

# Incorporating Judgment into Your Courses

**American Accounting Association  
Teaching, Learning, and Curriculum  
2011 Midyear Meeting**

**G. Peter and Carolyn R. Wilson**

# Polling Question 1

## **Working Definition of Judgment**

When we say accounting decisions or estimates require judgment, we mean objective experts reasonably disagree on the best analyses, conclusions, alternatives, or estimates.

## **Are you currently teaching judgment ?**

- a) I don't have time in the curriculum to teach judgment**
- b) I don't know how to teach judgment or where I can find resources**
- c) I teach judgment; but want to learn more**
- d) I teach judgment and have ideas I can share**

# Agenda

- **Framing judgment– Where does it fit?**
  - **Introductory courses**
  - **More advanced courses**
- **First day exercise for introductory course**

# Framing Judgment – Introductory Course

## What does an outsider see?

1. Primary elements
2. Major categories
3. Line items

## What's behind the numbers?

4. Accounts
  - Events
  - Measures
5. Entries
  - Recognition
  - Measurement
  - Classification
  - Disclosure
6. Judgments

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

BISCHOFF GLOBAL SPORTSWEAR STATEMENTS OF FINANCIAL POSITION		
December 31, 2013 and December 31, 2012		
(In Millions)	2013	2012
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$31	\$13
Accounts receivable, net	106	78
Inventories	147	103
Other current assets	229	178
<b>Total current assets</b>	<b>513</b>	<b>372</b>
<b>Non-current</b>		
Property, plant, and equipment, net	194	175
Other non-current assets	233	199
<b>Total non-current assets</b>	<b>427</b>	<b>374</b>
<b>Total assets</b>	<b>\$940</b>	<b>\$746</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	25	35
Other current liabilities	97	95
<b>Total current liabilities</b>	<b>122</b>	<b>130</b>
<b>Non-current</b>		
Long-term borrowings	105	60
Other non-current liabilities	100	70
<b>Total non-current liabilities</b>	<b>205</b>	<b>130</b>
<b>Total liabilities</b>	<b>327</b>	<b>260</b>
<b>Stockholders' equity</b>		
Share capital	253	214
Other stockholders' equity	360	272
<b>Total stockholders' equity</b>	<b>613</b>	<b>486</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$940</b>	<b>\$746</b>

Where can your students learn about these concepts?

[www.navigatingaccounting.com/video/express-framing-record-keeping-and-reporting](http://www.navigatingaccounting.com/video/express-framing-record-keeping-and-reporting)

# Framing Judgment – Introductory Course

## Insiders' perspective

- Observes events
- Makes recognition decisions
- Makes measurement decisions
- Records entries
- Determines ending balances
- Makes disclosure decisions
- Creates balance sheets

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BISCHOFF GLOBAL SPORTSWEAR  
STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and December 31, 2012

(In Millions)

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# Framing Judgment – Introductory Course

## Outsiders' perspective

- Observe and analyze primary elements
- Observe and analyze major categories
- Observe and analyze line items
- Envision accounts behind line items
- Envision structure of related entries
- Identify other line items and footnotes affected by entries and search for related information
- Qualitatively gauge measures
- When possible, recreate entries and determine their ratio effects
- Envision measurement and recognition judgments behind reported numbers and assess confidence in them

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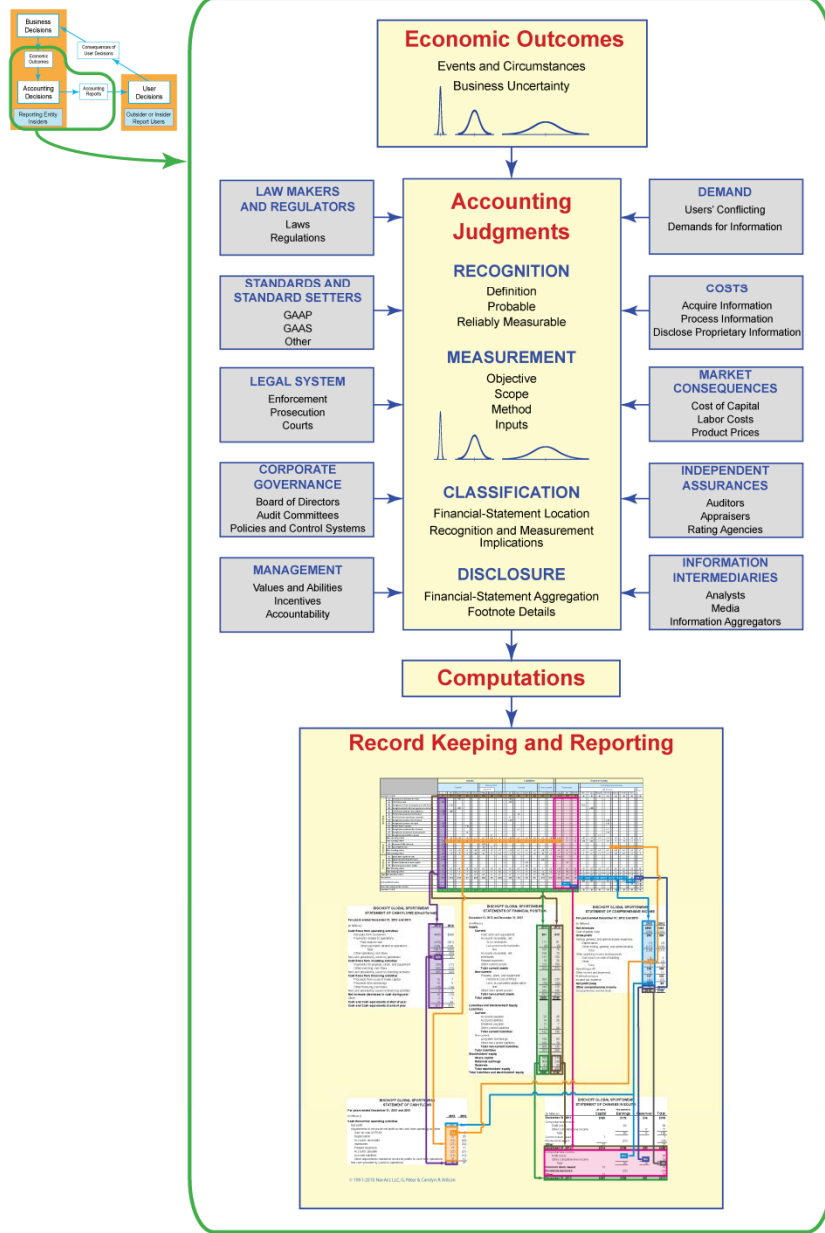
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## Accounting Decisions Map



Factors that  
Affect  
Judgments



Record Keeping  
And  
Reporting Map



Where can your students learn about these concepts?  
[www.navigatingaccounting.com/video/express-factors-driving-dispersion-measures](http://www.navigatingaccounting.com/video/express-factors-driving-dispersion-measures)

## NAVIGATING ACCOUNTING: BALANCE SHEETS

### Watch

"What Do I See?" videos on the balance sheet.

[www.navigatingaccounting.com/book/what-do-i-see-2-02.0](http://www.navigatingaccounting.com/book/what-do-i-see-2-02.0)



- Express videos are executive summaries. View these to get the big picture or as a review after the Scenic videos. Express videos should be the top priority if you are pressed for time.
- Scenic videos are in-depth discussions of topics. View these to get a more comprehensive understanding of concepts by seeing real company disclosure examples and detailed explanations.
- High, Medium, and Low connection speed versions of the videos have menus. Use the menus to go directly to a topic for a quick review or for help with concepts covered in an exercise. Menus require Flash. Menus are not available for the iPod, iPhone/Android/iPad or MP3 player versions.
- Most videos have PDFs of the video slides and transcripts you can download, if you wish.

### Do

"What Do I See?" exercises. Go to the exercise box under the videos on the web page.

- **Assigned:**

Exercise bs.wis.050



*The class discussion will center on this exercise so be sure to do it before class.*

- **Additional practice problems:**

Exercises bs.wis.010, bs.wis.020, bs.wis.030, bs.wis.040

Watch  
On-line  
Video(s)  
(optional)

Complete  
Exercise to  
Prepare for  
Discussion  
(optional)

# First Day Exercise for Introductory Course

## NAVIGATING ACCOUNTING: BALANCE SHEETS

### Watch

"What Do I See?" videos on the balance sheet.

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Where can you learn how to teach this judgment exercise?

Part 2: Asset, Liability, and Owners' Equity Measures

[www.navigatingaccounting.com/content/instructors-forum#part-2-asset-liability-and-owners-equity-measures-anchor](http://www.navigatingaccounting.com/content/instructors-forum#part-2-asset-liability-and-owners-equity-measures-anchor)

# Polling Question 2

**Which preparer decisions can require significant judgment?**

- a) Recognition decisions**
- b) Measurement decisions**
- c) Classification decisions**
- d) Disclosure decisions**
- e) All the above**
- f) A and B only**

# Polling Question 3

**What will be your next step?**

- a) Incorporate some of these ideas into my courses**
- b) Learn more about available resources ([www.AAAcommons.org](http://www.AAAcommons.org) or [www.NavigatingAccounting.com](http://www.NavigatingAccounting.com))**
- c) Share related ideas with others ([AAAcommons.org](http://AAAcommons.org))**
- d) All the above**
- e) A and B only**