

Incorporating Judgment into Your Courses

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

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

Where can your students learn about these concepts?

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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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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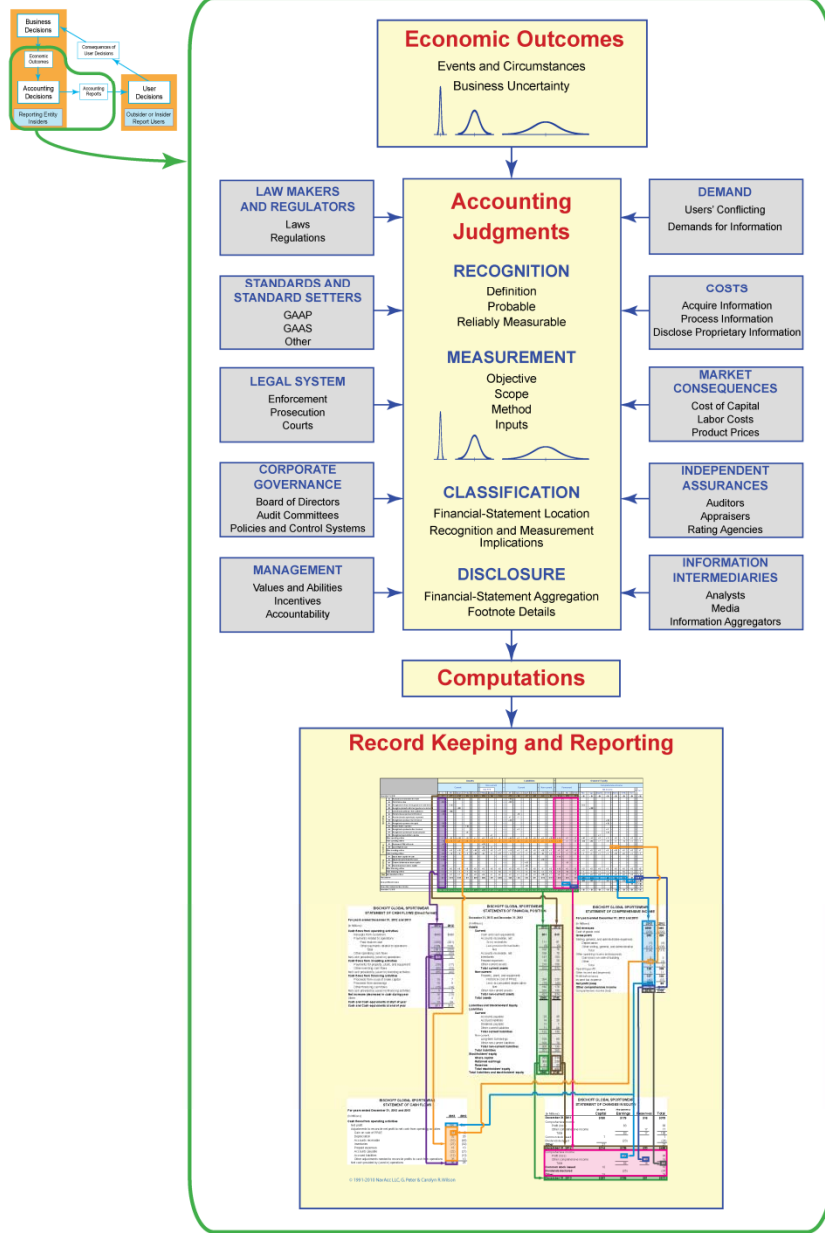
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Accounting Decisions Map



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

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



- 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

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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

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 or www.NavigatingAccounting.com)**
- c) Share related ideas with others (AAAcommons.org)**
- d) All the above**
- e) A and B only**