INTRODUCTION TO FINANCIAL ACCOUNTING

There is an assignment for the first class!

See the Session 1 assignment
Course Schedule ................................................................................................................................. 4
Course Goals, Principles, Policies and Tips .......................................................................................... 5
  Introduction ........................................................................................................................................ 5
Course Goals ......................................................................................................................................... 5
Guiding Principles ................................................................................................................................. 5
Grading Policies ...................................................................................................................................... 8
Exams .................................................................................................................................................... 9
Group Work .......................................................................................................................................... 9
Clickers .................................................................................................................................................. 10
Suggested Learning Strategy .................................................................................................................. 10
Office Visits .......................................................................................................................................... 12
Using Navigating Accounting .............................................................................................................. 13
Session Maps ....................................................................................................................................... 14
  Session 1: Introduction to course ....................................................................................................... 14
  Session 2: Closer look at balance sheets ........................................................................................... 16
  Session 3: Introduction to record keeping and reporting ................................................................. 19
  Session 4: Group assignment 1 – Analyzing balance sheets (Mini Case) ......................................... 22
  Session 5: Introduction to Income statements and statements of changes in owners’ equity .......... 24
  Session 6: Record keeping and reporting related to income statements ........................................ 28
  Session 7: Record keeping and reporting related to statements of changes in owners’ equity ....... 33
  Session 8: Group assignment 2 – Analyzing financial performance ............................................... 35
  Exam 1 ................................................................................................................................................. 36
  Session 9: Group assignment 3 ........................................................................................................ 37
  Session 10: Cash flow statements: two formats and entry-by-entry effects .................................... 38
  Session 11: Cash flow statements: operating entries’ grouped effects on reconciliation ............ 40
  Session 12: Cash flow statements: creating them and connecting them to other statements ....... 42
  Session 13: SCF Entry Map ............................................................................................................. 44
  Session 14: Group assignment 4 – Analyzing cash flow statements (Mini Case) ....................... 47
  Session 15: Customer-related allowances: Bad debts ....................................................................... 48
  Session 16: Customer-related allowances: Warranties .................................................................... 50
  Session 17: Inventory inflows: Manufacturing and inventory impairments ................................ 52
  Exam 2 ................................................................................................................................................. 54
Session 18: Inventory outflows: LIFO-FIFO computations and entries ........................................... 55
Session 19: Inventory outflows: Converting LIFO to FIFO ......................................................... 58
Session 20: Long-term assets ........................................................................................................... 59
Session 21: Group assignment 5 – Recognition and measurement (Mini case) ............................... 61
Session 22: Present and future values ............................................................................................. 62
Session 23: Long-term debt (issued at par) and leases ..................................................................... 64
Session 24: Bonds ............................................................................................................................ 67
Session 25: Group assignment 6 – Reflections ................................................................................ 68
Final Exam ....................................................................................................................................... 69
## INTRODUCTION TO FINANCIAL ACCOUNTING

<table>
<thead>
<tr>
<th>Session</th>
<th>Topics or Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction to course</td>
</tr>
<tr>
<td>2</td>
<td>A closer look at balance sheets</td>
</tr>
<tr>
<td>3</td>
<td>Introduction to record keeping and reporting</td>
</tr>
<tr>
<td>4</td>
<td>Group Assignment #1: Analyzing balance sheets (mini case)</td>
</tr>
<tr>
<td>5</td>
<td>A closer look at Income statements and statements of changes in owners’ equity</td>
</tr>
<tr>
<td>6</td>
<td>Record keeping and reporting related to income statements</td>
</tr>
<tr>
<td>7</td>
<td>Record keeping and reporting related to statements of changes in owners’ equity</td>
</tr>
<tr>
<td>8</td>
<td>Group Assignment #2: Analyzing financial performance (mini case)</td>
</tr>
<tr>
<td></td>
<td>EXAM # 1</td>
</tr>
<tr>
<td>9</td>
<td>Group Assignment #3: Group analysis of Exam 1 essay question (mini case)</td>
</tr>
<tr>
<td>10</td>
<td>Cash flow statements: direct and indirect formats and entry-by-entry effects</td>
</tr>
<tr>
<td>11</td>
<td>Cash flow statements: operating entries’ grouped effects on reconciliation</td>
</tr>
<tr>
<td>12</td>
<td>Cash flow statements: creating them and connecting them to other statements</td>
</tr>
<tr>
<td>13</td>
<td>Cash flow statements: SCF Entry Map</td>
</tr>
<tr>
<td>14</td>
<td>Group Assignment #4: Analyzing cash flow statements (mini case)</td>
</tr>
<tr>
<td>15</td>
<td>Customer-related allowances: Bad debts</td>
</tr>
<tr>
<td>16</td>
<td>Customer-related allowances: Warranties</td>
</tr>
<tr>
<td>17</td>
<td>Inventory inflows: accounting for manufacturing and inventory impairments</td>
</tr>
<tr>
<td></td>
<td>EXAM # 2</td>
</tr>
<tr>
<td>18</td>
<td>Inventory outflows: LIFO FIFO computations and entries</td>
</tr>
<tr>
<td>19</td>
<td>Inventory outflows: Converting LIFO to FIFO</td>
</tr>
<tr>
<td>20</td>
<td>Long-term assets</td>
</tr>
<tr>
<td>21</td>
<td>Group Assignment #5: Recognition and measurement (mini case)</td>
</tr>
<tr>
<td>22</td>
<td>Present and future values</td>
</tr>
<tr>
<td>23</td>
<td>Long-term debt (issued at par) and leases</td>
</tr>
<tr>
<td>24</td>
<td>Bonds</td>
</tr>
<tr>
<td>25</td>
<td>Group Assignment #6: Reflections</td>
</tr>
<tr>
<td></td>
<td>Final Exam</td>
</tr>
</tbody>
</table>
Course Goals, Principles, Policies and Tips

Introduction
This section describes the course resources, goals, guiding principles, grading policies, and learning strategies. We hope it will give you a sense for our commitment to our collective effort to make the course a rewarding experience.

The source of our motivation is the thought that during your careers you will collectively make decisions that will affect the flow of billions of dollars of resources and the lives of countless individuals, and that the quality of these decisions can be improved, in part, by what you learn in this course.

Course Goals
The course goals are the same as those stated in the Course Goals and Relevance Video assigned for pre-course preparation for Session 01:

1. To help you acquire a broad conceptual framework for understanding and preparing financial, managerial, and tax reports that will serve as a solid foundation for your career and other courses.
2. To help you understand how information about economic activities is measured, recorded, aggregated, and affects financial statements and performance metrics.
3. To help you become reasonably proficient at using financial statements to make more informed decisions.

You can learn more about these goals by viewing the Course Goals and Relevance Video:


The goals can be met at several levels of proficiency that span a very broad continuum. While there are course performance standards, past experience suggests that most of you will be motivated more by your career goals and intrinsic interests than by grades.

Your individual goals will differ depending on several factors including your past experience and your career plans. We will respect these differences, even if you earn a lower grade than most of your classmates.

Guiding Principles
Here are some principles that will help you achieve the course goals. They are central to our teaching philosophy and have proven to be very beneficial in the past. If you have any questions about them, you can address them to us via email or set up an office appointment.
• **The course will be challenging but hopefully you will find it even more rewarding.** We teach tough, demanding classes, but we are committed to creating supportive learning environments that make it possible to set high standards. We take pride in the accomplishments of our students and provide opportunities for exceptional students to distinguish themselves. At the same time, we measure our success by how well we can take the entire class to the next level, trusting that our students are highly motivated and bring a wide range of skills and aspirations to our courses.

• **Working together, we can make the course a great learning experience.** We have spent countless hours over forty years thinking about ways to improve our teaching and along the way we have become pretty good. This is not bragging. Indeed, being pretty good after forty years of sleepless nights is rather humbling, especially because for most of these years we wanted to be great. However, somewhere along the way we realized we just don’t have what it takes to be great at anything on our own, and our shared experiences with our students are only great if everyone involved is fully committed to this end. This is our goal and we hope it is shared by the entire class. If so, we can create something extra special together.

• **Preparation and attitude are the two biggest success factors to creating a great learning experience.** Everyone involved must come to class as prepared as possible. This very detailed Course Map will help you do your part. Bringing a great attitude to class means showing up on time, focusing on and participating constructively in class discussions, and more generally embracing the School’s Core Values.

• **The exams will cover a significant amount of foundational material not discussed in class but covered in assigned exercises.** This gives you an incentive to learn basic terms, concepts, and procedures largely on your own so we can pursue topics during class that will better prepare you for other courses, job interviews, and your career.

• **You will be graded on class participation.** Our responsibility is to increase your capacity and willingness to prepare for class and participate effectively in discussions. This is critical to the class’ success, and perhaps to your careers. In both endeavors, you will succeed to the extent you can organize your ideas concisely and convey them persuasively. For this reason, a portion of your grade is based on class participation, either responding to clicker questions or discussing group projects. Our objective is to ensure that you are highly energized before class when you are preparing and relaxed during class when you need an environment that is “soft on people but hard on ideas.”

• **Our past experience suggests that if you spend several hours preparing and the class environment is intellectually vibrant, but not intimidating, you will want to participate.** If you are reluctant to express your ideas in front of groups, come by our office early in the course so we can help you develop a strategy to involve you in class discussions.
- **Confusion often precedes enlightenment.** Some of the homework assignments are very demanding and we fully expect most of you to come to class still struggling to gain closure and some of you to come totally confused. If you come to class prepared but confused, you may not feel comfortable, but there is a good chance you will leave with closure on most of the learning objectives. By contrast, if you come feeling comfortable but not prepared, you will surely leave totally confused.

- **Your success in the course depends greatly on how effectively your group works together to advance everyone’s learning.** The group work portion of your grade is based on clicker questions and group assignments (projects) during sessions 2-25. During the sessions when there are group assignments (see the schedule on page 4), everyone in the group receives the same participation score (as discussed later). During the other sessions, your participation score will be based on your responses to Clicker questions. However, you will have time to consult with your group before responding. While group work directly affects the class participation portion of your grade, our past experience suggests it can have a big beneficial indirect effect on your exam scores: to the extent groups work effectively when preparing for class, their members tend to perform better on exams.

- **Know what you don’t know.** A very important step in the learning process is to continually ask: “What don’t I know and what resources can help me learn these things?” One of the best resources is the classroom discussions. These will be more effective if we focus as much as possible on things a significant number of students don’t understand. We will do two things at the start of class to get a sense of where the class is struggling. First, we’ll ask a few “basic” clicker questions (not graded) to assess the extent to which students understand terms and concepts covered in the assigned videos or readings. Second, we will ask students to identify places in the assignment where they need clarification. This is where we need you to know what you don’t know. But more importantly, we need you to share where you are struggling with us and your classmates. In this regard, our goal is to create an amazing learning environment where everyone feels comfortable sharing what they don’t know so we can collectively and efficiently fill in the gaps.

- **Learning is more important than grades.** We recognize grades are very important to you and fully support your pursuing good grades. So, what do we mean by learning is more important than grades? Three things:
  - First, grades are not perfectly correlated with learning because exams and other evaluation methods are far from perfect sampling mechanisms. We try our best to ensure our exams, graded assignments, and participation evaluations are fair and comprehensive but we recognize the limitations of these assessments.
  - Second, grades can help you land jobs; but ultimately your success in these endeavors and more generally the quality of your life depends on how much you learn.
Third, grades tend to be correlated with learning within courses but they are not necessarily correlated with learning across courses. In particular, students frequently tell us they learned a great deal more in our course than they did in other courses where they received higher grades. We suspect you have had similar experiences.

Arguably, one of the key reasons students claimed they learned more is they were more motivated, both intrinsically by a desire to learn the material and extrinsically by an incentive to earn a good grade in a tough course. We believe you should be more motivated by a desire to learn than by grades and we are continually seeking ways to peek your interest in the course.

While grades and exams can benefit your learning, experience suggests that faculty and students promote unnecessary angst and inappropriate behavior when we pay too much attention to them. Here are some guidelines to keep grades in perspective:

- We will try not to discuss exams and grades during class and request you do likewise. A video discussed below presents our grading philosophy and policies thoroughly. If you want to know more about these policies or your grade, drop by our office, or make an appointment to discuss these issues.

  Never ask “will this be on the exam?” We are not here to prepare you for exams. We are here to prepare you for your careers. We take great pride when we sense that you are learning with this end in mind, rather than to simply pass exams and get a credential. It is this pride, not our compensation, which motivates us to put more effort into teaching.

- You have the right to appeal the way your exams and class participation are graded and we encourage you to set up an office appointment when you feel there are material grading mistakes.

Grading Policies

We have created an eighteen minute Grading Policy video that explains how your grade will be determined and the reasons we will follow this process. In particular, it explains how 100 possible course points are assigned to activities such as exams and how students’ scores out of 100 at the end of the course are assigned to grades.

We have devoted considerable time to creating grading policies that seek to ensure grades are fair and faithfully reflect progress towards the course goals. We have also tried our best to ensure the policies are transparent and, in particular, that you understand exactly how your grade will be determined and that you receive timely feedback on your progress during the course.

Still, while our grading policies are consistent with related guidelines, they are likely quite different from those you’ve encountered in other courses. Accordingly, it’s imperative that you view the video closely. If you have follow-up questions, please don’t hesitate to set up an office appointment with us via email.

http://www.navigatingaccounting.com/video/grading-policies
Exams
Three exams constitute 80% of the total course score. Prior to each exam, we will distribute an announcement to clarify expectations and help you successfully prepare for the exam. All exams are comprehensive and may include questions similar to assigned exercises and other exercises included herein that were not discussed in class.

Group Work
While only 20% of the course grade is assigned to group projects and clicker questions, your performance on exams will likely be greatly enhanced if your group works effectively together on projects and clickers.

The group work has other benefits besides improving your grade. When asked to identify the ten most important things they learned from the course, students often indicate group activities helped them learn to work more effectively with others, which will benefit them throughout their careers:

“In groups, communication is key. It is an absolute necessity for everyone to be on the same page, and for all the group members to put forth equal efforts. The group members have to learn to be flexible and accommodating, but not so much so that people are able to slip through the cracks. It is key to learn each person’s strengths and weaknesses to determine how best to allocate the work.”

“In other future business courses as well as in our future careers, we will be working with others on various group projects, and it is important to have cohesion and efficiency in the group in order to create optimal results.”

Anonymous Course Reflections, 2013

Ensuring groups work effectively is easier said than done. Over the years, we’ve created detailed policies and tips that have generally helped groups perform very effectively. There is a link to a related Group Assignment Polices document below. You’re welcome to read it now if you like. However, there is no need to do so until your group is working on the first project in Session 4.

All you need to understand now is ways groups will be formed during or before Session 1:

- Students stay in the same group for Sessions 1-11, at which time new groups can be formed for the remaining sessions.
- You can form your own group of 5 or 6 members prior to Session 1 or get assigned to one.
- Students who wish to be in the same group can do so by informing us of the names of the members in their preferred group prior to the start of the first session. If your preferred group has fewer than five members, we will randomly select additional members or merge your group with another small group.
- Students who do not specify group preferences prior to the start of class will be randomly selected to groups.
Clickers
Participation scores based on your responses to Clicker questions during non-group assignment sessions constitute 10 of the course points (out of 100). You will generally address the same Clicker question twice. You can’t discuss the question with others before submitting your first response. It will not be graded but it plays a big role in your learning. Most importantly, it will help you assess yourself – to know what you don’t know, which is a key step in the learning process. Before we announce the correct response and before you submit your second response, you can consult with your group. This process, called peer learning, is where highly effective groups reap the benefits of collaboration. The response you submit after consulting with your group need not agree with those submitted by others in the group. However it will be graded and you will receive 1 raw point for a correct answer. At the end of the course, the raw points are combined and scaled to a maximum of 10 possible course points.

Clickers will be used during most non-group assignment sessions, so please bring your clicker to these sessions.

Suggested Learning Strategy
The recommended learning strategy for each session follows a 7-step process:

1. Course Map
For each session, the Course Map provides highly detailed step-by-step directions to locate, prioritize, and use the related resources. Trying to find your way through the course without using the Course Map is like trying to find a street in a major city without directions: you will soon be hopelessly lost if you do not follow the Map!

2. Assigned Readings: Levels of Intensity
You will prepare for the assigned exercises for some sessions by watching videos and for others by reading printed text. For those sessions with assigned readings, pay attention to the recommended level of intensity:

   - **Skim**: indicating that you should try to see the big picture - pick up the essential vocabulary and understand the basic issues,
   - **Grasp**: indicating that you should try to understand the computations and concepts underlying the issues,
   - **Master**: indicating that this material is extremely important so you should try to comprehend it as fully as possible before moving on to the next task,
   - **Optional**: indicating that you should only read this material if you find it interesting.

3. Assigned Exercises and Other Exercises Included in the Course Map
Try to complete the assigned exercises on your own before they are discussed in class, being careful not to get bogged down on any one of them. On-line solutions are available for most of them at
NavigatingAccounting.com. You will be directed to these in directions included with the exercises. After the assigned questions are discussed in class, try to find time to refine your understanding by tackling other related exercises included in the Course Map.

4. Check with Friends
If you have time before class, check your solutions with friends, your group or others via the on-line TA forum (explained in a separate TA document). However, make sure you spend considerable time trying the questions on your own before doing so. Also, the group policies prohibit students from discussing graded group assignments outside their groups before the assignment reports are submitted and discussed in class.

5. Come to Class Knowing What You Don’t Know and Prepared To Participate
Earlier we indicated the benefits of knowing what you don’t know prior to coming to class. We also want you to come ready to participate in the discussions. If you follow steps 1-4 diligently, you will be prepared to participate. Do not be concerned with whether you have the correct answers to the questions. You and your classmates will often learn more from “representative” wrong answers than from correct ones, as we work together to sharpen your understanding.

6. Gauge Your Progress
After class, take a few moments to gauge your progress. We will often help you complete this self-assessment by summarizing the key points you should have mastered by a certain point in the course and the ones that will be refined later.

Accounting is not a spectator sport: Get in the game!
Generally, a distinguishing feature of students who excel in the course is they discover what they don’t know in time to take corrective actions before exams. By contrast, students who struggle with the course often discover what they don’t know when their exams are returned.

There are two important steps to discovering what you don’t know: First, try exercises on your own without referencing related readings, videos, or solutions. This doesn’t mean you shouldn’t reference related materials when you first try exercises. Rather, when it comes time to discover what you don’t
know, you need to try the exercises without these resources. Second, compare your answers to the solutions: identify places where they differ, including those that may seem insignificant to you.

To take corrective actions, first ask yourself whether, after checking the solution, you know what you did wrong. If so, make a mental note to avoid the error next time you try a practice exercise. If you don’t understand the solution, reread related examples in the text or watch related menu items in the videos. If you are still confused, it’s time to get help from classmates, the teaching assistants (TAs) or the instructors.

7. Get help from the TAs
We’ve assembled a TA team that is dedicated to helping you succeed in the course. Throughout the course, they will be announcing services they will be providing, including weekly review sessions targeted for large audiences and tutorials for small groups.

Office Visits
If you are still struggling after following these steps, would like to discuss other issues or simply like to get to know us better, please set up an office appointment. Rather than keeping regular office hours, which often conflict with students’ schedules, we schedule meetings. To this end, please send us an email suggesting three windows of time when we could possibly schedule a meeting. (The wider these windows, the higher the likelihood we will have an opening.) We will schedule a meeting or ask for other alternatives (generally not necessary).
Using Navigating Accounting

You’re going to spend a good deal of time during the course working with *Navigating Accounting* materials. To help you make the most of this commitment, we’ve created a five page guide. We recommend you skim it now and come back to it as needed during the course:

**Using Navigating Accounting**

**Topics**

- Navigation tips
  - Course Maps
  - Courses
  - Master book
- Videos
  - Controlling playing speed
  - Formats
  - Transcripts and slides
  - Menus
  - Search
  - Full screen
- Searching
  - Navigating Accounting web pages
  - PDF documents
  - Searching the internet for company reports and stock prices
- Resources
  - Glossary
  - Line-by-Line Tour of Intel’s Financial Statements
  - Bischoff Entries Study Aid
  - Bischoff Entries and Financial Statements Workbook
- Exercises numbering system
- Paper or Paperless
Session Maps

Session 1: Introduction to course

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

**Read**

- [Course Goals, Principles, Policies and Tips](earlier in this document) (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). (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](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.
• **Part 4** [11 minutes]
  Part 4 introduces the purpose, structure, and uses of statements of changes in owners’ equity.

• **Closing Thoughts** [10 minutes]
  How are the financial statements connected?
  How are we going to deal with complexity?
Session 2: Closer look at balance sheets

Things you should do to prepare for class

Watch

- **Primary Elements** [14 minutes]
  Terms and concepts: assets, liabilities, owners’ equity, balance-sheet equation, financial leverage, measurement and recognition.
  Companies: Southwest Airlines, Qantas Airways, and British Airways.

- **Financial Leverage** [9 minutes]
  First three menu items only (time stamp 0:00 – time stamp 8:40)
  Terms and concepts: financial leverage formula and financial leverage consequences.
  Companies: Intel and AMD.

Do

- Self-Assessment Quiz:
  Balance sheets: What Do I See: Basics [4 questions]

Assigned exercise – primary focus during class

- Exercise: bs.hun.afc.030
  Ignore probabilities and expected returns
  Topic: assessing the consequences and implications of financial leverage
  Fictitious company: ABC

Things you should do as soon as possible

This includes topics not covered in class that may be on exams and/or referenced in later modules.

Watch

- **Reporting dates and periods** [9 minutes]
  Terms and concepts: reporting dates and periods, calendar and fiscal years.
  Companies: Southwest Airlines, Qantas Airways, and British Airways.

- **Reporting Entity** [12 minutes]
  Terms and concepts: parents and subsidiaries, company reporting (parent company reporting), group reporting (consolidated reporting), controlling and non-controlling interests.
  Companies: Southwest Airlines, Qantas Airways, and British Airways

- **Basis of Presentation** [11 minutes]
  Terms and concepts: currency, rounding and standard setting body.
  Companies: Southwest Airlines, Qantas Airways, British Airways, and Nintendo
Do
- **Exercise: bs.wis.010**
  Topic: comparing and contrasting items on all financial statements
  Companies: Nippon Steel and US Steel

Watch
- **Major Categories** [15 Minutes]
  Terms and concepts: current and noncurrent assets and liabilities, working capital, current ratio.
  Companies: Southwest Airlines, Qantas Airways, and British Airways

Do
- **Exercise: bs.wis.020**
  Topic: identifying primary and major categories on balance sheets
  Companies: Intel and Tesco
- **Exercise: bs.wis.040**
  Topic: applying hierarchical approach to analyzing balance sheets
  Companies: Adidas, Nike, Puma

Watch
- **Line Items** [18 Minutes]
  First five menu items (time stamp 0:00 – time stamp 8:40)
  Company disclosures (time stamp 20:38 – time stamp 29:50)
  Terms and concepts: assets: cash and cash equivalents, receivables and related asset risks.
  Companies: Southwest Airlines, Qantas Airways, and British Airways

Do
- **Exercise: bs.wis.030**
  Topic: identifying common line items on balance sheets
  Companies: Intel and Tesco

Things you can do to prepare for exams

Do
- Self-Assessment Quiz:
  **Balance sheets: What Do I See: Applications and Extensions** [5 questions]

Take-Aways
- **What do I See on Balance Sheets?**
- **Analyzing Financial Condition**
  Ignore references to common size balance sheets – covered in subsequent module.
**Watch**

**Express Route: What do I See on Balance Sheets?** [16 minutes]

Terms and concepts: Fast paced review of terms and concepts covered in the module, featuring an example based on Bischoff Global Sportswear (BGS). Bischoff is a fictitious company we will use throughout the course.

**Things you can do beyond the scope of the course – Drill Deeper**

Not tested but recommended for those seeking careers in economics, finance, or accounting

**Do**

- **Exercise bs.hun.afc.030**

  Topics: Extends the Mall Exercise discussed in class by answering questions involving probabilities and expected returns.

**Watch**

- **Asset Risks and Expected Returns** [34 minutes]

  Terms and concepts: asset uncertainty, asset risk, asset risks and rewards, asset risks and expected returns

  Company: Intel

- **Exercise bs.hun.afc.020**

  There is no solution posted for this exercise.

  Topic: analyzing risks and rewards

  Company: Intel
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]
  Terms and concepts: creating journal entries from balance-sheet-equation (BSE) entries and creating T-accounts from BSE matrix columns.

Do

PDF templates and Excel workbooks are included with the exercise materials. However, these exercises ask you to record journal entries for the events you recorded with the BSE matrix in earlier exercises with related numbers (e.g., bs.wbn.je.010 is related to bs.wbn.bse.010). For this reason, you will likely find it more convenient to use the same Excel files here as you used earlier.
Self-Assessment Quiz:

**Balance sheets: What’s Behind the Numbers: Basics** [6 questions]

Assigned exercises – highest priority for class discussion

- **Exercise bs.wbn.je.030**: Part (a) only
  - Topics: recording journal entries
  - Fictitious company: Chancellor’s Sweet Treats

- **Exercise bs.wbn.je.040**: Part (a) only
  - Topics: recording journal entries
  - Fictitious company: JP’s Smart Phone Accessories

**Things you should do as soon as possible**

This includes topics not covered in class that may be on exams and/or referenced in later modules.

*Do*

- **Exercise bs.wbn.bse.010**
  - Topics: recording BSE entries and creating balance sheets
  - Fictitious company: ABC Company

- **Exercise bs.wbn.je.010** Part I only
  - Topics: recording journal entries
  - Fictitious company: ABC Company

- **Exercise bs.wbn.je.020** Part I only
  - Topics: recording journal entries
  - Fictitious company: CreativeABCs Company

- **Exercise bs.wbn.je.020** Part I only
  - Topics: recording journal entries
  - Fictitious company: CreativeABCs Company

- **Exercise bs.wbn.bse.050**
  - Topics: recording BSE entries and creating balance sheets
  - Fictitious company: Bryan’s Health & Fitness

- **Exercise bs.wbn.je.050** Part (a) only
  - Topics: recording journal entries
  - Fictitious company: Bryan’s Health & Fitness (BHF)
Things you can do to prepare for exams

Do

Self-Assessment Quiz:

Balance sheets: What’s Behind the Numbers: Applications and Extensions [2 questions]

Take Aways

- Framing Record Keeping and Reporting
- Recording Entries Using the Balance Sheet Equation
- Recording Journal Entries

Do

- Bischoff Entries and Financial Statement Effects Workbook

Events E1-E5 only

Entries’ effects on statement of financial position (balance sheet) only.

Solutions are on the pages immediately following the questions.
Session 4: Group assignment 1 – Analyzing balance sheets (Mini Case)

Things you should do to prepare for class

Watch

- Analyzing Financial Conditions: Basics [3 minutes]
  First two menu items (time stamp 0:00 – time stamp 3:00)
  Terms and concepts: fast paced review of concept covered in earlier video: financial leverage
  Companies: Intel and AMD.

- Financial Leverage [6 minutes]
  Missing or miss-measured items (time stamp 8:38 – time stamp 13:09)
  Take-Aways through start of where are we heading (time stamp 13:09 – time stamp 14:50)
  Terms and concepts: missing or miss-measured items
  Companies: Intel and AMD.

- Working capital and Current Ratio [6 minutes]
  Terms and concepts: working capital and current ratio
  Companies: Intel and AMD.

- Asset Risks and Expected Returns [3 minutes]
  First three minutes of Intel analysis (time stamp 17:35 – time stamp 20:35)
  Terms and concepts: analyzing Intel’s liquid assets
  Companies: Intel and AMD.

Read

- The Toulmin Model of Argumentation [5 pages]
  The assigned exercise, and others throughout the course, asks you to structure arguments using the Toulmin Model. Don’t be overly concerned if you find the model difficult to comprehend or apply early on.

- Group Assignment Polices [9 pages]
  Follow these important guidelines for preparing, submitting and presenting group reports.

Do

Assigned exercise – highest priority for class discussion

- Exercise bs.hun.afc.050
  Topics: analyzing balance sheets and financial condition
  Companies: Verizon and AT&T
Things you can do to prepare for exams

Do

- Self-Assessment Quiz:
  - Balance sheets: How Do I Use the Numbers: Basics [4 questions]
  - Balance sheets: How Do I Use the Numbers: Applications and Extensions [3 questions]
- Exercise bs.hun.afc.040
  Topics: analyzing balance sheets and financial condition
  Companies: Starwood Hotels and Resorts Worldwide and Marriott International
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

This includes topics not covered in class that may be on exams and will be needed for the group assignment in Session 8.
Watch

- Comprehensive Income – Level 1 [7 minutes]
  
  First two menu items (time stamp 0:00 – time stamp 2:49)
  
  Assessing performance and ROI-CI formula (time stamp 11:13 – time stamp 12:11)
  
  Take-aways (time stamp 21:32 – time stamp 24:02)
  
  To keep your workload more manageable, we didn’t assign the company disclosures and related analyses. However, we recommend you view related menu items if you find it difficult to locate information for the real companies in the exercises.
  
  Terms and concepts: comprehensive income statement – level 1, Assessing performance – ROE-CI formula
  
  Companies: Vodafone, América Móvil and AT&T

- Income statement major categories – Level 2 [7 minutes]
  
  First two menu items (time stamp 0:00 – time stamp 2:17)
  
  Assessing performance to start of company disclosures (time stamp 12:44 – time stamp 14.27)
  
  Take-aways (time stamp 20:32 – time stamp 23:23)
  
  Again, we didn’t assign the company disclosures and related analyses but recommend you view related menu items if you find it difficult to locate information for the real companies in the exercises.
  
  Terms and concepts: comprehensive income statement – level 2, assessing performance - level 2: Return-on-Equity (ROE) and ROE-OCI, ROE and ROE-OCI formulas, ROE and ROE-OCI example
  
  Companies: Vodafone, América Móvil and AT&T

Do

- Exercise is.wis.is.010

  Topics: identifying comprehensive income and major categories

  Companies: General Electric and Siemens

Watch

- Income Statement Significant Subcategories—Level 3 [19 minutes]
  
  First eight menu items (time stamp 0:00 – time stamp 16:47)
  
  Take-aways (time stamp 28:24 – time stamp 29:55)
  
  Again, we didn’t assign the company disclosures and related analyses but recommend you view related menu items if you find it difficult to locate information for the real companies in the exercises.
  
  Terms and concepts: comprehensive income statement – level 3, assessing performance - level 3: Profit margins and DuPont model, profit margins formulas and examples, DuPont model formula and example
  
  Companies: Vodafone, América Móvil and AT&T
Do

- Exercise is.wis.is.020

  Topics: identifying significant subcategories of net income
  Companies: Cathay Pacific Airways, Ryanair Holdings, Southwest Airlines, WestJet Airlines

Watch

- Income Statement Line Items—Level 4 [17 minutes]
  First two menu items (time stamp 0:00 – time stamp 2:40)
  Common line items through common size CIS (time stamp 7:03 – time stamp 18:01)
  Take-aways (time stamp 35:13 – time stamp 38:19)

  Again, we didn’t assign the company disclosures and related analyses but recommend you view related menu items if you find it difficult to locate information for the real companies in the exercises.

  Terms and concepts: comprehensive income statement – level 4; common line items: net revenues, cost of goods sold, selling, general, and administrative expenses (SG&A); assessing performance: common size income statements
  Companies: Vodafone, América Móvil and AT&T

Do

- Exercise is.wis.is.030

  Topics: comparing and contrasting common line items on income statements

Things you can do to prepare for exams

Do

- Self-Assessment Quizzes:
  Income Statements: What Do I See: Applications and Extensions [4 questions]
  Statements of Changes in Shareholders’ Equity: What Do I See: Applications and Extensions [4 questions]

Take-aways

- What do I See on Income Statements?
- What do I See on Statements of Changes in Owners’ Equity?

Do

- Exercise is.wis.is.040

  Topics: applying the hierarchical approach to analyzing income statements
  Company: Intel
• **Exercise is.wis.scoe.010**
  Topics: applying a hierarchical approach to measuring performance
  Company: Shell

• **Exercise is.wis.scoe.030**
  Topics: interpreting statements of shareholders’ equity
  Companies: Whole Foods Market, Walgreens and Alliance Boots

• **Practice Exam 1.1** Questions 3(i) and 3(ii)
  Topics: multiple choice questions related to interpreting financial statement items
  Company: Dillards

• **Practice Exam 1.2** Questions 3(i) and 3(ii)
  Topics: multiple choice questions related to interpreting financial statement items
  Company: VF Corporation
Session 6: Record keeping and reporting related to income statements

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

**Watch**

- **What's Behind the Numbers: Income Statements?** [7 minutes]
  - Introduction and first few minutes of revenue (time stamp 0:00 – time stamp 7:15)
  - *This video provides a succinct introduction to revenues but the examples are better in the next video.*
  - Terms and concepts: three ways revenues are recognized in basic situations studied in this chapter

- **Revenues** [16 minutes]
  - Ex 1 – cash sale (time stamp 7:03 – time stamp 15:06)
  - Ex 3 – defer revenue at sale (time stamp 23:38 – time stamp 31:38)
  - Terms and concepts: revenue recognition: recognizing revenue at point of cash sale and deferring revenue when cash is collected before performance obligations are met
  - Company: Starbucks

- **What's Behind the Numbers: Income Statements?** [2 minutes]
  - First two minutes of expenses (time stamp 12:00 – time stamp 14:08)
  - *This video provides a succinct introduction to expenses but the examples are better in the next video.*
  - Terms and concepts: three ways expenses are recognized: before, at the same time, or after cash is paid
  - This video lists eleven examples within these three alternatives (at the end of the assigned segment). We’ll be directing you to these examples as they are needed for exercises, starting with two of them in the next video.

- **Expenses** [9 minutes]
  - Ex 6 – inventory sold and Ex-7 building impaired (time stamp 30:29 – time stamp 39:36)
  - Terms and concepts: expense recognition: cost of goods sold and impairment expense
  - Fictitious company: Smartgadgets

**Do**

- Self-Assessment Quiz:
  - **Income Statements: What’s Behind the Numbers: Basics** [4 questions]

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

- **Exercise is.wbn.is.je.050**
  - Topics: entries, financial statement effects and ratio effects for: revenue recognition related to gift card sale and merchandise sale, cost of sales and goodwill impairment
  - Company: Best Buy
Things you should do as soon as possible

This includes topics not covered in class that may be on exams and/or referenced in later modules.

Watch

These videos can help you record entries in the Bryan’s Health and Fitness (BHF) exercise below. These entries are conceptually similar to those you will be recording throughout the course. To keep your workload manageable, we recommend you only watch videos related to entries where you need help. The following table indicates the videos and menu items related to the BHF entries (some of the menu items were assigned earlier in this session).

| BHF E6 | Revenues: Ex 3 – deferred revenue at sale |
| BHF E7 | Expenses: Ex 4 – prepaid insurance usage |
| BHF E8a | Revenues: Ex 1 – cash sale and Ex 2 – credit sale |
| BHF E8b | Expenses: Ex 6 – inventory sold |
| BHF E9 | Expenses: Ex 9 – compensation costs |
| BHF E10 | Expenses: Ex 9 – compensation costs |
| BHF E11 | Expenses: Ex 10 – cable services |
| BHF E12 | Expenses: Ex 1 – interest paid and Ex 8 – advertising invoiced |
| BHF E13 | Expenses: Ex 4 – prepaid insurance usage and Ex 10 – cable services |
| BHF E14 | Expenses: Ex 5 – truck usage |
| BHF E15 | Revenues: Ex 3 – deferred revenue at sale |
| BHF E16 | Expenses: Ex 9 – compensation costs |

- **Revenues** [9 minutes]
  
  Ex 2 – credit sale (time stamp 15:07 – time stamp 23:37)
  
  Terms and concepts: Revenue recognition: revenue recognized at point of sale for sale on account
  
  Company: Starbucks

- **Expenses** [39 minutes]
  
  Ex 1 – interest paid (time stamp 2:07 – time stamp 7:44)
  
  Terms and concepts: expense recognized when cash is paid
  
  Fictitious company: Smartgadgets

  Ex 4 – prepaid insurance usage (time stamp 15:51 – time stamp 21:05)
  
  Terms and concepts: expense is deferred when cash is paid and recognized later when benefits are realized
  
  Fictitious company: Smartgadgets

  Ex 5 – truck usage (time stamp 21:05 – time stamp 30:29)
  
  Terms and concepts: depreciation expense is recognized as the benefits associated with PP&E are realized (used up)
  
  Fictitious company: Smartgadgets

  Ex 8 – advertising invoiced (time stamp 39:36 – time stamp 44:35)
  
  Terms and concepts: expense is recognized when invoice is received, either because all of the related benefits are received in the current period or the future benefits can’t be measured reliably
  
  Fictitious company: Smartgadgets
Ex 9 – compensation costs (time stamp 44:35 – time stamp 52:12)

Terms and concepts: expense is recognized when service is provided, either because all of the related benefits are received in the current period or the future benefits can’t be measured reliably (company is never invoiced)

Fictitious company: Smartgadgets

Ex 10 – cable services (time stamp 52:12 – time stamp 58:01)

Terms and concepts: expense is recognized when service is provided, either because all of the related benefits are received in the current period or the future benefits can’t be measured reliably (company is subsequently invoiced)

Fictitious company: Smartgadgets

Do

- Exercise is.wbn.is.bse.030
  
  Part (a) only
  
  Topics: recording entries to BSE matrix
  
  Company: Bryan’s Health & Fitness

- Exercise is.wbn.is.je.030
  
  Part (a) only
  
  Topics: recording entries to BSE matrix
  
  Company: Bryan’s Health & Fitness

Watch

- End-of-Period Accounting and Business Decisions [11 minutes]
  
  All menu items through and including deferrals (time stamp 0:00 – time stamp 11:21)
  
  Terms and concepts: accrual systems, accrual entries, deferral entries, accounting cycle, adjusting entries: accruals, and deferrals

- Creating Income Statements [6 minutes]
  
  Terms and concepts: computing pre-close trial balances and creating income statements
  
  Fictitious company: Bischoff

Do

- Exercise is.wbn.is.bse.030
  
  Parts (b) and (c) only
  
  Topics: deriving trial balances and creating income statements from BSE matrices
  
  Company: Bryan’s Health & Fitness
Things you can do to prepare for exams

Do

- Self-Assessment Quiz:
  - Income Statements: What’s Behind the Numbers: Applications and Extensions [2 questions]
  - Income Statements: How do I use the Numbers: Applications and Extensions – 01 [5 questions]

Take-aways

- What’s Behind Income Statements?

Do

- Exercise is.wbn.is.bse.010
  Topics: recording BSE entries, deriving trial balances and creating income statements from BSE matrices
  Company: ABC Company

- Exercise is.wbn.is.je.010 Part (a) only
  Topics: recording journal entries
  Company: ABC Company

- Exercise is.wbn.is.bse.020
  Topics: recording BSE entries, deriving trial balances and creating income statements from BSE matrices
  Company: CreativeABCs Company

- Exercise is.wbn.is.je.020 Part (a) only
  Topics: recording journal entries
  Company: CreativeABCs Company

- Exercise is.wbn.is.bse.050
  Topics: connecting changes in owners’ equity to events behind the numbers
  Company: Perez Fashions

- Exercise is.wbn.is.bse.060
  Topics: connecting what you see to events behind income statements
  Company: Starbucks

- Exercise is.wbn.is.je.060
  Topics: recording income journal entries and determining financial statement effects
  Company: Google

- Practice Exam 1.1 Questions 1(a)-1(d) and 6(a)-(b)
  Topics: recording income entries and determining financial statement effects
  Companies: CC’s Music Store (fictitious) and Dillards
•  **Practice Exam 1.2** Questions 1(a)-1(d), 4(a)-(c) and 5(a)

Topics: recording income entries and determining financial statement and ratio effects

Companies: M&E Professional Services (fictitious) and VF Corporation
Session 7: Record keeping and reporting related to statements of changes in owners’ equity

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

**Watch**

- **Dividends, Closing Entries, and R&R Map** [29 minutes]
  
  Terms and concepts: recording entries to declare and pay dividends, closing entries, using the R&R Map to create financial statements and using the R&R Map to determine entries’ financial-statement effects: stock issuance, inventory purchase and depreciation expense
  
  Fictitious company: Bischoff

**Do**

- Self-Assessment Quiz:
  
  **Statements of Changes in Owners’ Equity: What’s Behind the Numbers: Basics** [4 questions]

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

- **Exercise is.wbn.scoe.je.050**
  
  Topics: recording dividend entry, determining financial statement effects, noncontrolling interests
  
  Company: Exxon Mobil

**Things you should do as soon as possible**

This includes topics not covered in class that may be on exams and/or referenced in later modules.

- **Exercise is.wbn.scoe.bse.030**
  
  Topics: recording closing BSE entries and creating financial statements
  
  Company: Bryan’s Health & Fitness (BHF)

- **Exercise is.wbn.scoe.je.030 Part I only**
  
  Topics: recording closing journal entries
  
  Company: Bryan’s Health & Fitness (BHF)

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

**Do**

- Self-Assessment Quiz:
  
  **Statements of Changes in Owners’ Equity: What’s Behind the Numbers: Applications and Extensions** [6 questions]

**Take-aways**

- **What’s Behind Statements of Changes in Owners’ Equity?**
Do

- **Exercise is.wbn.scoe.bse.010**
  Topics: recording closing BSE entries, creating financial statements and determining entries’ financial-statement effects
  Company: ABC Company

- **Exercise is.wbn.scoe.je.010** Part I (a) only
  Topics: recording closing journal entries
  Company: ABC Company

- **Exercise is.wbn.scoe.bse.020**
  Topics: recording closing BSE entries, creating financial statements and determining entries’ financial-statement effects
  Company: CreativeABCs Company

- **Exercise is.wbn.scoe.je.020** Part I (a) only
  Topics: recording closing journal entries
  Company: CreativeABCs Company

- **Bischoff Entries and Financial Statement Effects Workbook**
  **Events E6-E18 only**
  Record entries and determine effects on balance sheet, income statement, and statement of changes in owners’ equity
  Solutions are on the pages immediately following the questions.

- **Practice Exam 1.1** Questions 2(a)-(b) and 4(a)-(b)
  Topics: creating financial statements, recording dividend entries and determining their ratio effects
  Companies: Charlene’s Quilts (fictitious) and Dillards

- **Practice Exam 1.2** Questions 2(a)-(b) and 6(a)
  Topics: creating financial statements and recording dividend entries
  Companies: Gordon’s Sports Car Auto Parts Company (fictitious) and VF Corporation
Session 8: Group assignment 2 – Analyzing financial performance

Things you should do to prepare for class

Read

- **Group Assignment Policies** [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
Exam 1

For the Session 9 group assignment, your group will prepare a collective response to the exam essay question. To facilitate this process, we encourage you to keep notes you create during the exam, including a copy of your submitted work, if you have time to prepare one. This will not affect your exam score because your notes will not be graded. You can’t share these notes or discuss the exam essay with anyone outside your group until after Session 9.

Exam Facts

Location

- To be announced

Time

- To be announced

Points towards grade

- 20 points — 20% of the total possible points used to determine the course grade.

Exam Format

- Prior to each exam, we will distribute an exam announcement to clarify expectations and help you successfully prepare for the exam. All exams are comprehensive and may include exercises and practice exercises not discussed in class.

- You may use a basic calculator during the exams. However, your calculator must not contain course related information. Additionally, your calculator must not be capable of storing “text” or communicating with others (no cell phones or other text messaging devices are permitted).

- Exams are closed book and closed notes.

- Generally partial credit will be limited, except for essay questions, so check your answers carefully.

- To protect the vast majority of students who will not cheat on the exam, there may be alternative versions of the exam that are the same in all respects except the questions contain some numbers that differ or are arranged differently.

- Regardless of one’s intent, staring at classmates’ exams is inappropriate. If you wish to take a break from staring at your exam, stare directly ahead or to either side without looking down.

- More generally, you are to honor the School’s Core Values in all respects.
Session 9: Group assignment 3

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

*Do*

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

Your group is to prepare a collective response to the exam-1 essay question.

Following the guidance in the Group Assignment Policies, you are to submit a report in MS Word that has the sections and word limits specified below:

- **Claim:** Use the wording in the exam claim.
- **Qualifier:** Specify your level of confidence in your claim by describing (in words) where it falls on the following scale:

  ![Uncertainty Scale](image)

  The Toulmin Method of Argumentation: The Second Triad, Keith Graan
  [https://www.youtube.com/watch?v=q-fSeCvJ3D8](https://www.youtube.com/watch?v=q-fSeCvJ3D8)

- **Opening comments:** Follow the exam directions, limiting your response to 200 words or less.
- **Arguments:** Follow the exam directions, limiting your response to 600 words or less.
- **Counterarguments and rebuttals:** Follow the exam directions, limiting your response to 600 words or less.
Session 10: Cash flow statements: two formats and entry-by-entry effects

Things you should do to prepare for class

Watch

- **What do I See on Cash Flow Statements?** [11 minutes]
  
  First two menu items (time stamp 0:00 – time stamp 11:15)
  
  Terms and concepts: direct cash flow statements
  
  Company: Qantas

- **Indirect Cash Flow Statements** [10 minutes]
  
  Direct versus Indirect and reconciliation (time stamp 2:32 – time stamp 12:41)
  
  Terms and concepts: indirect cash flow statements and reconciliation of net income to net cash from operations
  
  Company: Qantas

- **What’s Behind Cash Flow Statements – Big Picture** [18 minutes]
  
  First three menu items (time stamp 0:00 – time stamp 6:53)
  
  SCF effects: entry-by-entry – sale on account (time stamp 8:28 – time stamp 19:02)
  
  Terms and concepts: entry-by-entry SCF effects: sale on account
  
  Fictitious company: EasyLearn

Do

- Self-Assessment Quiz:
  
  **SCF Basics: What’s Behind the Numbers: Basics-01** [4 questions]

Assigned exercise – highest priority for class discussion

- **Exercise cs.wbn.bas.020**
  
  Topics: analyzing entries’ effects on statement of cash flows
  
  Companies: Bryan’s Health & Fitness (fictitious) and Intel

Things you should do as soon as possible

Do

- **Exercise cs.wis.010**
  
  Topics: comparing and contrasting common line items on cash flow statements
  

- **Exercise cs.wis.020**
  
  Topics: classifying cash flow
- **Exercise cs.wbn.bas.020** E1-E10 & E14-E16 only for Parts I & II
  Topics: analyzing entries’ effects on statement of cash flows
  Companies: Bryan’s Health & Fitness (fictitious) and Intel

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

**Do**

- Self-Assessment Quiz:
  
  SCF Basics: What’s Behind the Numbers: Applications and Extensions-01 [5 questions]

**Take-aways**

- **What do I See on Cash Flow Statements?**
- **Exercise cs.wis.030**
  Topics: classifying cash flows
  Fictitious company: Bischoff Global Sportswear
- **Exercise cs.wbn.bas.010** Part I only
  Topics: determining entries’ effects on all financial statements
  Fictitious company: ABC Company

  *Note: E3, purchasing inventory on account, has two offsetting “redundant” reconciliation adjustments in the operating section of the indirect cash flow statement. We will study redundant adjustments in the next module. For now all you need to know is: (1) they are “redundant” because purchasing inventory on account doesn’t affect income and it doesn’t affect cash from operations. Thus, no difference between income and cash from operations needs to be reconciled; (2) the adjustments offset each other, meaning their net effect is $0; and (3) they are included for legacy reasons that will be explained in the next module.*
Session 11: Cash flow statements: operating entries’ grouped effects on reconciliation

Things you should do to prepare for class

Watch

- What’s Behind Cash Flow Statements – Basics [10 minutes]
  New BSE Matrix (time stamp 1:15 – time stamp 1:44)
  Grouping through start of R&R Map (time stamp 8:07 – time stamp 17:13)
  Terms and concepts: new balance sheet equation (BSE) matrix with operating, investing, and financing classifications, SCF entry effects: grouping related entries
  Fictitious company: EasyLearn

Do

- Self-Assessment Quiz:
  SCF Basics: What’s Behind the Numbers: Basics-02 [5 questions]

Assigned exercise – highest priority for class discussion

- Exercise cs.wbn.bas.030
  Topics: analyzing SCF reconciliation adjustments related to customers
  Companies: Bryan’s Health & Fitness (fictitious), Apple, Microsoft and Intel

Things you should do as soon as possible

Watch

- What’s Behind Cash Flow Statements – Basics [4 minutes]
  Limitations and possible violations (time stamp 18:24 – time stamp 22:14)
  Terms and concepts: limitations & possible violations of simplified assumptions of EasyLearn Company for real companies: non-operating entries affecting working capital accounts and more than two entries affecting reconciliation adjustments
  Fictitious company: EasyLearn

Do

- Exercise cs.wbn.bas.010 Part II only
  Topics: determining the effects of groups of entries on cash flow statement reconciliations
  Fictitious company: ABC Company
**Things you can do to prepare for exams**

**Do**

- Self-Assessment Quiz:
  
  *SCF Basics: What’s Behind the Numbers: Applications and Extensions-02* [5 questions]

- **Practice Exam 2.1** Question 3(i)
  
  Topics: multiple choice question regarding SCF reconciliation adjustments
  
  Company: Tim Hortons

- **Practice Exam 2.2** Questions 3(i) and 3(ii)
  
  Topics: multiple choice questions regarding SCF reconciliation adjustments
  
  Company: Dillards
Session 12: Cash flow statements: creating them and connecting them to other statements

Things you should do to prepare for class

Watch

- **What’s Behind Cash Flow Statements – R&R Map** [27 minutes]

  *This video illustrates the power of the R&R Map by showing how it embodies and connects most of the concepts covered thus far in the course. By doing so, it provides a comprehensive review of concepts we will apply regularly during the remainder of the course.*

  Terms and concepts: creating statements from BSE (balance-sheet-equation) matrix: balance sheets, income statements, statements of changes in owners’ equity, direct cash flow statements and indirect cash flow statements; connecting statements; EasyLearn’s simplified R&R Map; Bischoff Global Sportswear’s R&R Map; and connecting Owners’ Equity Change (OEC) Map to R&R Map

  Fictitious companies: EasyLearn and Bischoff

Do

- Self-Assessment Quiz:
  
  *SCF Basics: What’s Behind the Numbers: Basics-03* [5 questions]

Assigned exercise – highest priority for class discussion

- **Exercise cs.wbn.bas.060**
  
  Topics: determining non-operating effects on working capital accounts

  Companies: Procter and Gamble

- **Exercise cs.wbn.bas.050** Parts II and III only
  
  Topics: creating direct and indirect cash flow statements after acquiring another company

  Fictitious company: Bryan’s Health & Fitness

Things you should do as soon as possible

Do

- **Exercise cs.wbn.bas.040**
  
  Topics: recording entries, creating statements and identifying entries effects on statements

  Fictitious company: CreativeABCs
Things you can do to prepare for exams

Do

• Self-Assessment Quiz:
  SCF Basics: What’s Behind the Numbers: Applications and Extensions-03  [6 questions]

Take-aways

• What’s Behind Cash Flow Statements: Basics

Do

• Exercise cs.wbn.bas.050 Part I only
  Topics: creating direct and indirect cash flow statements
  Fictitious company: Bryan’s Health & Fitness

• Bischoff Entries and Financial Statement Effects Workbook Events E6-E18 only
  Determine entries’ effects on cash flow statements
  Solutions are on the pages immediately following the questions.

• Practice Exam 2.1 Question 2
  Topics: Creating direct and indirect statements of cash flows
  Fictitious company: Fan’s High Tech Products and Services

• Practice Exam 2.2 Questions 2
  Topics: Creating direct and indirect statements of cash flows
  Fictitious company: Ellie’s Holiday Decorations and Party Services
Session 13: SCF Entry Map

Things you should do to prepare for class

Watch

- **What’s Behind Cash Flow Statements – SCF Entry Map** [3 minutes]
  First four menu items (time stamp 0:00 – time stamp 2:53)
  Terms and concepts: introduction to SCF Entry Map’s purpose and routes
  Fictitious company: Bischoff

- **What’s Behind Cash Flow Statements – SCF Entry Map – Route 3** [7 minutes]
  First six menu items (time stamp 0:00 – time stamp 7:18)
  Terms and concepts: Route 3’s characteristics: operating entries with different effects on income and cash from operations; example entry with SCF effects; scope and relative importance; R&R Map regions related to route’s entries
  Fictitious company: Bischoff

Assigned exercise – highest priority for class discussion

- **Exercise cs.wbn.map.020** Bischoff entries: E14 and E15 only
  Topics: identifying entries effects on statements
  Companies: Bischoff (fictitious) and Daimler

Watch

- **What’s Behind Cash Flow Statements – SCF Entry Map – Route 4** [10 minutes]
  First eight menu items (time stamp 0:00 – time stamp 9:39)
  Terms and concepts: Route 4’s characteristics: operating entries that affect working capital, but not income or cash from operations; example entries with SCF effects; scope and relative importance; R&R Map regions related to route’s entries; route 4 entries give rise to redundant SCF reconciliation adjustments that offset each other
  Fictitious company: Bischoff

Assigned exercise – highest priority for class discussion

- **Exercise cs.wbn.map.020** Bischoff entry: E9 only
  Topics: identifying entries effects on statements
  Companies: Bischoff (fictitious) and Daimler
Watch

- What’s Behind Cash Flow Statements – SCF Entry Map – Route 5 [7 minutes]

First six menu items (time stamp 0:00 – time stamp 7:29)
Terms and concepts: Route 5’s characteristics: investing or financing entries that affect cash and income through gains or losses; example entry with SCF effects; scope and relative importance; R&R Map regions related to route’s entries; route 5 entries give rise to gain/loss SCF reconciliation adjustments

Fictitious company: Bischoff

Do

- Self-Assessment Quiz:

  SCF Entry Map: What’s Behind the Numbers: Basics [4 questions]

Assigned exercise – highest priority for class discussion

- Exercise cs.wbn.map.030 Part V only
  Topics: recording entries based on company disclosures and determining their financial statement effects
  Companies: Daimler

Things you can do to prepare for exams

Do

- Self-Assessment Quiz:

  SCF Entry Map: What’s Behind the Numbers: Applications and Extensions [11 questions]

Take-aways

- What’s Behind Cash Flow Statements – SCF Entry Map

Do

- Exercise cs.wbn.map.010
  Topics: identifying entries’ financial statement effects (Bischoff entries and Intel financial statements)
  Companies: Bischoff (fictitious) and Intel

- Exercise cs.wbn.map.020
  Topics: identifying entries’ financial statement effects (Bischoff entries and Daimler financial statements)
  Companies: Bischoff (fictitious) and Daimler

- Exercise cs.wbn.map.030 Parts I-IV only
  Topics: recording entries based on company disclosures and determining their financial statement effects
  Companies: Daimler
• Exercise cs.wbn.map.040  Parts I-IV only  
   Topics: recording entries based on company disclosures and determining their financial statement effects  
   Companies: TJX  
• Practice Exam 2.2  Questions 6  
   Topics: recording sale of PP&E with gain or loss and identifying related financial statement effects  
   Company: Dillards  
• Practice Exam 3.1  Questions I – 1(f), I-2, II-4(i)  
   Topics: recording SG&A and identifying related financial statement effects, multiple choice regarding SCF working capital reconciliation adjustment  
   Companies: Carlstedt’s iPhone Accessory Manufacturing Company (fictitious) and Newell RubberMaid  
• Practice Exam 3.2  Questions I-2, I-3, I-4 and II-5(i)  
   Topics: record: deferring revenue, recognizing previously deferred revenue and depreciation expense; identify related financial statement effects, multiple choice regarding SCF working capital reconciliation adjustment  
   Companies: Jerri’s Pampering Day Spa Company (fictitious) and Steelcase
Session 14: Group assignment 4 – Analyzing cash flow statements (Mini Case)

Things you should do to prepare for class

Read

- **How do I Use the Numbers: Analyzing Cash Flow Statements: Basics**
  - Grasp: page 2
  - Skim: pages 3 - 5 (until the start of Cash Flow Analysis and Company Life Cycles)
  - Grasp: pages 5 - 8

Do

Assigned exercise – highest priority for class discussion

- **Exercise cs.hun.acf.050**
  
  Topics: assessing companies’ future prospects
  
  Companies: Papa Johns and Dominos

Things you can do to prepare for exams

Do

- **Practice Exam 2.1** Question 6
  
  Topic: assessing future prospects at the most recent balance sheet dates, taking into consideration expected future growth rates, ROEs and risks
  
  Companies: Home Depot and Lowes

- **Practice Exam 2.2** Question 7
  
  Topics: assessing future prospects at the most recent balance sheet dates, taking into consideration expected future growth rates, ROEs and risks
  
  Companies: Target and Walmart
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

**Things you should do as soon as possible**

**Do**

- **Exercise rv.wbn.rec.010**
  - Topics: identifying entries’ financial statement and ratio effects (Bischoff’s entries and Intel’s financial statements)
  - Companies: Bischoff (fictitious) and Intel

- **Exercise rv.wbn.rec.030**
  - Topics: determining end-of-period adjustments to allowance for doubtful accounts and related entries
  - Fictitious company: Neal Company
Things you can do to prepare for exams

Do

- Self-Assessment Quiz:
  
  Receivables: What’s Behind the Numbers: Applications and Extensions [7 questions]

- Practice Exam 2.1 Questions 1(c) - (d), 3(ii) and 4
  
  Topics: recording bad debt entries using Schedule II for a fictitious company; recording entries associated with inventory valuation allowances using a real company’s Schedule II and assessing related ratio effects; real company multiple choice question on financial statement effects of entries associated with the allowance for doubtful accounts
  
  Companies: Carlstedt’s High Performance Auto Sales and Services (fictitious) and Tim Hortons

- Practice Exam 3.1 Question II 5(a)
  
  Topics: recording bad debt entries using Schedule II for a real company
  
  Company: Newell Rubber Maid

- Practice Exam 3.2 Questions II 8
  
  Topics: recording bad debt entries using Schedule II for a real company and determining their financial statement effects
  
  Company: Steelcase
Session 16: Customer-related allowances: Warranties

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

**Read**

- [Revenue and Customer-Related Balance Sheet Concepts](#)
  - Skim: pages 32-33 (through the start of Standard Warranties section)
  - Grasp: remainder of page 33 – start of example on page 34
  - Master: example on pages 34-36
  - Skim: page 37

**Do**

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

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

- [Exercise rv.wbn.war.010](#)
  - Topics: recording entries related to warranties based on company disclosures and determining their financial statement consequences
  - Company: HP

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

**Do**

- Self-Assessment Quiz:
  - [Warranties: What’s Behind the Numbers: Applications and Extensions](#) [4 questions]

**Take-aways**

- [Revenue and Customer-Related Balance Sheet Concepts](#)
  - Grasp: pages 62-64

**Do**

- [Practice Exam 2.1](#) Questions 5(a) – (c)
  - Topics: recording warranty entries using footnote information for a real company and assessing related financial-statement effects
  - Company: Whirlpool
Practice Exam 3.2 Questions II 9

Topics: recording warranty entries using footnote information for a real company and determining their financial statement effects

Company: Steelcase

Things you can do beyond the scope of the course – Drill Deeper

Not tested but recommended for those seeking careers in economics, finance, or accounting

Read

Revenue and Customer-Related Balance Sheet Concepts

Optional: pages 38-61

This section of the chapter centers on a very challenging topic, accounting for product returns. One reason this topic is challenging is the related standards are vague. As we have seen, the entries and financial-statement presentations for bad debts and warranties are largely standardized. By contrast, companies have considerable latitude when accounting for product returns and, as a result, analyzing the related financial statement effects can be problematic.

Another reason this section is optional is product returns tend to be relatively insignificant for most companies. The exceptions are high end retailers such as Saks and Nordstrom and publishers such as Wiley. This contrasts with bad debts and warranties, which are significant in many industries.
Session 17: Inventory inflows: Manufacturing and inventory impairments

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

**Read**

- *Accounting for Manufacturing and Inventory Impairments*
  - Grasp pages 2-5 (to the start of “Using resources during production”)

**Do**

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

- *Exercise in.wbn.ins.010* Parts I(a) and II (k)
  
  Topics: identifying entries’ financial statement effects (Bischoff entries and Intel financials): E25: purchasing materials on account
  
  Companies: Bischoff and Intel

**Read**

- *Accounting for Manufacturing and Inventory Impairments*
  - Grasp pages 5 – 10 (to the start of “Completing production”)

**Do**

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

- *Exercise in.wbn.ins.010* Parts I(b), (c) & (g) and parts II (l), (m) & (q)
  
  Topics: identifying entries’ financial statement effects (Bischoff entries and Intel financials): E26: using materials previously purchased; E27: using production inputs before invoiced; E31: recognizing production-related depreciation
  
  Companies: Bischoff and Intel

**Read**

- *Accounting for Manufacturing and Inventory Impairments*
  - Grasp pages 10 – 13

**Do**

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

- *Exercise in.wbn.ins.010* Parts I (h)-(j) and parts II (r) – (t)
  
  Topics: identifying entries’ financial statement effects (Bischoff entries and Intel financials): E32: transfer costs from WIP to FGI; E19b: deferred cost of goods sold when goods were delivered; E20b: recognize previously deferred cost of goods sold
  
  Companies: Bischoff and Intel
**Read**

- **Accounting for Manufacturing and Inventory Impairments**
  - Grasp pages 14-16

**Do**

- Self-Assessment Quiz:
  - **Inventory inputs: What’s Behind the Numbers: Basics** [5 questions]

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

- **Exercise in.wbn.ins.020**
  - Topics: recording inventory write-offs and identifying and analyzing their financial statement effects
  - Company: RIM

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

**Do**

- Self-Assessment Quiz:
  - **Inventory inputs: What’s Behind the Numbers: Applications and Extensions** [7 questions]

- **Exercise in.wbn.ins.010** Parts I (d)-(f) and parts II (n) – (p)
  - Topics: identifying entries’ financial statement effects (Bischoff entries and Intel financials): E28: using production inputs when invoiced; E29: using production inputs previously prepaid; E30: using production inputs when paid
  - Companies: Bischoff and Intel

- **Exercise in.wbn.ins.030**
  - Topics: recording production and nonproduction related depreciation and determining entry’s financial statement effects
  - Companies: Starbucks

- **Practice Exam 3.1** Questions II 6(b)
  - Topics: Determining ratio effects of inventory impairment
  - Companies: BlackBerry (RIM)
Exam 2

Location

● To be announced

Time

● To be announced

Points towards grade

● 20 points — 20% of the total possible points used to determine the course grade.

Exam Format

● Prior to each exam, we will distribute an exam announcement to clarify expectations and help you successfully prepare for the exam. All exams are comprehensive and may include exercises and practice exercises not discussed in class.

● You may use a basic calculator during the exams. However, your calculator must not contain course related information. Additionally, your calculator must not be capable of storing “text” or communicating with others (no cell phones or other text messaging devices are permitted).

● Exams are closed book and closed notes.

● Generally partial credit will be limited, except for essay questions, so check your answers carefully.

● To protect the vast majority of students who will not cheat on the exam, there may be alternative versions of the exam that are the same in all respects except the questions contain some numbers that differ or are arranged differently.

● Regardless of one’s intent, staring at classmates’ exams is inappropriate. If you wish to take a break from staring at your exam, stare directly ahead or to either side without looking down.

● More generally, you are to honor the School’s Core Values in all respects.
Session 18: Inventory outflows: LIFO-FIFO computations and entries

Things you should do to prepare for class

Watch

You may find the pace of these videos is too fast. If so, we recommend you use Enounce to slow them down.

- **Inventory Cost Outflows** [12 minutes]
  First nine menu items (time stamp 0:00 – time stamp 12:16)
  Terms and concepts: cost outflow decisions, First-In-First-Out (FIFO) cost method, Last-In-First-Out (LIFO) cost method, average cost method, LIFO reserves, LIFO layers, consequences of cost methods for cost of sales, inventories and ratios
  Fictitious company: Ran Suis Trendy Tops

- **Cost of Sales and Inventories Basics** [15 minutes]
  IFRS and US GAAP: cost methods through first minute of periodic system (time stamp 1:52 – time stamp 11:23)
  US GAAP: measurement and LIFO layers (time stamp 14:31 – time stamp 19:38)
  Terms and concepts: IFRS and US GAAP: cost methods, permissible IFRS methods, measurement: perpetual and periodic systems; US GAAP: measurement: LIFO, LIFO reserve
  Fictitious company: Ran Suis Trendy Tops

Do

Assigned exercise – highest priority for class discussion

- **Exercise in.wbn.outs.010** Part I only
  Topics: determining inventory cost outflow measures
  Fictitious company: Craig Tessiatore’s Ski Wear (CTSW)

Watch

- **Cost of Sales and Inventories Basics** [10 minutes]
  US GAAP: entries measures (time stamp 19:38 – time stamp 22:53)
  US GAAP: LIFO and FIFO pretax income and LIFO tax savings (time stamp 26:07 – time stamp 33:08)
  Terms and concepts: LIFO-FIFO measures recorded by LIFO company; LIFO & FIFO pretax income; and LIFO tax savings
  Fictitious company: Ran Suis Trendy Tops
**Do**

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

- Exercise in.wbn.outs.010 Part II only
  
  Topics: determining inventory cost outflow measures

  Fictitious company: Craig Tessiatore’s Ski Wear (CTSW)

**Watch**

- Cost of Sales and Inventories Basics [10 minutes]
  
  US GAAP: BSE entries (time stamp 22:53 – time stamp 26:07)
  
  Terms and concepts: LIFO-FIFO entries recorded by LIFO company

  Fictitious company: Ran Suis Trendy Tops

**Do**

- Self-Assessment Quiz:
  
  Inventory outputs: What’s Behind the Numbers: Basics [4 questions]

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

- Exercise in.wbn.outs.010 Part III only
  
  Topics: determining inventory cost outflow measures

  Fictitious company: Craig Tessiatore’s Ski Wear (CTSW)

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

**Do**

- Self-Assessment Quiz:
  
  Inventory outputs: What’s Behind the Numbers: Applications and Extensions - 01 [12 questions]

- Exercise in.wbn.outs.030
  
  Topics: identifying the ratio consequences of converting LIFO to FIFO

  Fictitious company: Jim’s dental

- Practice Exam 3.1 Questions I-3, II-1
  
  Topics: computing LIFO-FIFO measures

  Fictitious companies: M&E’s High Tech Manufacturing Company, Allan’s Boat Company,
**Things you can do beyond the scope of the course – Drill Deeper**

Not tested but recommended for those seeking careers in economics, finance, or accounting

**Watch**

- [Liquidations and LIFO Reserve Reversals](#) [14 minutes]
  
  Terms and concepts: definitions, measurement, entries, LIFO liquidation profits and LIFO reversal consequences
  
  Companies: Ran Suis Trendy Tops (fictitious) and Caterpillar
  
  Companies following US GAAP often report LIFO liquidations or LIFO reserve reversals in their inventories footnotes. These topics are beyond the scope of this course, but relevant to students pursuing careers in finance or accounting.
Session 19: Inventory outflows: Converting LIFO to FIFO

Things you should do to prepare for class

Watch

You may find the pace of these videos is too fast. If so, we recommend you use Enounce to slow them down.

- Inventory Cost Outflows [5 minutes]
  Company disclosures (time stamp 12:17 – time stamp 17:17)
  Terms and concepts: LIFO-FIFO disclosures
  Companies: Caterpillar and CNN

- Cost of Sales and Inventories Basics [8 minutes]
  Company disclosures (time stamp 38:04 – time stamp 45:31)
  Terms and concepts: LIFO reserve, LIFO and FIFO inventories, LIFO and FIFO income statements, cumulative LIFO tax savings
  Company: Caterpillar

Do

Assigned exercise – highest priority for class discussion

- Exercise in.wbn.outs.040
  Topics: converting LIFO to FIFO; recording related entries and determining their financial statement effects
  Company: Harley Davidson

Things you can do to prepare for exams

Do

- Self-Assessment Quiz:
  Inventory outputs: What’s Behind the Numbers: Applications and Extensions - 02 [7 questions]

- Exercise in.wbn.outs.020
  Topics: converting LIFO to FIFO; recording related entries and determining their financial statement effects
  Company: Archer Daniels Midland
**Session 20: Long-term assets**

*Things you should do to prepare for class*

**Read**

- **Accounting for Long-term Assets, Long-term Debt, and Leases**
  - Skim: pages 2-3 (to the start of Intangibles)
  - Grasp: pages 3-7 (from the start of Intangibles to the end of the impairments discussion)
  - Skim: page 7-8 (from the start of the revaluations discussion to the start of the Long-term Debt)

**Do**

- **Self-Assessment Quiz:**
  - *Long-Term Assets: What’s Behind the Numbers: Basics* [4 questions]

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

- **Exercise la.wbn.020**
  - Topics: recording PP&E and intangibles entries based on company’s disclosures and determining their financial statement effects
  - Company: HP

*Things you can do to prepare for exams*

**Do**

- **Self-Assessment Quiz:**
  - *Long-Term Assets: What’s Behind the Numbers: Applications and Extensions* [9 questions]

- **Exercise la.wbn.010**
  - Topics: recording PP&E and intangibles entries and determining their financial statement effects: purchased PP&E with cash, recognized depreciation expense, sold PP&E for cash, recognized production-related depreciation and recognized amortization expense
  - Companies: Bischoff (fictitious) and Intel

- **Practice Exam 3.1** Questions I – 1(h), II – 5(c) & (d), III-1 (very challenging)
  - Topics: Recording production and non-production related depreciation for fictitious company, recording real company’s goodwill impairment charges and determining entry’s financial statement effects, restating IFRS numbers to US GAAP: capitalizing versus expensing product development costs (very challenging)
  - Companies: Carlstedt’s iPhone Accessory Manufacturing Company (fictitious), Newell RubberMaid, European Aeronautic Defense and Space Company (EADS)
• **Practice Exam 3.2** Questions I - 4, II - 6(c), II - 7

Topics: Recording non-production related depreciation for a fictitious company and determining financial statement effects, recording sale of fixed assets with gain or loss, recording real company’s goodwill impairment charges and determining entry’s financial statement effects and determining the ratio effects of asset write down

Companies: Jerri’s Pampering Day Spa (fictitious), Steelcase and Barrick Gold Corp,
Session 21: Group assignment 5 – Recognition and measurement (Mini case)

In this session, we will analyze the Kansas City Zephyrs Baseball Club case. The case is set in the 1980s and some of the related accounting has changed significantly since that time. This is especially true for accounting for business combinations (which includes acquiring another company). For this reason, we’re going to analyze the case through the lens of current accounting guidance for business combinations.

In the process, we will introduce measurement and recognition concepts that apply to the case, but are not discussed therein. The overarching goals of the session are to give you a better appreciation for the judgments behind reported numbers and for how the course concepts and the many exercises you completed have improved your capacity to analyze cases involving accounting issues.

Things you should do to prepare for class

Read

- Background information in the assigned exercise below

Do

Assigned exercise – highest priority for class discussion

- Exercise la.hun.010
  
  Topics: analyzing recognition and measurement: extending Kansas City Zephyrs HBS case
  
  Company: Kansas City Zephyrs
Session 22: Present and future values

Things you should do to prepare for class

Watch

Watch this video if you are NOT familiar with present value concepts & formulas

- Present Values and Future Values [24 minutes]
  First ten menu items (time stamp 0:00 – time stamp 21:44)
  Excel functions (time stamp 24:08 – time stamp 26:25)
  Terms and concepts: present value intuition; single cash flow: future value formula, present value formula, future value tables and present value tables; multiple cash flows: present value formula and annuities; Excel functions: present values and internal rate of return

Do

- Self-Assessment Quiz:
  Present and Future Values: What’s Behind the Numbers: Basics [3 questions]
  
  Assigned exercise – highest priority for class discussion

  - Exercise db.wbn.pv.010
    Additional guidance: Present and future value tables are further down the web page.
    Topics: applying present and future value concepts to college savings plan

Things you can do to prepare for exams

Do

- Self-Assessment Quiz:
  Present and Future Values: What’s Behind the Numbers: Applications and Extensions [9 questions]
  
  - Exercise db.wbn.pv.020
    Additional guidance: Present and future value tables are further down the web page.
    Topics: applying present and future value concepts to car purchase
  
  - Exercise db.wbn.pv.030
    Additional guidance: Present and future value tables are further down the web page.
    Topics: applying present and future value concepts to retirement savings plan
  
  - Exercise db.wbn.pv.040
    Additional guidance: Present and future value tables are further down the web page.
    Topics: applying present and future value concepts to college savings plan
• **Practice Exam 3.1** Questions I – 4, II – 2

Topics: determining future value of current savings, deciding whether to buy or lease a car
Session 23: Long-term debt (issued at par) and leases

Things you should do to prepare for class

Read

- Accounting for Long-term Assets, Long-term Debt, and Leases
  - Grasp: pages 8-11 (through the start of Leases)

Do

As signed exercise – highest priority for class discussion

- Exercise db.wbn.basics.020 Part I: (a)-(c) and Part II: (f)-(h)
  Topics: recording entries based on company disclosures and determining their financial statement effects: issuing debt under IFRS and US GAAP and capitalizing interest
  Company: Darden Restaurants

Read

- Accounting for Long-term Assets, Long-term Debt, and Leases
  - Skim: pages 11-12 (from the start of Leases to the start of Initial Measurement of a Lease)
  - Grasp: pages 12-15

Do

- Self-Assessment Quiz:
  Leases: What’s Behind the Numbers: Basics [4 questions]

As signed exercise – highest priority for class discussion

- Exercise db.wbn.basics.020 Part I: (d)-(e) and Part II: (f)-(j) & Part III (k)-(p)
  Topics: recording entries based on company disclosures and determining their financial statement effects: transfer long-term debt to current portion and recognize rental expense related to operating leases; capitalizing operating leases (as outsider) and recording related entries
  Company: Darden Restaurants

- Exercise db.wbn.leases.010
  Topics: determining lease measures and entries
  Fictitious company: Busy Beaver Woodwork Company
**Things you can do to prepare for exams**

**Do**

- **Self-Assessment Quiz:**
  
  *Leases: What’s Behind the Numbers: Applications and Extensions* [8 questions]

- **Exercise db.wbn.basics.010**
  
  Topics: recording entries and determining their financial statement effects: issuing long-term debt for cash, paying financing costs (interest) previously expensed, paying debt principal classified as current portion of long-term debt, recognizing financing (interest) expense and anticipating paying long-term debt (transfer to current portion)
  
  Companies: Bischoff (fictitious) and Intel

- **Exercise db.wbn.leases.020**
  
  Topics: buy versus lease a car

- **Exercise db.wbn.leases.030**
  
  Topics: determining lease measures and entries
  
  Fictitious company: Brannon’s Car Restorations Company

**Things you can do beyond the scope of the course – Drill Deeper**

Not tested but recommended for those seeking careers in economics, finance, or accounting

**Proposed Updates for Lease Accounting**

**Read**

- **Accounting for Long-term Assets, Long-term Debt, and Leases**
  
  Optional Pages 16-17
  
  Previews proposed updates to lease accounting under US GAAP and IFRS that will dramatically change many companies’ balance sheets.

**Leases: computations, entries and analysis**

**Watch**

- **Capitalizing Operating Leases** [45 min]
  
  Terms and concepts: What are leases? What are capital and operating leases? Why is it important to capitalize operating leases prior to analysis? How do you capitalize operating leases (as an outsider)?
  
  Companies: CVS Caremark and Whole Foods
Do

- Industry Comparisons Exercises: Series 04: Exercise 7
  Topics: Leases and Ratio Analyzes
  Companies: Caterpillar, CNN, Deere & Company, Walgreens, Rite Aid and CVS Caremark
Session 24: Bonds

Things you should do to prepare for class

Watch

- Bonds [20 minutes]
  Watch all menu items
  Terms and concepts: bond attributes: contractual payments, proceeds at issuance, market rate, effective rate, discounts and premiums; bond computations and entries

Do

- Self-Assessment Quiz:
  Bonds: What’s Behind the Numbers: Basics [4 questions]

Assigned exercise – highest priority for class discussion

- Exercise db.wbn.bonds.010
  Topics: computing bond amortization table and recording bond entries (when the bond is issued at a discount)
  Fictitious company: R.C. Carter’s Corporation

Things you can do to prepare for exams

Do

- Self-Assessment Quiz:
  Bonds: What’s Behind the Numbers: Applications and Extensions [3 questions]

Do

- Exercise db.wbn.bonds.011
  Topics: computing bond amortization table and recording bond entries (when the bond is issued at a premium)
  Fictitious company: CA’s Contemporary Art Company

- Exercise db.wbn.bonds.020
  Topics: computing bond amortization table and recording bond entries (when the bond is issued at a discount, with biannual payments)
  Fictitious company: Doug’s Precision Equipment Company

- Exercise db.wbn.bonds.030
  Topics: computing bond amortization table, recording bond entries (when the bond is issued at a premium) and determining entries’ financial statement effects
  Companies: Reflections in Nature Company (fictitious) and Supervalu
Session 25: Group assignment 6 – Reflections

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

**Do**

Assigned exercise – highest priority for class discussion

- **Reflection**
  
  Topics: What are the ten most important things you learned from the course? What criteria did you use to select and rank items for your top-ten list?

**Things you can do beyond the scope of the course – Drill Deeper**

Not tested but recommended for those seeking careers in economics, finance, or accounting

**The Big Accounting Picture**

**Watch**

- **Reporting Incentives and Challenges** [25 minutes]
  
  Terms and concepts: conflicts of interest, users’ challenge and adverse selection

- **The factors driving the dispersion of actual measures** [19 minutes]
  
  Terms and concepts: additional factors beyond those affecting ideal measures: honest errors and conflicts of interest; disciplining mechanisms; Sarbanes Oxley and other reforms

**The Bigger Picture**

**Watch**

- **Live Your Life to the Fullest**
  
  This playlist is based on the final lecture we gave in this and other courses for well over a decade. In response to requests from past students, we posted the principles to YouTube. Students have frequently told us that the principles helped them gain perspective going into the final exams.
Final Exam

Location

- To be announced

Time

- To be announced

Points towards grade

- 40 points — 40% of the total possible points used to determine the course grade.

Exam Format

- Prior to each exam, we will distribute an exam announcement to clarify expectations and help you successfully prepare for the exam. All exams are comprehensive and may include exercises and practice exercises not discussed in class.

- You may use a basic calculator during the exams. However, your calculator must not contain course related information. Additionally, your calculator must not be capable of storing “text” or communicating with others (no cell phones or other text messaging devices are permitted).

- Exams are closed book and closed notes.

- Generally partial credit will be limited, so check your answers carefully.

- To protect the vast majority of students who will not cheat on the exam, there may be alternative versions of the exam that are the same in all respects except the questions contain some numbers that differ or are arranged differently.

- Regardless of one's intent, staring at classmates' exams is inappropriate. If you wish to take a break from staring at your exam, stare directly ahead or to either side without looking down.

- More generally, you are to honor the School’s Core Values in all respects.