounting reality?



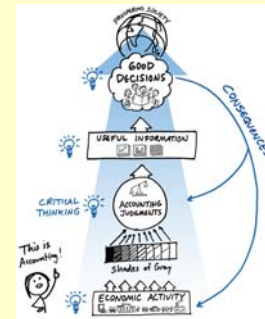
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How did readers perceive the article?



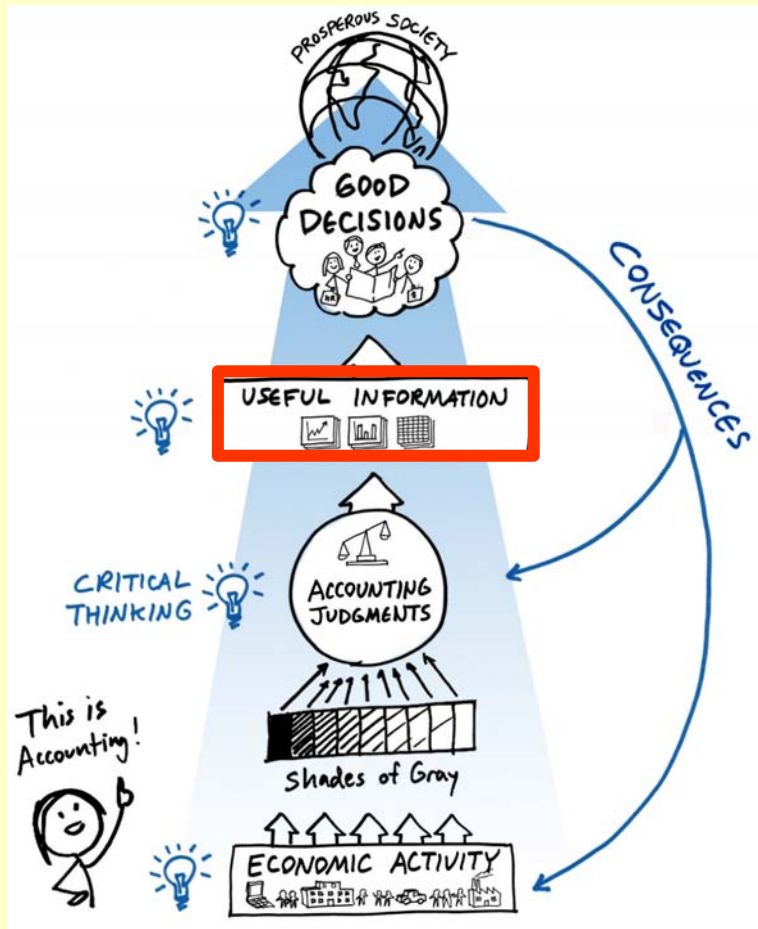
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How do we prepare students?

Pathways Vision Model

Applying Vision Model to Financial Accounting

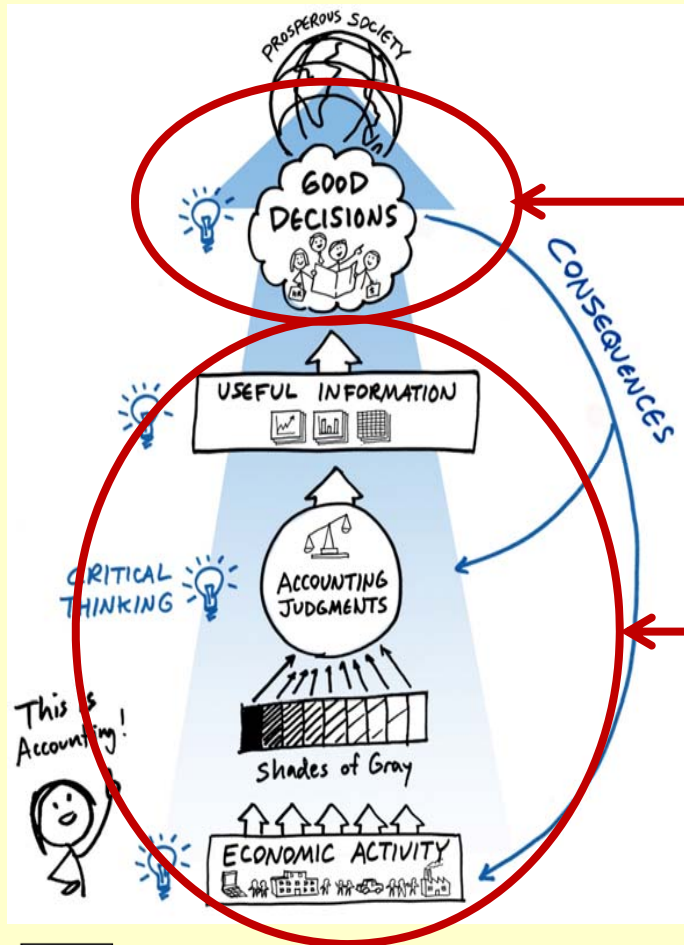


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- Analysis
- Ratio effects
- Financial-statement effects
- Entries
- Computations
- Accounting Judgments
- Analyze economic activity
 - Events
 - Risks & incentives

How We Teach

Outsider-Insider-Outsider (O-I-O) 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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First Day: Shattering Misconceptions

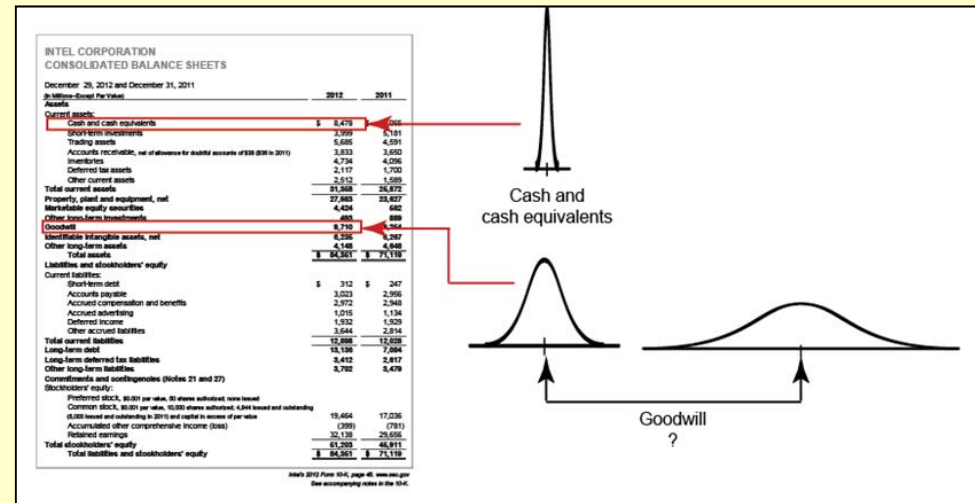
Balance Sheet Elements and Measurement Judgments

1st Session

- Explore measurement judgments in settings students understand
- Illustrate how lessons apply to more complex real-world settings
- Grasp that judgments can create 'fuzziness'

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 you control as a result of past events or circumstances?



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>

Applying Concept Maps

Allowance for Bad Debts

16th Session

Typical Class Structure

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

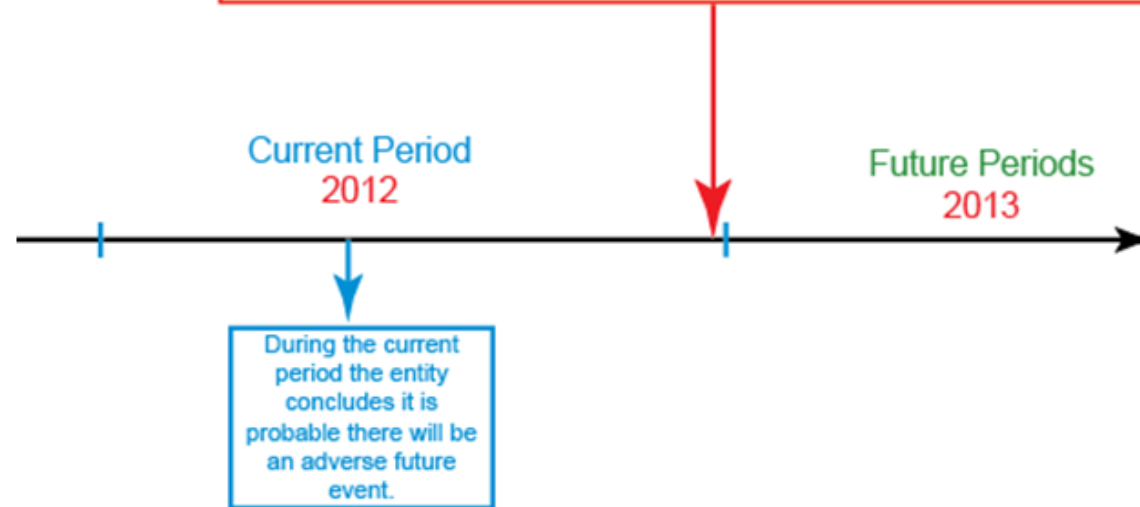
16th Session

Respond:
Review key
concepts

10 concepts: anticipate receivable write offs

Burke's Bikes Valuation and Qualifying Accounts (Schedule II)			
	For fiscal years ended December 31		
	2013	2012	2011
Allowance for doubtful accounts			
Balance beginning of the period	\$12,100	\$11,600	\$10,000
Additions	13,200	11,700	11,300
Deductions	(12,000)	(11,200)	(9,700)
Balance, end of the period	<u>\$13,300</u>	<u>\$12,100</u>	<u>\$11,600</u>

Replenishing allowance at end of 2012		
	Debit	Credit
Bad debt expense	\$11,700	
Allowance for doubtful accounts		\$11,700



16th Session

Respond: Review select homework problems

Part II

Question

(c) Determine the financial-statement effects of replenishing the allowances:

Replenish bad debt allowance

CONSOLIDATED BALANCE SHEETS			CONSOLIDATED STATEMENTS OF INCOME		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY			STATEMENT OF CASH FLOWS		
Line Items	Increases	Decreases	Line Items	Increases	Decreases
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

16th Session

Respond: Review select homework problems

Solution

Replenish bad debt allowance

	<u>Debit</u>	<u>Credit</u>
Bad debt expense: accounts receivable & financing receivables	\$142	
Allowance for bad debts: accounts receivable		\$100
Allowance for bad debts: financing receivables		\$42

HEWLETT PACKARD COMPANY AND SUBSIDIARIES			
Valuation and Qualifying Accounts			
	For the fiscal years ended October 31		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
	In millions		
Allowance for doubtful accounts accounts receivable:			
Balance, beginning of period	\$470	\$525	\$629
Increase in allowance from acquisitions		27	7
Addition of bad debt provision	100	23	80
Deductions, net of recoveries	(106)	(105)	(191)
Balance, end of period	<u>\$464</u>	<u>\$470</u>	<u>\$525</u>
Allowance for doubtful accounts financing receivables:			
Balance, beginning of period	130	140	108
Additions to allowance	42	58	76
Deductions, net of recoveries	(23)	(68)	(44)
Balance, end of period	<u>\$149</u>	<u>\$130</u>	<u>\$140</u>

16th Session

Respond: Review select homework problems

27 rv.wbn.rec.020: part II(c): fs effects: SCF

Replenish bad debt allowance

	Debit	Credit
Bad debt expense: accounts receivable & financing receivables	\$142	
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HEWLETT PACKARD COMPANY AND SUBSIDIARIES			
Consolidated Statements of Cash Flows			
	For the fiscal years ended October 31		
	2012	2011	2010
	In millions		
Cash flows from operating activities:			
Net (loss) earnings	\$ (12,650)	\$ 7,074	\$ 8,761
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Depreciation and amortization	5,095	4,984	4,820
Impairment of goodwill and purchased intangible assets	18,035	885	
Stock-based compensation expense	635	685	668
Provision for doubtful accounts and financing receivables	142	81	156
Provision for inventory	277	217	189
Restructuring charges	2,286	645	1,144
Deferred taxes on earnings	(711)	166	197
Excess tax benefit from stock-based compensation	(12)	(163)	(294)
Other, net	265	(46)	169

16th Session

Apply and Extend: Clicker question

Refer to rv.wbn.rec Clickers Reference Information.

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)

16th Session

Applications and Extensions Clicker: Reference Information

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
Fiscal 2013				
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
Total	\$63,316	\$59,851	(\$27,083)	\$96,084
Fiscal 2012				
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
Total	\$31,344	\$43,605	(\$11,633)	\$63,316
Fiscal 2011				
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
Total	\$8,182	\$33,148	(\$9,986)	\$31,344

16th Session

Applications and Extensions Clicker: Solution

COACH INC
Schedule II -- Valuation and Qualifying Accounts
For Fiscal Years Ended June 29, 2013, June 30, 2012, and July 2, 2011
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(b)	Allowance for doubtful accounts	Debit \$1,651	Credit
	Gross accounts receivable		\$1,651

16th Session

Discuss: Connect to WSJ Article

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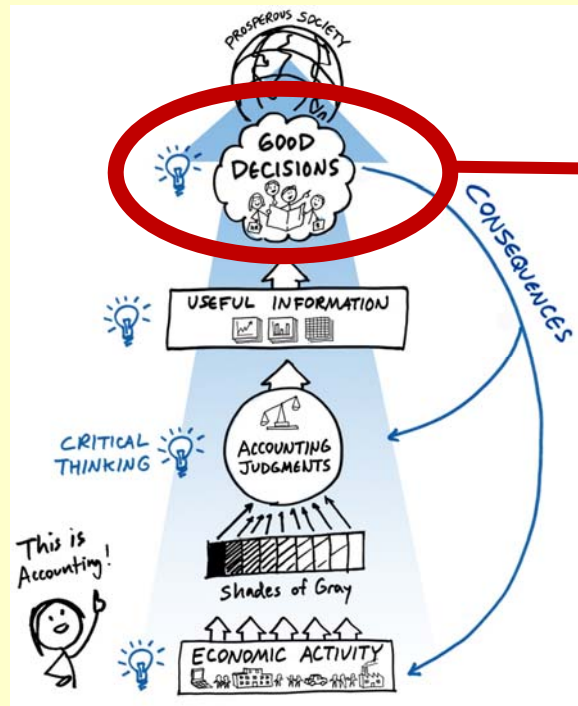
Wall Street Journal, October 25, 2013



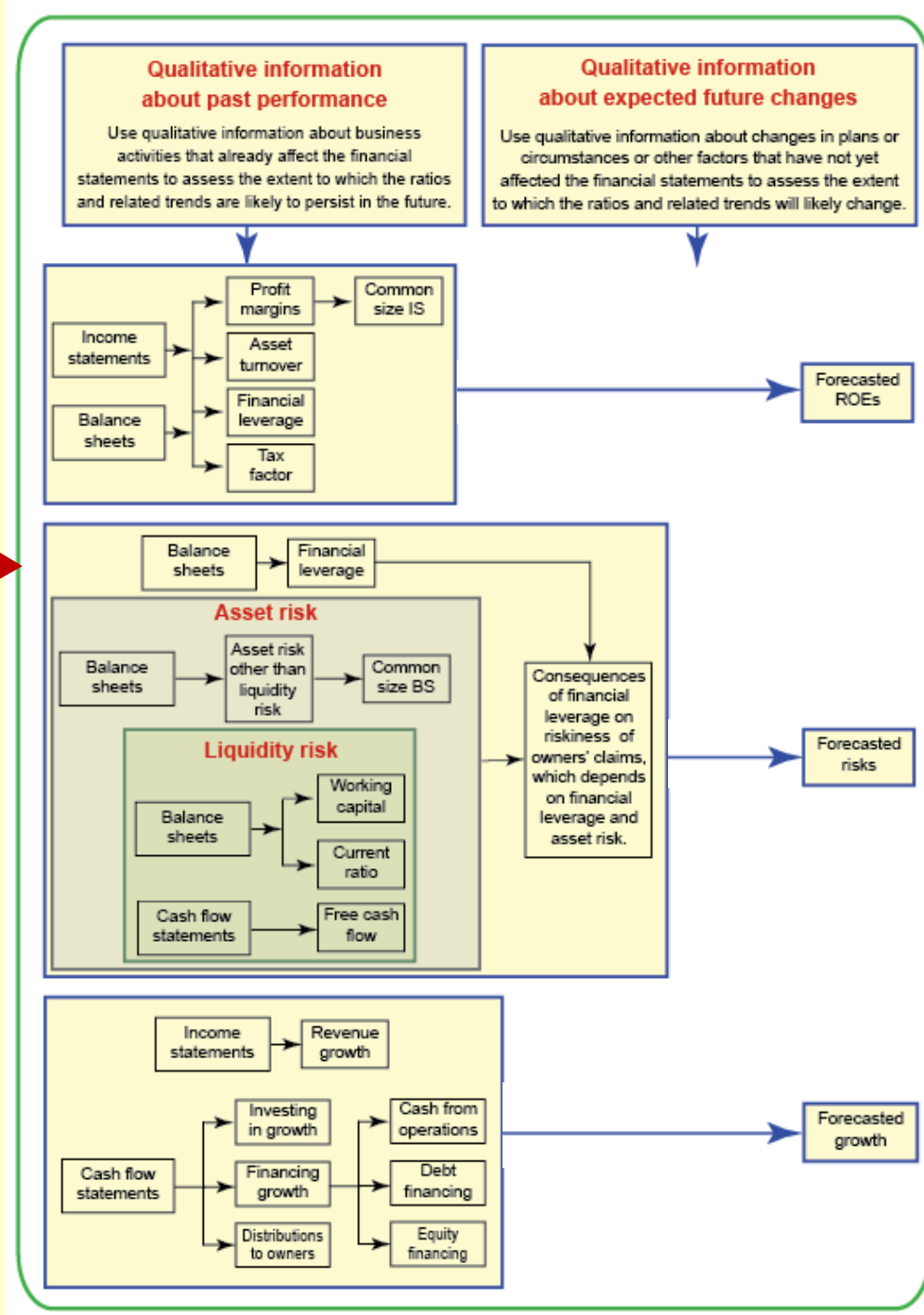
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19th Session

Analysis Considerations Map (Completed)



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Applying Concept Maps
Comparing Companies' Future Prospects

Applying Concept Maps

Comparing Companies' Future Prospects

Analysis Considerations Map Application: Question

Required

In this question, you will explore Home Depot's and Lowe'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, Home Depot or Lowe's, appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks?

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

Applying Concept Maps

Comparing Companies' Future Prospects

19th Session

Analysis Considerations Map Application: Qualitative Excerpt

Frank Blake - Home Depot Chairman and CEO

“Sales for the fourth quarter were \$18.2 billion, up 13.9% from last year. Comp sales were positive 7% and our diluted earnings per share were \$0.68. Our stores in the United States had a positive comp of 7.1%. Even though we were anniversary strong sales from last year’s warm weather and storm repair. All three of our U.S. division positively comped in the quarter and 38 of our top 40 markets had positive comps.”

Note: “**comp sales** were positive 7%” means sales in established stores (that have been operating for a couple of years) have increased by 7%. This information helps analysts distinguish sales growth due to established stores from that due to new stores.

...

“Operationally Marvin and his team continue to make progress on our customer service initiatives. We have a target of 60-40, where 60% of our store labor hours are dedicated to customer facing activity. We ended the year at 57%. Our customer satisfaction scores improved again during the quarter as well as for the year at the same time that we had the highest annual transactions in the Company history.

During the quarter, we began the rollout of Buy Online Ship-To-Store. We already have in place Buy Online Pick-up In Store and Buy Online Return In Store. These are foundational components of our interconnected retail experience.”

Applying Concept Maps

Comparing Companies' Future Prospects

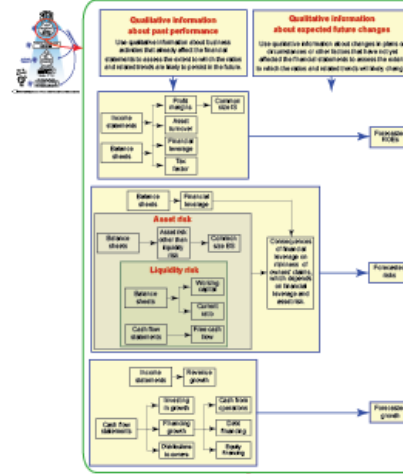
19th Session

Analysis Considerations Map Application: Quantitative Excerpt

	Home Depot				Lowe's			
	year ended				year ended			
	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009	fiscal 2012	fiscal 2011	fiscal 2010	fiscal 2009
RATIOS								
Level 1: Comprehensive income								
Return-on-equity-Comprehensive Income (ROE-CI) CI/average owners' equity	26.01%	20.28%	17.87%		12.93%	10.58%	10.95%	
Level 2: Major categories								
Return-on-equity (ROE) net profit/average owner's equity	25.42%	21.11%	17.44%		12.89%	10.62%	10.81%	
Level 3: Significant Subcategories--DuPont Model								
Profit margin ratio profit before taxes/revenue	9.66%	8.62%	7.75%	6.02%	6.21%	5.79%	6.61%	5.98%
Asset turnover revenue/average total assets	1.83	1.75	1.68		1.53	1.49	1.46	
Financial leverage average total assets/average owners' equity	2.29	2.19	2.12		2.18	1.94	1.79	
Income tax factor 1- (tax expense/pretax income)	0.63	0.64	0.63	0.66	0.62	0.63	0.62	0.63
Level 4: Line items								
<i>Common size income statements:</i>								
	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	65.43%	65.53%	65.73%	66.13%	65.70%	65.44%	64.86%	65.14%
Gross profit margin	34.57%	34.47%	34.27%	33.87%	34.30%	34.56%	35.14%	34.86%
Other operating income and expenses	24.18%	25.00%	25.68%	26.61%	27.25%	28.03%	27.84%	28.27%
Operating profit margin	10.39%	9.46%	8.59%	7.26%	7.05%	6.53%	7.29%	6.59%

19th Session

Analysis Considerations Map Application: Toulmin Model of Argumentation



Claim

Part I: Your qualified claim and opening remarks

Claim:

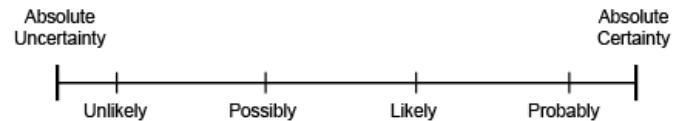
Fill in the blank with either Home Depot or Lowe's:

_____ 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 Triad, Keith Green
http://www.youtube.com/watch?v=gRaC_vZID8

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

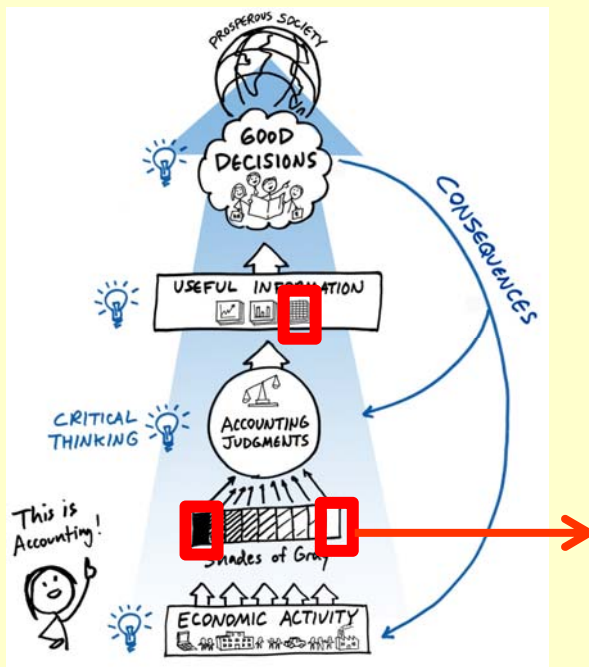
Part III: Your counterarguments and rebuttals

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.

Developing Concept Maps and Related Skills

Record Keeping and Reporting (R&R) Map – Phase 1

2nd Session



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	Assets						=	Liabilities				+	Owners' Equity	
	Current			Non-current			=	Current		Non-current		Permanent		
	C	AR	Inven	OCA	PPE	ONCA	=	AP	OCL	LTD	ONCL	SCap	OPOE	
December 31, 2012	+ \$13	+ \$78	+ \$103	+ \$178	+ \$175	+ \$199	=	+ \$35	+ \$95	+ \$60	+ \$70	+ \$214	+ \$272	
Period Entries	E1 Issued share capital for cash	+ 10					=					+ 10		
	E2 Issued non-current debt for cash	+ 10					=			+ 10				
	E3 Purchased PP&E with cash	- 20				+ 20	=							
	E4 Purchased merchandise for resale			+ 80			=	+ 80						
	E5 Paid invoices due	- 225					=	- 225						
Other period entries	+ 243	+ 28	- 36	+ \$51	- 1	+ 34	=	+ 135	+ \$2	+ 35	+ 30	+ 29	- 25	
December 31, 2013	+ \$31	+ \$106	+ \$147	+ \$229	+ \$194	+ \$233	=	+ \$25	+ \$97	+ \$105	+ \$100	+ \$253	+ \$360	

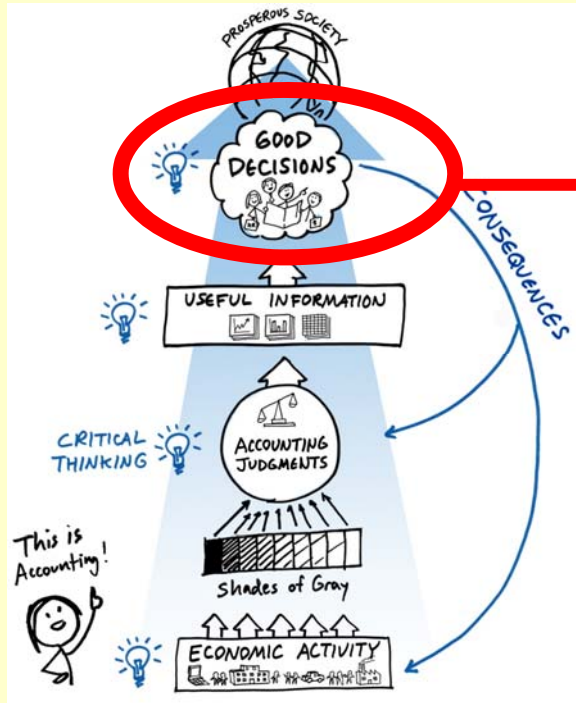
BISCHOFF GLOBAL SPORTSWEAR
STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and December 31, 2012

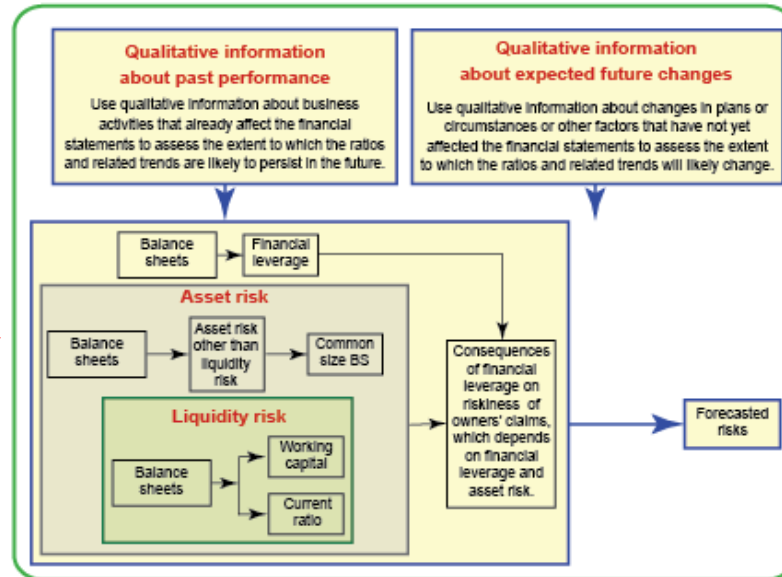
(In Millions)

	2013	2012
Assets		
Current		
Cash and cash equivalents	\$31	\$13
Accounts receivable, net	106	78
Inventories	147	103
Other current assets	229	178
Total current assets	513	372
Non-current		
Property, plant, and equipment, net	194	175
Other non-current assets	233	199
Total non-current assets	427	374
Total assets	\$940	\$746
Liabilities and Stockholders' Equity		
Liabilities		
Current		
Accounts payable	25	35
Other current liabilities	97	85
Total current liabilities	122	130
Non-current		
Long-term borrowings	105	80
Other non-current liabilities	100	70
Total non-current liabilities	205	130
Total liabilities	327	280
Stockholders' equity		
Share capital	253	214
Other stockholders' equity	360	272
Total stockholders' equity	613	486
Total liabilities and stockholders' equity	\$940	\$746

4th Session



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Part I: Your qualified claim and opening remarks

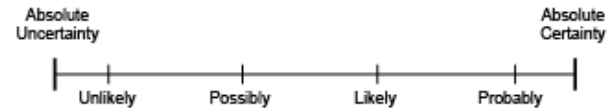
Claim:

Fill in the blank with either Starwood Hotels or Marriott International:

_____ appears to have had a stronger financial health and recovery during 2011-2012.
 [Starwood Hotels or Marriott International]

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 Triad, Keith Green
http://www.youtube.com/watch?v=gRtC_vZiD8

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).

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.

Developing Concept Maps and Related Skills

Owners' Equity Change (OEC) Map

5th Session

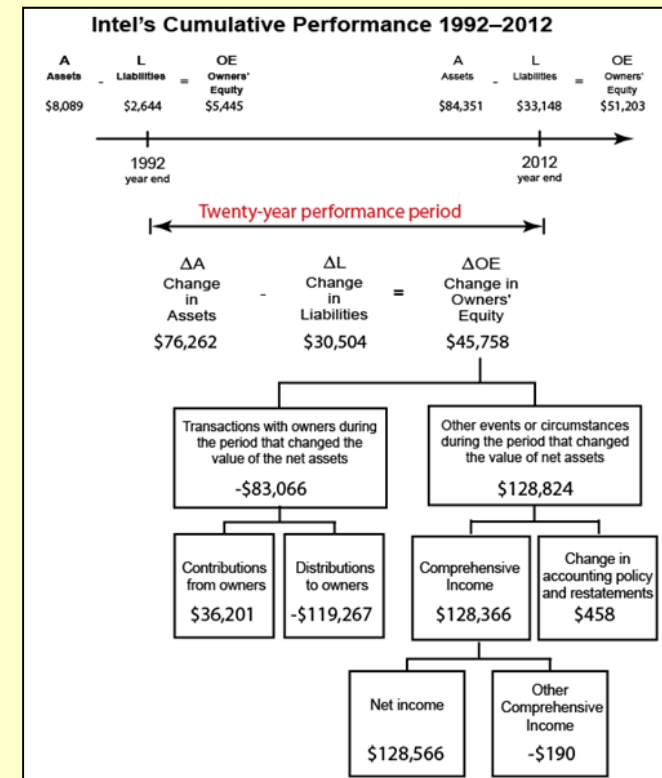
Helps students understand:

- Elements of statements of comprehensive income
- Elements of statements of change in owners' equity
- How balance sheets, income statements, and statements of owners' equity are connected

Intel's Cumulative Performance 1992–2012

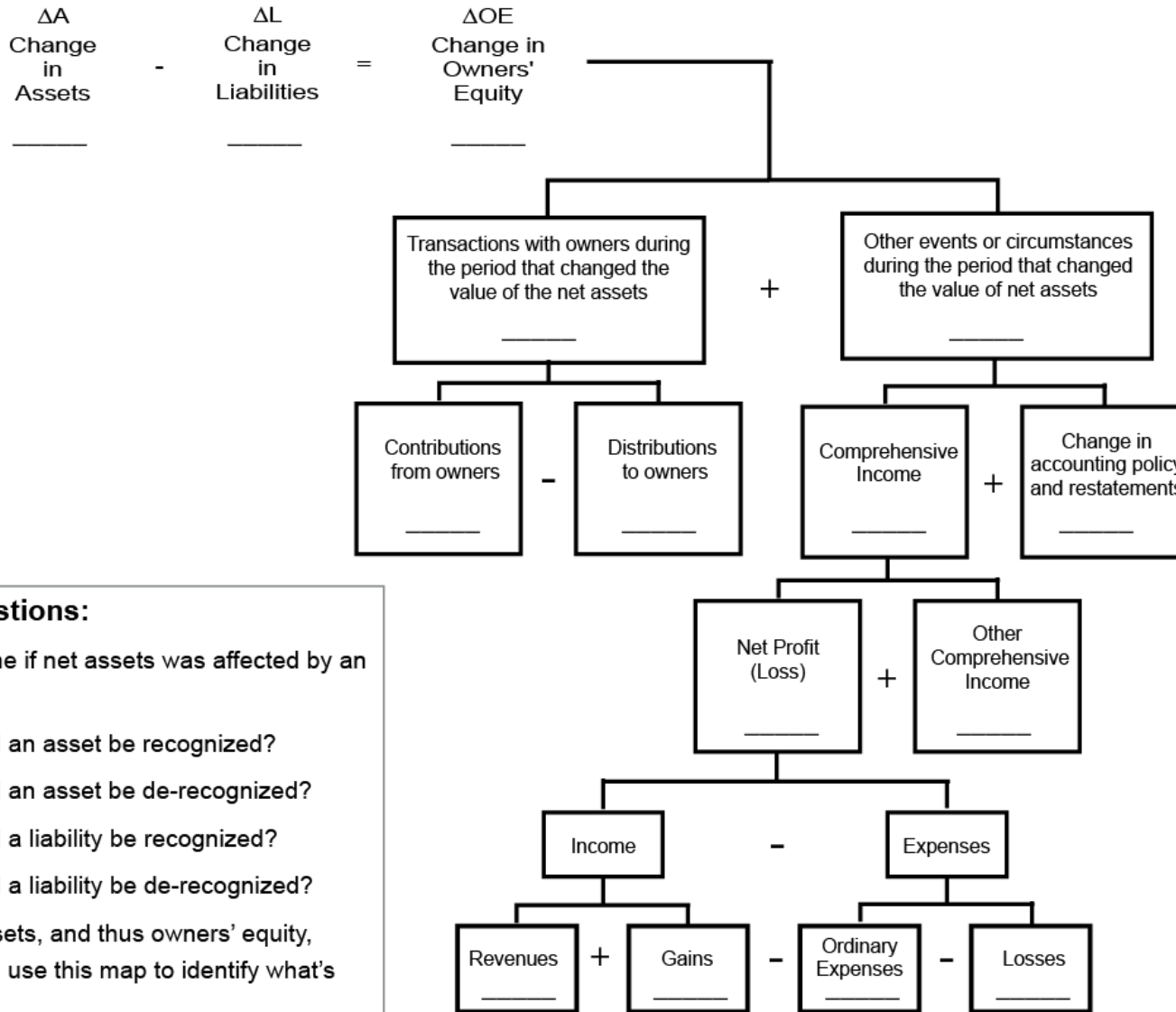
A	L	OE	A	L	OE
Assets	Liabilities	Owners' Equity	Assets	Liabilities	Owners' Equity
\$8,089	\$2,644	\$5,445	\$84,351	\$33,148	\$51,203

Timeline: 1992 year end ————— 2012 year end



5th Session

Helps students record any entry



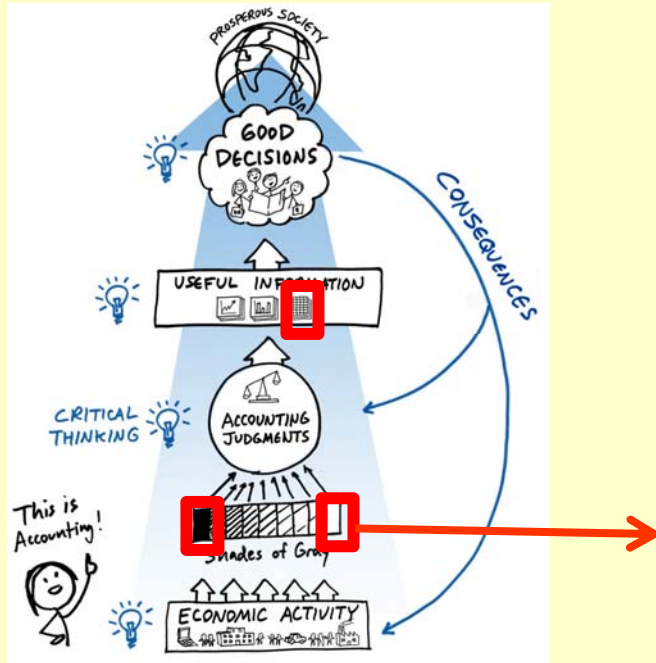
Four Questions:

- Determine if net assets was affected by an event:
 - Should an asset be recognized?
 - Should an asset be de-recognized?
 - Should a liability be recognized?
 - Should a liability be de-recognized?
- If net assets, and thus owners' equity, changed, use this map to identify what's affected.

Developing Concept Maps and Related Skills

Record Keeping and Reporting (R&R) Map – Completed

15th Session



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December 31, 2013	Assets				Liabilities				Owners' Equity			
	Current	Non-current	Net PPE	Other	Current	Non-current	Permanent	Common	Retained	Reserves	Other	Comprehensive Income
December 31, 2013	\$11,488	\$2,388	\$1,388	\$2,388	\$1,488	\$1,388	\$1,388	\$1,388	\$1,388	\$1,388	\$1,388	\$1,388

	2013	2012
Cash flows from operating activities	\$380	\$293
Collected accounts receivable	(225)	(201)
Paid accounts payable	(10)	(9)
Paid accrued expenses not invoiced	(30)	(27)
Paid expenses recognized when paid	(20)	(18)
Paid prepaid expenses	1	(13)
Other operating cash flows	\$96	\$25
Net cash provided by (used in) operations	(20)	(17)
Cash flows from investing activities	(85)	(23)
Payments for property, plant, and equipment	(85)	(23)
Other investing cash flows		
Net cash provided by (used in) investing activities	10	7
Cash flows from financing activities	(13)	(14)
Proceeds from issue of share capital	5	2
Proceeds from borrowings	16	(13)
Other financing cash flows	2	2
Net increase (decrease) in cash during year	13	24
Cash and Cash equivalents at start of year	\$91	\$13
Cash and Cash equivalents at end of year	\$104	\$37

	2013	2012
Assets		
Current		
Cash and cash equivalents	\$31	\$13
Accounts receivable, net	64	66
Inventories	156	109
Prepaid expenses	10	20
Other current assets	219	158
Total current assets	502	366
Non-current		
Property, plant, and equipment	264	220
Historical cost of PP&E	(70)	(45)
Less accumulated depreciation	194	175
Net	233	199
Other non-current assets	427	374
Total non-current assets	\$929	\$748
Total assets	\$1,431	\$1,114
Liabilities and Stockholders' Equity		
Liabilities		
Current		
Accounts payable	25	35
Accrued liabilities	14	20
Dividends payable	12	7
Other current liabilities	58	81
Total current liabilities	109	123
Non-current		
Long-term borrowings	105	60
Other non-current liabilities	102	71
Total non-current liabilities	207	131
Total liabilities	316	254
Stockholders' equity		
Share capital	253	214
Retained earnings	310	239
Reserves	50	33
Total stockholders' equity	613	486
Total liabilities and stockholders' equity	\$1,431	\$1,114

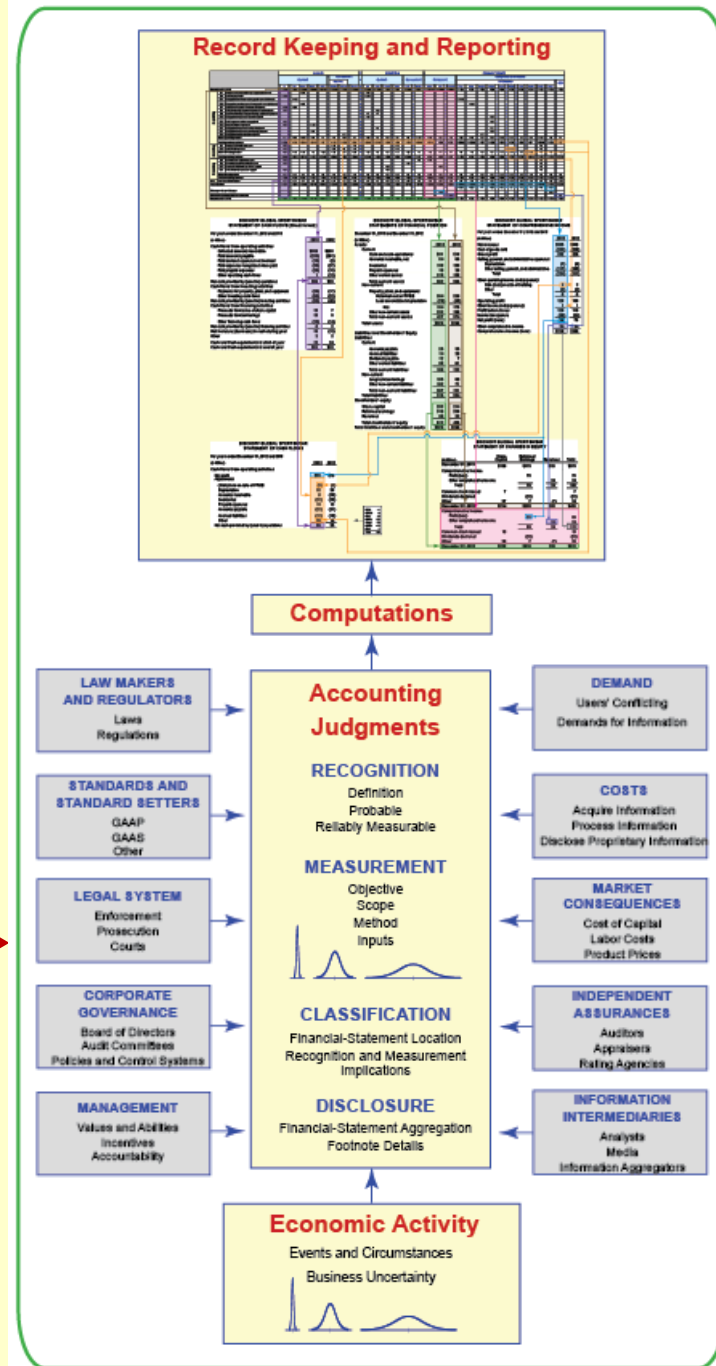
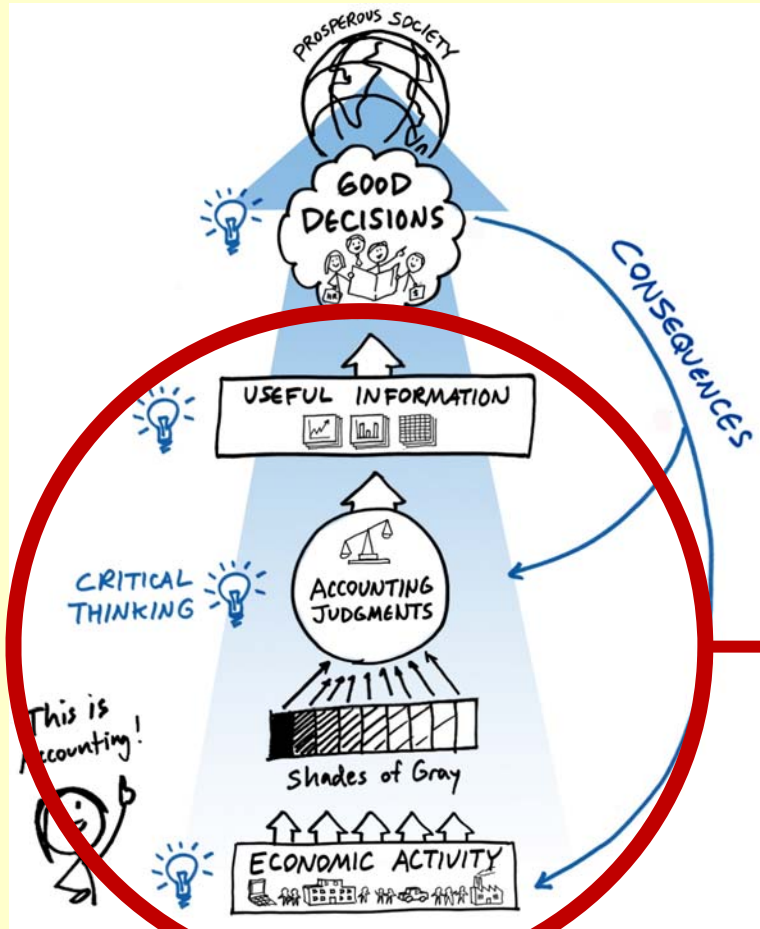
	2013	2012
Net revenues	\$505	\$440
Cost of goods sold	(253)	(220)
Gross profit	252	220
Selling, general, and administrative expenses:		
Depreciation	(7)	(9)
Other selling, general, and administrative	(117)	(105)
Total	(124)	(114)
Other operating income and (expense):		
Gain (loss) on sale of building	3	3
Other	(3)	(3)
Total	0	0
Operating profit	128	109
Other income and (expense)	1	1
Profit before taxes	129	110
Income tax expense	(40)	(34)
Net profit (loss)	89	76
Other comprehensive income	24	(24)
Comprehensive income (loss)	\$113	\$52

	2013	2012
Cash flows from operating activities	\$380	\$270
Net profit	(3)	(9)
Adjustments	32	26
(Gain) loss on sale of PP&E	0	(38)
Depreciation	(32)	(36)
Inventories	15	13
Prepaid expenses	(22)	(21)
Accounts payable	(13)	(10)
Accrued liabilities	26	15
Other	96	25
Net cash provided by (used in) operations		

	Share Capital	Retained Earnings	Reserves	Total
December 31, 2011	\$180	\$179	\$16	\$375
Comprehensive income				
Profit (loss)		76		76
Other comprehensive income			24	24
Total		76	24	100
Common stock issued	7			7
Dividends declared		(25)		(25)
Other	27	7	(7)	34
December 31, 2012	\$214	\$239	\$33	\$486
Comprehensive income				
Profit (loss)		89		89
Other comprehensive income			24	24
Total		89	24	113
Common stock issued	10			10
Dividends declared		(25)		(25)
Other	29	7	(7)	29
December 31, 2013	\$253	\$310	\$50	\$613

Final Session

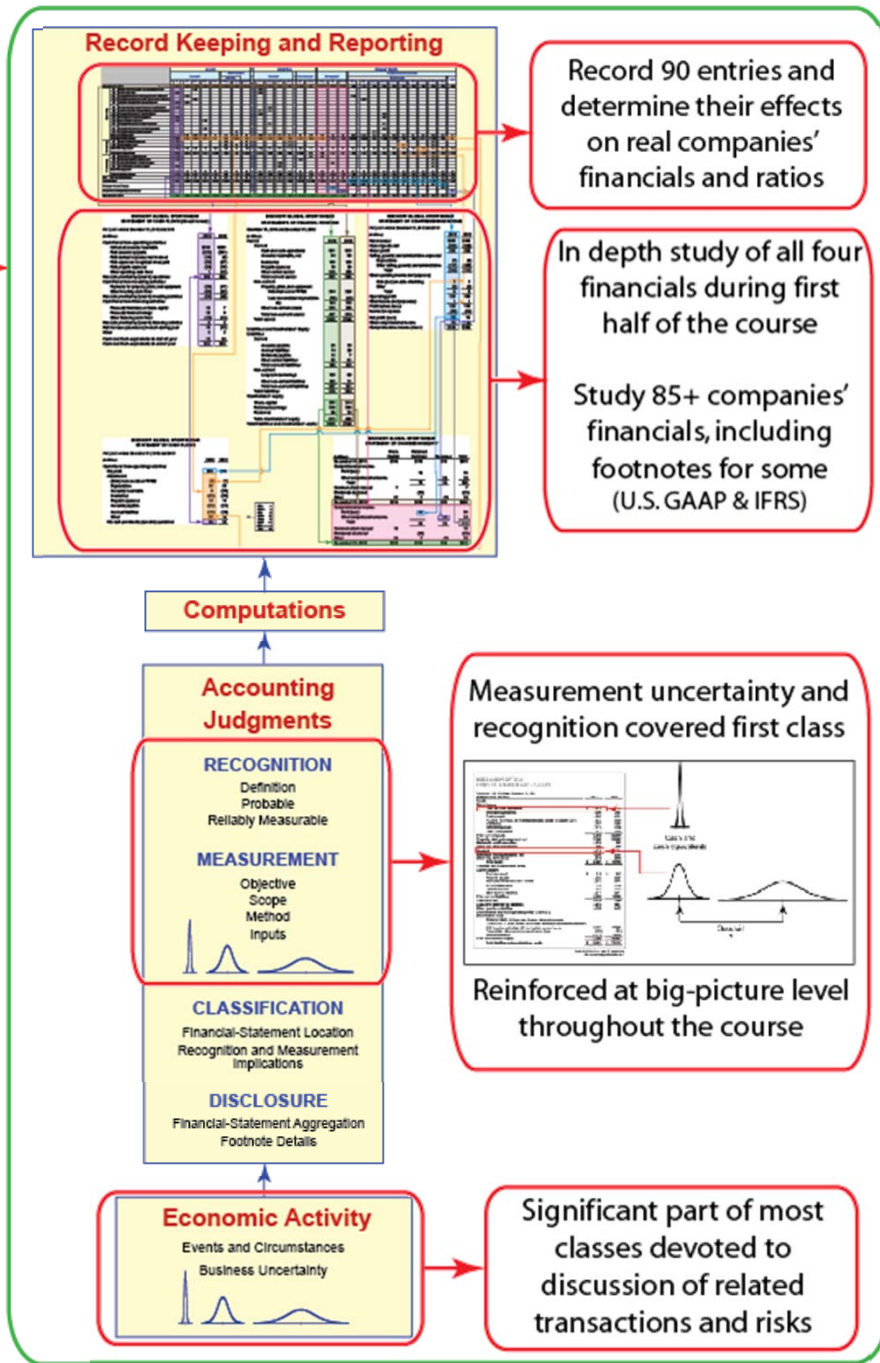
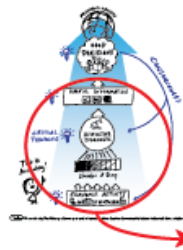
Accounting Decisions Map



Applying Pathways Vision Model to Financial Accounting

Wrap Up

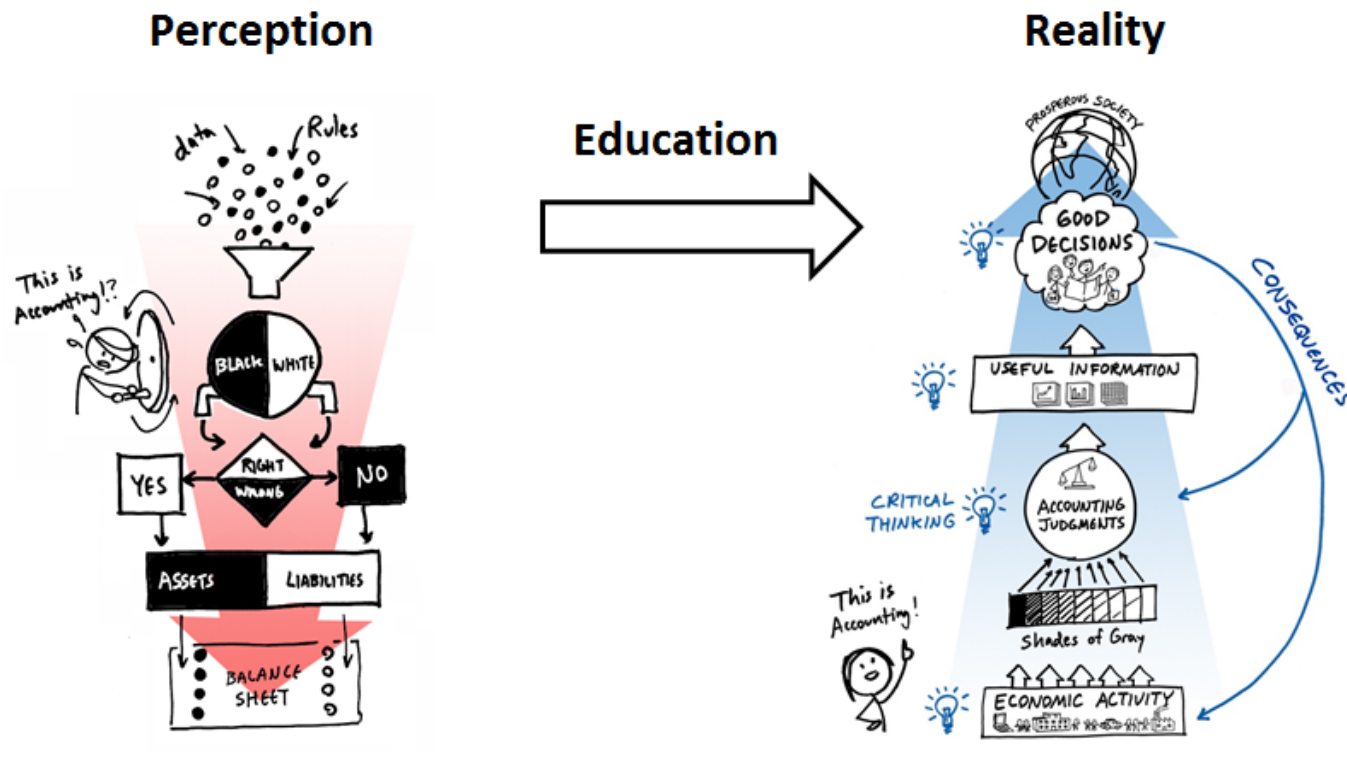
Final Session Course Review



Wrap Up

The Overarching Goal

As educators, our goal is to shift the perception towards the reality.



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Applying the Pathways Vision Model

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>