Flipping the Classroom

Carroll School of Management

March 25, 2015

G. Peter Wilson

Slides will be posted at

www.navigatingaccounting.com/presentation/presentations
Building A Teaching Culture

CSOM Teaching Excellence Award Winners
Building A Teaching Culture
CSOM Teaching Seminar Guest Speakers

Charles Lee  Harvey Brightman  Eric Mazur

Howard Gardner  Dan Roam
Shared Responsibility Means Shared Credit

“We” Make Great Learning Experiences
What is flipping?

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

Traditional Class

- Before class: Thinking skills covered during class
- During class: Thinking skills covered during class

Flipped Class

- Before class: Thinking skills covered during class
- During class: Thinking skills covered during class
Flipping the Classroom to Up our Game
Easier Said Than Done

We’re asking students to

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

Costs

Benefits

Flipping the Classroom to Up our Game

Building Blocks

1. Robust concepts and frameworks
2. Rich applications
3. Detailed course maps
4. Enabling technology
5. Effective motivation
Help students develop

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

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

http://www.sciencedaily.com/releases/2013/05/130522085217.htm
“I wouldn’t give a fig for the simplicity this side of complexity but I’d give my life for simplicity on the far side of complexity”

Oliver Wendell Holmes
SIMPlicity on THIS Side
of complexity

Simple but shallow

Perception

SIMPlicity on tHe Far
Side of complexity

Simple yet deep

Reality
Flipping the Classroom to Up our Game
Simplicity on the Far Side of Complexity

Success Factors

- Internalize concepts
- Apply concepts repeatedly in diverse contexts
SIMPPLICITY ON THE FAR SIDE OF COMPLEXITY

Simple yet deep

Robust concepts and frameworks

Rich applications
Core Competencies of Highly Successful Scholars

- Real Phenomena
- Creative & Persuasive
- Structuring Expertise
- Relationship Skills
Flipping the Classroom to Up our Game
Pathways Commission Vision Model

- Inclusive
- Interdependent elements
- Simple, yet deep
Flipping the Classroom to Up our Game

Pathways Commission Vision Model

Outsiders

Insiders

Reporting entity
Flipping the Classroom to Up our Game

Learning Framework

Step 1
What do I see on the surface?

Step 2
What's behind what I see?

Step 3
How do I use what I see and my understanding of what's behind what I see?
Step 2
Accounting Decision Map

Record Keeping and Reporting

Computations

Accounting Judgments
- Recognition
- Measurement
- Classification
- Disclosure

Economic Activity
- Events and Circumstances
- Business Uncertainty

Law Makers and Regulators
- Laws
- Regulations

Standards and Standard Setters
- GAAP
- IFRS
- Other

Legal System
- Enforcement
- Proceedings
- Courts

Corporate Governance
- Board of Directors
- Audit Committees
- Policies and Control Systems

Management
- Values and Attributes
- Incentives
- Accountability

Demand
- User/Conflicting Demands for Information

Costs
- Acquire Information
- Process Information
- Disclose Proprietary Information

Market Consequences
- Cost of Capital
- Labor Costs
- Product Prices

Independent Assurances
- Auditors
- Arm's Length Rating Agencies

Information Intermediaries
- Analysts
- Media
- Information Aggregators
Step 3
Analysis
Consideration Map

Flipping the Classroom to Up our Game
Flipping the Classroom to Up our Game

Flipping Process: Guidance

Before class | During class | After class

COURSE MAP

ACCT 1021: INTRODUCTION TO FINANCIAL ACCOUNTING - FALL 2014 BOSTON COLLEGE

PETE AND CAROLYN WILSON
FULTON 552A, 617-552-1963
WILSON.GP@BC.EDU
16th Session

Pre-class work

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


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

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

- Exercise rv.wbn.rec.010 – Bischoff and Intel
- Exercise rv.wbn.rec.030 – Neal Company

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

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

- Exercise rv.wbn.rec.020 – HP
Federal regulators have warned banks to be careful about padding their profits with money set aside to cover bad loans. But some of the nation's biggest banks did more of it in the third quarter than earlier this year.

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

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

But the Office of the Comptroller of the Currency, which regulates nationally chartered banks and federal savings associations, is reiterating warnings to banks about overdoing it.
16th Session

Sample: Basic assessment

“Know what you don’t know”

Respond: Mini-lectures

Concepts

Homework problems

Apply and Extend: Problem solving

New context

More complex context

Discuss: Related risks & judgments
8th Session
Pre-class work

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

The guidance for the group assignments is in the exercises
Students are to use the Toulmin Model of Argumentation.

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

Analysis Consideration Map not completed by Session 8.
Flipping the Classroom to Up our Game

Flipping Process: Guidance for Analysis Days

Part I: Your qualified claim and opening remarks
Fill in the blank with either Coke or Pepsi:
__________________________ appears to have the better future prospects at the most recent balance sheet dates, taking into consideration expected future ROEs, growth rates, and risks.

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

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

Part III: Your counterarguments and rebuttals
Provide no more than three counterarguments to your claim, numbered and arranged according to your assessment of their challenge to the claim (from strongest to weakest). If possible provide rebuttals immediately below each counterargument.
Quantitative inputs based mostly on balance sheets, income statements and footnotes

Cash flow statement not covered by session 8

Qualitative inputs based mostly on quotes from earnings conference call transcripts, annual reports and media articles
Flipping the Classroom to Up our Game

Forecasted ROEs

Forecasted risks

Forecasted growth
John Faucher - JPMorgan Chase & Co. - Analyst

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

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

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

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

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

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

### Flipping Process: Guidance For Analysis Days

### Comparing Income Statements and Select Performance Ratios
Numbers below are either disclosed on the company's statements with similar captions or they combine numbers with related captions.

<table>
<thead>
<tr>
<th></th>
<th>Coca-Cola Company</th>
<th>PepsiCo, Inc.</th>
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<td><em>Year-ended Dec.</em></td>
<td><em>Year-ended Dec.</em></td>
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<td><em>2013</em></td>
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<tr>
<td>Income Statements</td>
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<tr>
<td>Net revenues</td>
<td>$46,854,000</td>
<td>$46,177,000</td>
<td>$46,542,000</td>
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<td>$46,177,000</td>
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<tr>
<td>Cost of goods or services sold</td>
<td>$36,423,000</td>
<td>$36,033,000</td>
<td>$36,423,000</td>
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<td></td>
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<td>Gross profit</td>
<td>$10,421,000</td>
<td>$10,144,000</td>
<td>$10,119,000</td>
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<tr>
<td>Other operating income and (expenses)</td>
<td>$26,483,000</td>
<td>$26,064,000</td>
<td>$26,483,000</td>
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<tr>
<td>Operating profit</td>
<td>$40,206,000</td>
<td>$39,287,000</td>
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<tr>
<td>Other income and (expenses)</td>
<td>$10,289,000</td>
<td>$10,705,000</td>
<td>$10,289,000</td>
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<tr>
<td>Profit before taxes</td>
<td>$49,495,000</td>
<td>$49,992,000</td>
<td>$49,992,000</td>
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<td>Income tax refund and (refund)</td>
<td>$2,853,000</td>
<td>$2,703,000</td>
<td>$2,364,000</td>
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<td>Net profit (loss) from continuing operations</td>
<td>$46,642,000</td>
<td>$47,289,000</td>
<td>$47,628,000</td>
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<td>Selected Financial Data (controlling and non-controlling)</td>
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<td>Comprehensive Income</td>
<td>$9,477,000</td>
<td>$9,165,000</td>
<td>$9,165,000</td>
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<tr>
<td>Beginning total assets</td>
<td>$64,177,000</td>
<td>$63,746,000</td>
<td>$64,177,000</td>
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<tr>
<td>Ending total assets</td>
<td>$64,177,000</td>
<td>$64,177,000</td>
<td>$64,177,000</td>
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<tr>
<td>Average total assets</td>
<td>$64,177,000</td>
<td>$64,177,000</td>
<td>$64,177,000</td>
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<td>Beginning owner's equity</td>
<td>$55,188,000</td>
<td>$53,921,000</td>
<td>$54,371,000</td>
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<tr>
<td>Ending owner's equity</td>
<td>$55,188,000</td>
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<td>Average owners' equity</td>
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### Profit and Loss

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<th>Revenue</th>
<th>Net Income</th>
<th>Earnings per Share</th>
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### Ratio Analysis

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<th></th>
<th>Revenue</th>
<th>Net Income</th>
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### Asset Risk

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<th></th>
<th>Balance sheets</th>
<th>Profit turnover</th>
<th>Common size IS</th>
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### Liquidity Risk

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<th>Current ratio</th>
<th>Current assets</th>
<th>Working capital</th>
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### Consequences of Financial leverage on riskiness of owners' claims, which depends on financial leverage and asset risk

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<th>Consequences</th>
<th>Balance sheets</th>
<th>Profit turnover</th>
<th>Common size BS</th>
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### Income Tax

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<th>Income tax expense</th>
<th>Income tax rate</th>
<th>Income tax paid</th>
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### Financial Leverage

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<th></th>
<th>Financial leverage</th>
<th>Profit margin</th>
<th>Income tax savings</th>
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### Income

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<tr>
<th></th>
<th>Income</th>
<th>Revenue growth</th>
<th>(current year/cy prev year)</th>
<th>(prev year/cy prev year)</th>
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Flipping the Classroom to Up our Game

Flipping Process: Class Structure for Analysis Days

- Survey groups’ initial claims
- Discuss supporting arguments, counterarguments and rebuttals
- Survey groups’ ending claims
- Ask students what they learned?
#1 Goals drive everything

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

Take Aways

#2 Use building blocks to meet goals

1. Robust concepts and frameworks
2. Rich applications
3. Detailed course maps
4. Enabling technology
5. Effective motivation
Flipping the Classroom to Up our Game

Take Aways

#3 Seek simplicity on the far side of complexity

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

Oliver Wendell Holmes
#4 Use robust concepts and rich applications
#5 Develop competencies for effective scholarship
Flipping the Classroom to Up our Game

Take Aways

#6 Make great music **with your students**
Flipping the Classroom to Up our Game

Take Aways

# 7 We don’t need to be composers …

to create great music and make a difference.
QUESTIONS OR COMMENTS
Flipping the Classroom to Up our Game

Closing Thought

Thanks again for this incredible honor!