

COURSE MAP

MBA CORE ACCOUNTING COURSE

FALL 2011

**YOU ARE WELCOME TO USE THIS SAMPLE COURSE MAP AND
CUSTOMIZE FOR YOUR COURSE.**

**SEE LINKS TO SELECT TEACHING NOTES IN GREEN. EDIT
WORD VERSION TO REMOVE THESE FOR STUDENTS' VERSION.**

THERE IS AN ASSIGNMENT FOR THE FIRST CLASS!

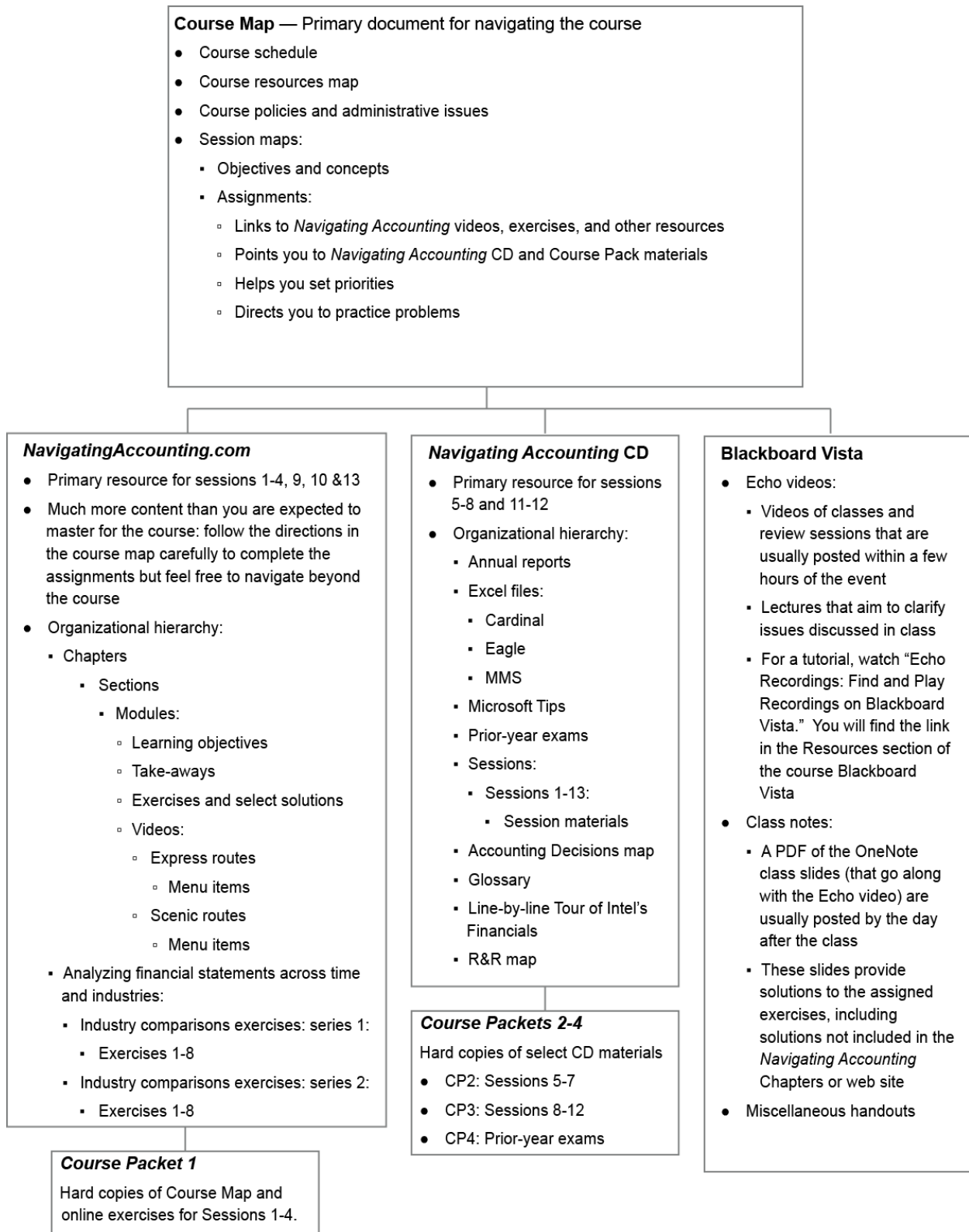
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Course Schedule

SCHEDULE FALL 2011		
Date	Session	Topics or Event
Mon-Aug-29	1	— Course policies and other administrative Issues — Preface — Balance sheets
Wed-Aug-31	2	— Income statements and statements of changes in owners' equity
Thu-Sep-1		— Optional help session
Mon-Sep-5		— Labor Day - no classes
Wed-Sep-7	3	— Income statements and statements of changes in owners' equity
Fri-Sep-9		— Quiz
Mon-Sep-12	4	— Income statements and statements of changes in owners' equity — Group assignment 1
Wed-Sep-14	5	— Cash flow statements
Fri-Sep-16		— Optional help session
Mon-Sep-19	6	— Cash flow statements
Wed-Sep-21	7	— Accounting for manufacturing
Fri-Sep-23		— Mid-term exam
Mon-Sep-26	8	— Revenue recognition and related issues
Wed-Sep-28	9	— Revenue recognition and related issues — Group Assignment 2
Mon-Oct-3	10	— Expense recognition: leases
Wed-Oct-5	11	— Expense recognition: share-based compensation
Fri-Oct-7		— Optional help session
Mon-Oct-10		— Columbus Day - no classes
Wed-Oct-12	12	— Gain/loss recognition: valuation adjustments
Fri-Oct-14		— Optional help session
Mon-Oct-17	13	— Course wrap-up
Wed-Oct-19		— Final exam

Course Resources Map



Course Policies and Administrative Issues

Introduction

This section describes the course goals, challenges, learning strategies, and policies. 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.

Goals

The course goals are the same as those stated in the Preface of *Navigating Accounting*:

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 become reasonably proficient at interpreting numbers in financial statements and assessing their usefulness for your decisions.

You can learn more about these goals by you reading the Preface, which you will find with the Session 1 materials on the *Navigating Accounting* CD. They 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 (more later).

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

Suggested Learning Strategy

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

1. Session Maps

The session maps are highly detailed navigation aids that will help you identify the session learning objectives (the places you want to go) and lay out step-by-step directions to locate, prioritize, and use the resources needed to get there. Trying to find your way through the course without using the session maps 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 maps!*

Having read the above paragraph, you might mistakenly conclude that everyone will be going to the same location each session: to meet the session learning objectives. However, generally the course goals, and by extension the session learning objectives, can be met at various levels of proficiency and you will likely seek a level that is consistent with your career goals, grade aspirations, experience, time

constraints, and/or other factors. Guidance that points to particularly challenging readings, videos, and assignments are targeted to students who “seek a high level of accounting proficiency.” You best stay away from these unless you are planning a career in finance or accounting, fall in love with the course, can’t resist the urge to challenge yourself, and/or wish to compete for a high grade (more later).

The session maps can also help you determine the level of intensity that you should devote to various passages in the reading assignments (as discussed shortly). Additionally, they can help you determine *when* you should commit effort to a reading passage or exercise. For example, a map might indicate that an exercise is a “low priority for class and a high priority by the end of the course.” This means that if you are pressed for time when preparing for class (which you will be most of the time), you can put this exercise aside until a more convenient time.

However, it does not mean that you can put it aside forever and, indeed, it does not necessarily mean that you can put it aside until the end of the course: You may need to complete the exercise to prepare for the quiz or midterm. Thus, *by* the end of the course is not the same as *at* the end of the course.

Another related caveat is in order: If a session map states that an exercise is “a low priority for class and a high priority by the end of the course for those who are seeking a high degree of accounting proficiency,” you can not necessarily conclude that the exercise will not be on a quiz or exam. Some of the quiz and exam questions will be targeted to students who seek a high level of accounting proficiency.

2. Assigned Readings: Levels of Intensity

Complete the assigned readings described in the session maps, paying 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. Class Preparation Questions

Try to complete the assigned preparation questions on your own, being careful not to get bogged down on any one of them. Solutions are available for most of the exercises we will not be discussing during class. You will be directed to these in the session section of the course map or in directions included in the exercises. For example, solutions for many of the exercises at NavigatingAccounting.com are posted to this site and solutions for many of the exercises in the text chapters are located at the end of the chapters. The solutions to most of the exercises discussed during class will be posted to Blackboard Vista after they have been discussed in class.

4. Check with Friends

If you have time, check your solutions with friends or your group before class. However, make sure that you spend considerable time trying the questions on your own either before or after these meetings.

5. Come Prepared To Participate

Come to class ready to participate in the class discussion. 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. (Class participation is discussed more later.)

Our responsibilities for class discussions:

Our responsibilities are to prepare diligently, to guide the class discussion, to ensure an equitable distribution of “air time” (the time students speak in class) so that you will perceive yourself as an equity holder in the learning process, and to give you additional incentives to prepare for class and participate in the discussion.

We will also provide you with a framework for organizing and presenting ideas that is structured enough to ensure you are all “singing the same song,” but flexible enough to encourage improvisation.

Your responsibilities are to prepare diligently and to help develop the intellectual content of the discussions by contributing to them yourself and by expanding on your classmates’ contributions.

You are not adequately prepared if you simply skim the assigned questions and sketch a few notes in the margins.

6. Gauge Your Progress

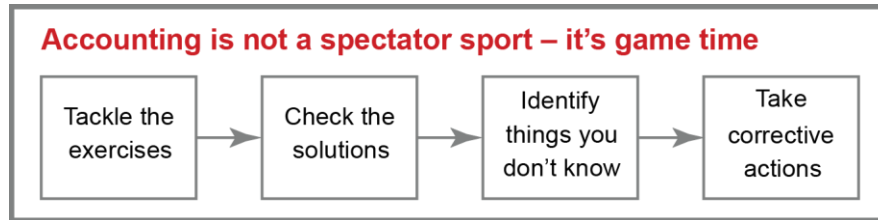
After class, take a few moments to gauge your progress towards the session goals. We will often help you complete this self-assessment by summarizing the key points you should have mastered by a certain point in the course and the ones that will be refined later.

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 scenic route videos. If you are still confused, it's time to get help from classmates or the instructors.



7. Setup Appointment to See the Instructor

If you have been preparing using the outlined strategy and resources, but are still falling behind, you are encouraged to seek help from a friend or set up an appointment to see us via email suggesting three possible 30 minute time slots we could meet. Generally, one of these will be open on our calendar and we will confirm the time and date via return email.

These meetings will be much more productive if you come well prepared. Whenever possible try to write out your questions. In addition, be familiar with the definitions and notation related to a topic even if you are having conceptual difficulties.

Most importantly, don't tell us that you understand something when you are still perplexed.

As a general rule, these meetings are open to other students. That is, others are welcome to sit in during your office visit and participate in the discussion. However, you dictate the agenda during the time you have scheduled. If you wish to discuss personal issues such as your exam, the office visit will be private.

Clicker Policy

Clickers will be required for this course. They will be used to foster richer class discussions and periodically assess how well the class understands key concepts. Clickers are hand-held remote devices with buttons students press to respond to multiple-choice or true/false questions. The clicker software transmits students' responses to a receiver attached to the instructor's computer. Instructors can then display a graphical distribution of the results on the classroom screen.

You only need to buy one clicker, even if you have multiple classes requiring it. You must register your clicker.

During regular sessions (not optional help sessions) some of your responses may count towards your participation grade. When this is the case, you will be informed the question will be graded before you need to respond. Either we will announce the question will be graded or the slide with the question will indicate it will be graded. On some occasions, you will be encouraged to discuss clicker questions in small groups prior to submitting responses. These may also be graded. In other cases, you will be instructed to respond without consulting others. In this case, consulting others when instructed not to do so is a violation. More generally, you may not use other students' clickers nor ask another student to submit answers for you; doing so is also a violation.

Clickers will be used during the regular class sessions and the optional help sessions, so please bring your clicker to all our sessions.

Determining Class Participation Scores

Participation points are accumulated during the term and are scaled at the end of the term so they fall between 1-20. The points assigned each day and the course scores out of 20 are largely subjective; but we take several steps to ensure our judgments are fair and informed. To ensure students are properly graded each session, our assistant records brief notes whenever a student contributes to the class discussion. We refer to these notes immediately after class when we assign points. Graded clicker-question responses provide added objectivity for assigning points. Additionally, we try to ensure most everyone gets a chance to participate by calling on students that have not participated in last few classes.

For each class session, students' participation will be classified into one of five categories according to their combined individual and/or group discussion contributions during the session and points will be assigned to each category:

- **Exceptional contributions** that give us and your classmates a whole new perspective on an important issue. These contributions are rare, especially in an introductory course where we generally determine when students get opportunities to participate. Still, when they do occur, they are rewarded highly and greatly appreciated. 12-16 points
- **Excellent contributions** that: (a) offer compelling substantiated arguments, hypotheses, analyses, or perspectives, (b) identify and further develop connections among others' contributions, or (c) offer clear and correct answers to challenging assigned questions. There are more opportunities for these contributions during sessions when we are discussing group projects. 6-11 points
- **Solid contributions** that advance the discussions—these can include basic facts, correct answers to relatively straightforward assigned questions, clarifying questions, solid but not compelling arguments, or other contributions that provide the essential mortar for excellent discussions (most contributions fall into this category). 2-5 points
- **No contributions** — this category pertains to students who do not comment during the session either because they are absent, do not wish to participate, are not called on to participate (cold called), or are not invited to participate when they raise their hands to indicate that they would like to join the discussion. I will keep track of students who participate in the discussions each session and try to find ways to get students involved in a session if they attended the prior session but were not involved in the discussion. 0 points
- **Non-compensated participation penalty**— this category pertains to students who do not make enough good contributions during the session to compensate for making one or more outlandish comments during the session that suggest they probably did not prepare for class adequately, if at all, or otherwise significantly disturb the flow of the class discussion with unsubstantiated comments.

These penalties are extremely rare. In fact, we have not penalized anyone in years. However, in fairness to others who are working diligently to build great discussions, we will penalize students who do not contribute positively to the learning environment. The penalties will be -1 to -8 points depending on the circumstances.

At the end of the course, the participation points for all sessions will be summed. These totals will then be ranked and participation scores out of 20 awarded. The precise distribution of these scores will depend on several factors including our overall sense of how well the combined points awarded to the sessions reliably measure differences in students' contributions to the learning environment. Moreover, as indicated earlier, we often determine when students participate by calling on them. We understand that as a result participation grades may not reflect your readiness to participate in any given class session. Having issued these caveats, the participation grades typically have very little variance and thus (as indicated in the next section) tend to have a relatively minor effect on students' overall course grades.

With regards to your participation grade, you will not be penalized for giving "good" incorrect answers or asking "good" questions that reflect confusion. By "good" answers and questions, we mean those that reflect solid preparation. 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 session learning objectives. By contrast, if you come feeling comfortable but not prepared, you will surely leave totally confused.

Our responsibility to increase your capacity and willingness to prepare for class and participate effectively in discussions is critical to our immediate success, and perhaps to your careers. In both endeavors, you will succeed to the extent that you can organize your ideas concisely and convey them persuasively. For this reason, a significant portion of your grade is based on class participation.

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 that we can help you develop a strategy to involve you in class discussions.

Grades

The course map indicates the quiz and exam schedule. Your grade depends on four factors:

- Class participation (20%)
- 1 hour quiz (10%)
- 2 group assignments (10%)
- 2 hour midterm exam (20%)
- 3 hour final exam (40%)

Students compete for the top grades (A, A-, and B+) and thus these grades are based on **relative performance**: between 5-10% of the class will receive an A grade, 5-10% an A-, and 15-35% a B+.

While grade competition can enhance performance, to ensure that this competition does not hamper cooperation unduly (more on this theme later), the percent of students who receive higher grades depends on the extent to which the class consistently demonstrates cooperative behavior.

Also, to help ensure that students do not reduce their effort unduly after the midterm exam because they expect to get a B regardless of how well they perform on the final, the percent of students who receive B+ and B- depends on the extent to which the class as a whole is prepared for the sessions. Specifically, if we sense that most everyone is preparing adequately for most of the sessions, we award fewer B-s and more B+s.

Typically, students behave very cooperatively and prepare diligently for classes because it is part of the university's culture, and as a result, 10% of the students receive an A, 10% A- and 20-30% B+.

The lowest grades (B-, C, D, and F) are based on **absolute performance**, meaning students who receive these grades fail to demonstrate sufficient proficiency in basic accounting skills to earn a B grade. Students who do not receive an A, A-, B+, B-, C, D, or F, receive a B. Usually, this is about half of the class.

Typically, 5-10% of the class receives a B-, but in theory everyone could receive a higher grade and we would be very pleased if they did so. We have never awarded a D or F in a graduate course and prefer not to do so in the future.

We also do not like to give C's and students who have a C average after taking the final exam get an opportunity to raise their grades to a B- by performing well on a make-up exam that tests basic skills only.

By way of example, in a prior year 10% received an A, 10% an A-, 25% a B+, 43% a B, and 12% a B-, 0% a C, 0% a D, and 0% an F. This distribution is pretty representative.

The variances of the scores for the four factors that make up the course grades (class participation, quiz, midterm, and final) influence how these factors affect relative performance assessments and thus the top grades. Typically, there is very little variance in the quiz scores, with over 80% of students getting a perfect score. As a result, while quiz scores affects absolute performance, but they do not generally

differentiate the top performers. Similarly, class participation scores have relatively little variance. By contrast, the variance of midterm scores is generally much greater than the quiz and participation variances. As a result, midterm scores have a greater influence on the top grades. Still, the variance of the final exam scores is generally much higher than the variance of the midterm scores, which means it has a bigger impact on relative performance and thus the top grades. This is appropriate for two reasons: First, the final exam is comprehensive so it measures performance on all of the topics and concepts covered in the course. Second, by the end of the course the playing field is level in the sense that students without prior accounting courses or related work experience have an opportunity to catch up with their classmates.

While prior-year exams will help you prepare for this year's exams, you can rest assured that there may be many new twists. (Select prior year exams are in Course Packet 4. Others are on the Navigating Accounting CD.)

In addition, we will distribute a description of the quiz and exam formats in advance to help you prepare.

The quiz and exams largely test your ability to record entries and assess their financial statement consequences, perform related computations, search for information in financial statements and footnotes, and recreate accounting entries that underlay financial statement information. In all of these tasks, you will largely assume that accounting numbers reliably measure what they purport to measure.

Learning is more important than grades, but the correct balance of grades and peer competition can improve your learning.

Grades should be a small incentive relative to your desire to learn. You should view them as a minor push on the margin to ensure that you perform effectively at peak capacity.

Grade pressure is pervasive in businesses where it is called performance evaluation. Designing incentive systems that optimally balance extrinsic performance incentives such as compensation with intrinsic incentives such as pride and satisfaction is currently one of the toughest management challenges.

The notion that too much competition can hamper cooperation does not mean that competition should be eliminated in schools, nor amongst employees within businesses, nor amongst players on sports teams. Balancing competition and cooperation is one of the toughest challenges faced by managers, coaches, and college professors.

Similarly, designing an incentive system that balances grades and intrinsic incentives to learn is one of our most demanding challenges.

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 that you do likewise. This document describes our grading philosophy and policies thoroughly. If you need to know more, drop by our office.

However, never ask “will this be on the exam?” We are not here to prepare you for exams, which by design can only sample a small portion of the course content. 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, that motivates us to put more effort into teaching.

- You have the right to appeal the way your final exam and class participation are graded and are encouraged to do so when you feel there are material mistakes. You should submit your concerns in writing.

The Two Biggest Success Factors

Preparation and attitude guided by the Carroll School’s core values, on the part of all involved.

Session Maps

Session 1: Course policies and Introduction to balance sheets

Objectives and Concepts

Understand:

1. Our responsibilities.
2. The course goals and our strategy to meet them.
3. The essential features of Navigating Accounting and how we will use them.
4. The purposes and structures of balance sheets.
5. Balance-sheet elements and concepts.
6. Line items commonly reported on balance sheets.
7. Some of the ways investors and others use balance-sheet numbers.

You are expected to meet objectives 1-3 on your own by reading Course Policies and Other Administrative Issues (included in the Course Map in Course Packet 1).

Assignment

You must purchase a clicker for this class, unless you've already purchased one for another class. Register your clicker and bring it to all class sessions and optional help sessions, if you attend.

Navigating Accounting Videos

This assignment references videos and related exercises at NavigatingAccounting.com

- 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 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.
- Exercises are indicated in a box under the videos on each web page.
- All videos have PDFs of the video slides and some have transcripts you can download, if you wish.
- We highly recommend using the Mozilla's Firefox browser or Internet Explorer 9.

Watch

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

www.navigatingaccounting.com/book/what-do-i-see-2-03.0

Do

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

There are hard copies of the exercises for Sessions 1-4 and related materials in the Course Packet 1.

- Practice problems with solutions:
Exercises bs.wis.010, bs.wis.020, bs.wis.030, bs.wis.040
 - These exercises are a low priority prior to class and high priority by the quiz on September 9th.
- Practice problem without solutions:
Exercise bs.wis.050
 - Optional

Watch

- "What's Behind the Numbers?" video: Framing Record Keeping
www.navigatingaccounting.com/book/framing-record-keeping-reporting-2-03.0
- "What's Behind the Numbers?" video: Recording Entries Using balance-sheet equation (BSE)
www.navigatingaccounting.com/book/recording-entries-using-bse-2-03.0

Do

"What's Behind the Numbers?" BSE entry exercises. Go to the exercise box under the video on the above web page.

- Practice problems with solutions:
Interactive Exercise: bs.wbn.bse.001 Requires Adobe's Flash Player.
Exercises bs.wbn.bse.010, bs.wbn.bse.020, bs.wbn.bse.030, bs.wbn.bse.040 and bs.wbn.bse.050
 - These exercises are a medium priority prior to class and high priority for the quiz on September 9th. ABC Company, CreativeABCs Company, and Bryan's Health and Fitness exercises, as extended in chapters 1 - 3, will be candidates for the quiz. However, the quiz will only cover chapters 1 and 2.

Paper or Paperless

For some of the exercises in Navigating Accounting, including these, you have the option to complete the exercises on paper templates or in Excel templates. To use the paper option, you need to print templates from PDF files included with the exercise materials (or purchase Course Packet 1). For the paperless option, use the Excel workbooks included with the exercise materials.

To use the paperless option, you will need to have Excel. If you are new to Excel or want to review the basics, you can watch Using Excel 1: Basics (26 minutes) before watching Using Excel 2. It is located at:

www.navigatingaccounting.com/content/using-excel-1-basics

If you have a basic understanding of Excel, but do not know how to use the "new window," "arrange all windows," "freezing panes" features to efficiently link cells across worksheets, we suggest you watch Using Excel2: Linking Cells Across Worksheets (9 minutes):

www.navigatingaccounting.com/content/using-excel-2-linking-cells-across-worksheets

Watch

"What's Behind the Numbers?" video: Recording Entries Using JE

www.navigatingaccounting.com/book/recording-entries-using-jes-2-03.0

Additional guidance: Your only objective in this video and the related exercises is to learn how to create journal entries from BSE entries. In particular, all materials associated with T-accounts are optional. To save paper, we have included a single chart of accounts for both the BSE and journal entries in Course Packet 1.

Do

"What's Behind the Numbers?" JE exercises. Go to the exercise box under the video on the web page.

- Practice problems with solutions:

Exercises Part 1: bs.wbn.je.010 & bs.wbn.je.020, bs.wbn.je.030, and Part (a): bs.wbn.je.040 & bs.wbn.je.50

- These exercises are a medium priority prior to class and high priority for the quiz on September 9th. ABC Company, CreativeABCs Company, and Bryan's Health and Fitness exercises, as extended in chapters 1 - 3, will be candidates for the quiz. However, the quiz will only cover chapters 1 and 2.

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. For this reason, you will likely find it more convenient to use the same Excel files here as you used earlier. The same will be true for other exercises that ask you to record journal entries.

Watch

"What's Behind the Numbers?" video: Accounting Judgments: Basics

www.navigatingaccounting.com/book/accounting-judgment-basics-2-03.0

Don't get bogged down in the lengthy Recognition and Measurement Decisions scenic routes. These are optional for the first session. Still, you might find them interesting if you want to dig deeper into these important topics.

Do

"What's Behind the Numbers?" Accounting Judgments: Basics. Go to the exercise box under the video.

- Optional practice problem with solutions:
Exercise bs.wbn.jud.010

Watch

"How Do I Use the Numbers?" videos on the balance sheet.

www.navigatingaccounting.com/book/how-do-i-use-numbers-2-03.0

Do

"How Do I Use the Numbers?" exercises. Go to the exercise box under the videos on the web page.

- Practice problems:
Exercises bs.hun.afc.010, bs.hun.afc.020
 - hs.hun.afc.010 is a low priority prior to class and high priority by the September 9th quiz.
 - hs.hun.afc.020 is a low priority prior to class and a medium priority by the end of the course.
- Assigned problem:
Exercise bs.hun.afc.030
 - This exercise is the **highest priority prior** to class: the class discussion will focus mostly on this question.

Teaching note:

<http://www.navigatingaccounting.com/content/instructors-forum#part-5-risk-and-rewards-application-mall-exercise-credit-crisis-anchor>

Scroll down page to: Part 5: Risks and Rewards Application: Mall Exercise & Credit Crisis

Alternative first-day judgment exercise teaching note:

<http://www.navigatingaccounting.com/content/instructors-forum#part-2-asset-liability-and-owners-equity-measures-anchor>

Scroll down page to: Part 2: Asset, Liability, and Owners' Equity Measures

Session 2: Introduction to income statements and statement of changes in owners' equity

Objectives and Concepts

Understand:

1. The purposes and structures of income statements and statements of changes in owners' equity.
2. How to analyze income statements and related ratios hierarchically through four levels of analyses that progressively give you a deeper understanding of a company's financial performance.
3. How terms and concepts associated with income statements and statements of changes in owners' equity are explained by the owners' equity change map (OEC map).
4. How the OEC map connects income statements, balance sheets, and statements of changes in owners' equity.
5. Items commonly reported on income statements and statements of changes in owners' equity.

Assignment

Watch

"What Do I See: Income Statements?" videos

<http://www.navigatingaccounting.com/book/income-statements>

This link will take you to the income statement Chapter Map. To locate the videos for the "What Do I See: Income Statements?" module: (1) click on "Income statements" under "What do I See," (2) click on the "Express route video" or one of the scenic route links, and (3) select a device and device speed.

Additional guidance: When preparing for Session 2, we recommend you: (1) watch the express route paying particular attention to the last take-away: "What should you do next?" (2) Try the exercises following the guidance in the "What should you do next?" take-away.

Do

"What Do I See: Income Statements?" exercises. The exercise link is immediately below the express route on the Chapter Map.

- Practice problems:

Exercises is.wis.is.010, is.wis.is.020, and is.wis.is.040

- These exercises are a medium priority prior to class and high priority for the Session 4 assignment and the quiz on September 9th.

- Assigned problem:
Exercise is.wis.is 030
 - This exercise is the **highest priority prior** to class: part of the class discussion will focus on this question.

Watch

"What Do I See: Statements of Changes in Owners' Equity?" videos

<http://www.navigatingaccounting.com/book/income-statements>

This link will take you to the income statement Chapter Map. To locate the videos for the "What Do I See: Statements of Changes in Owners' Equity?" module: (1) click on "Statements of Changes in Owners' Equity" under "What do I See," (2) click on the "Express route video" or the scenic route link, and (3) select a device and speed.

Additional guidance: When preparing for Session 2, we recommend you watch the express route only before tackling the exercises, paying particular attention to the "What should I do next?" take-away.

Do

"What Do I See: Statements of Changes in Owners' Equity?" exercises. The link is immediately below the express route on the Chapter Map.

- Practice problems:
Exercises is.wis.scoe.010 and is.wis.scoe.030
 - These exercises are a low priority prior to class and high priority for the Session 4 assignment and the quiz on September 9th.
- Assigned problem:
Exercise is.wis.iscoe.020
 - This exercise is the **highest priority prior** to class: part of the class discussion will focus on this question.

Session 3: Introduction to income statements and statement of changes in owners' equity

Objectives and Concepts

Understand:

1. How to record basic revenue, expense, and gain/loss recognition entries.
2. How to use phase 2 of the record-keeping and reporting map (R&R map) to determine how entries affect balance sheets, income statements, and statements of changes in owners' equity.
3. How to create income statements from pre-close trial balances in the BSE matrix.
4. Terms and concepts associated with accrual accounting systems, including accrual and deferral entries, the accounting cycle, adjusting entries and closing entries.

Assignment

Watch

"What's Behind the Numbers: Income Statements?" video

<http://www.navigatingaccounting.com/book/income-statements>

This link will take you to the income statement Chapter Map. To locate the videos for the "What's Behind the Numbers: Income Statements?" module: (1) click on "Income statements" under "What's Behind the Numbers?," (2) click on the "Express route video" or one of the scenic route links, and (3) select a device and device speed.

Additional guidance: There is a tremendous amount of fundamental content in this module that you need to understand for the quiz on September 9th. For the most part, we urge you to learn by doing rather than by watching. To this end, we recommend you only watch the express route before starting the exercises. As you do so, try to gain a general understanding of the terms and concepts and identify the related menu items so you can find them later when you are working on the exercises. Similarly, the last take-away in the express route, "What Should You Do Next?," explains how you can reference specific menu items in the scenic routes to get help recording related events in the exercises.

Do

"What's Behind the Numbers: Income Statements?" exercises. The link is immediately below the express route on the Chapter Map.

- Practice problems:

Exercises is.wbn.is.bse.010, is.wbn.is.bse.020, is.wbn.is.bse.040, is.wbn.is.bse.050, and Part (a) of is.wbn.is.je.010, is.wbn.is.je.020 & is.wbn.is.je.040

- These exercises are a low priority prior to class and high priority for the quiz on September 9th. ABC Company, CreativeABCs Company, and Bryan's Health and Fitness

exercises, as extended in chapters 1 - 3, will be candidates for the quiz. However, the quiz will only cover chapters 1 and 2.

- Your only objective in is.wbn.is.je.010, is.wbn.is.je.020 and is.wbn.is.je.040 is to convert BSE entries to journal entries. Parts of these exercises associated with T-accounts are optional.

- Assigned problems:

Exercise is.wbn.is.bse.030 and is.wbn.is.je.030: part (a)

- These exercises are the **highest priority prior** to class: the class discussion will focus mostly on this question.

Exercise is.wbn.is.bse.060

- This exercise is the **second highest priority prior** to class: we will discuss it if there is time remaining after we discuss the highest priority exercises. Regardless of whether we discuss it, a solution will be included in the class notes posted to Blackboard Vista after class.

Watch

"What's Behind the Numbers: Statement of Changes in Owners' Equity?" video

<http://www.navigatingaccounting.com/book/income-statements>

This link will take you to the income statement Chapter Map. To locate the videos for the "What's Behind the Numbers: Statements of Changes in Owners' Equity?" module: (1) click on "Statements of Changes in Owners' Equity" under "What's Behind the Numbers?," (2) click on the "Express route video" or one of the scenic route links, and (3) select a device and device speed.

Additional guidance: Similar to the last module, for the most part, we urge you to learn by doing rather than by watching. To this end, we recommend you only watch the express route before starting the exercises. As you do so, try to gain a general understanding of the terms and concepts and identify the related menu items so you can find them later when you are working on the exercises. Similarly, the last take-away in the express route, "What Should You Do Next?," explains how you can reference specific menu items in the scenic routes to get help recording related events in the exercises.

Do

"What's Behind the Numbers: Statement of Changes in Owners' Equity?" exercises. The link is immediately below the express route on the Chapter Map.

- Practice problems:

Exercises is.wbn.scoe.bse.010, is.wbn.scoe.bse.020, is.wbn.scoe.je.010 and is.wbn.scoe.je.020

- These exercises are a low priority prior to class and high priority for the quiz on September 9th. ABC Company, CreativeABCs Company, and Bryan's Health and Fitness exercises, as extended in chapters 1 - 3, will be candidates for the quiz. However, the quiz will only cover chapters 1 and 2.

- Assigned problems:

Exercises is.wbn.scoe.bse.030, is.wbn.scoe.bse.040, and is.wbn.scoe.je.030

- These exercises are the **highest priority prior** to class: the class discussion will focus mostly on this question.

Session 4: Introduction to income statements and statement of changes in owners' equity

Objectives and Concepts

Understand:

1. How to apply a hierarchical approach to assessing financial performance using information from income statements, balance sheets, statements of changes in owners' equity and the management's discussion and analysis (MD&A) section of annual reports (or equivalent sections for non-U.S. companies).
2. How to compare and contrast related ratios across companies and time.

Assignment

Watch

"How Do I Use the Numbers: Analyzing Financial Performance: Basics?" video

<http://www.navigatingaccounting.com/book/income-statements>

This link will take you to the income statement Chapter Map. To locate the video for the "How Do I Use the Numbers: Analyzing Financial Performance: Basics?" module: (1) click on "Analyzing Financial Performance: Basics" under "How Do I Use the Numbers?" (2) click on the "Analyzing Financial Performance: Basics" scenic route video, and (3) select a device and device speed.

As you work your way through the assignment, you might find it useful to watch menu items (related to topics you are working on) in the scenic route videos for the "What Do I See?" modules. To this end, you can use the descriptions below the scenic routes in the Chapter Map to locate appropriate scenic routes.

Do

Group Assignment 1 Exercise

Industry Comparisons Exercises: Series 02

Exercise 2: Analyzing Income Statements

<http://www.navigatingaccounting.com/exercise/industry-comparisons-exercises-series-02>

This link takes you to the Industry Comparisons Exercises: Series 02 web page. Scroll down the page and click on Exercise 2: Analyzing income statements.

Before going to this site, read the following group assignment guidance carefully.

Group Assignment 1 Guidance

Points Awarded

- This assignment is allocated 100 of the 200 group assignment points used to determine your course score: 50 points for part 1 (1 point per box in the Excel template), 5 points for part 2(a), 5 points for part 2(b), 15 points for part 2(c), 15 points for part 2(d) and 10 points for part 2(e).

Submission Process

- Submit your solutions via email before 5:00 AM on the assignment due date, September 12th.
- Choose a group member to be responsible for emailing the reports.
- The email subject should be Graded Assignment 1: [group member's name responsible for email]. For example: Graded Assignment 1: Susan Smith.
- CC all members of the group. This will register the group's members early enough for us to determine the probability the group will be selected to participate in the discussion. It also facilitates using "reply all" when returning assignments.
- This email should include:
 - (1) A list of the names of members in the group and
 - (2) The two attachments for the group assignment (Excel file and Word file):
 - a) The solution to part 1 should be attached as an Excel file named as follows:
Graded_assignment_1_[group member's name].xlsx.
 - b) The solution to part 2 should be attached as an Word document named as follows:
Graded_assignment_1_[group member's name].docx.
- Prior to 7:00 AM, we will confirm receipt of this email via return email using "reply all." This will ensure all group members will be notified, providing they were CC'd on the submission as indicated above.
- If you submitted prior to 5:00 AM and your submission is not confirmed by 7:00 AM, submit it again prior to 8:00 AM and notify us via phone to be doubly sure we get it (617-552-1963). Generally, reports emailed after 8:00 AM will receive a score of 0/100 points.

Report Guidance

You will find guidance specific to this assignment at the exercise web site. Additionally, the following guidance applies:

- *Your writing reflects the quality and integrity of your thinking.* During your careers, you could be penalized significantly, including losing credibility, or be significantly rewarded, including gaining stature, depending on your ability to communicate your ideas honestly and persuasively. Likewise, your scores will be greatly affected by the quality and integrity of your writing:
- *Write persuasively.* Substantiate your conclusions with facts and well organized, clear, compelling, and concise arguments. Cite sources as appropriate.
- *Integrity is of paramount importance.* Your group will receive 0/100 points for the entire report if someone in the group plagiarizes others' work by copying or summarizing their work without citing them or shares information about the assignment with students outside your group. You must merge your group with another group to share information with them.

The exception to this policy is that only the individual(s) who plagiarized will be penalized if there is indisputable evidence this individual(s) acted alone in ways that prevented the other group members from detecting this behavior. In this case, the offending individual(s) will receive 0/100 points for the entire report and the other group members will receive 0 points for the plagiarized portion of the report.

Any violation of this policy will be considered a violation of CSOM's honor code and to ensure fairness to students who comply with the policy, we will do everything possible to ensure such actions have grave consequences.

- *Garbage-In, Garbage-out.* Your analyses in part 2 will be largely based on the numbers in the data template in part 1. It is imperative you make certain these numbers are accurate before starting part 2. During your careers, you could be penalized significantly, including losing credibility, if your analyses are based on faulty data.

Likewise, your score in part 2 will be penalized to the extent your numbers from part 1 distort your analyses in part 2. For example, if your ROE calculations in part 1 incorrectly rank the companies' ROEs, you will lose most of the points in part 2.

By contrast, if your errors in part 1 do not materially affect your analysis, you will not be penalized in part 2. Everyone in your group is responsible for the accuracy of all information used by the group: double check each others' work.

Preparing for Class Discussions

- We will discuss as much of the assignment as time permits during class. For at least one of the questions, a group will be randomly selected and then an individual will be randomly selected to represent this group. Everyone in this group will receive the same participation score as this member for this question. No one else in this group can participate in the discussion of this question until other groups have opportunities to contribute. Volunteers from other groups will likely get opportunities to represent their groups with follow-up points.
- *What should you bring to class to ensure you are ready to participate?* Generally, students find they need electronic or hard copies of the following to participate effectively in the class discussions, with most students preferring hard copies:
 - The questions and your group's solutions.
 - Source documents that support your solutions. For example, companies' balance sheets and referenced footnotes or other sources.

Grading Submitted Reports

- Part 2 of the reports will be graded using a relative performance basis. For each question, responses will be assigned to tiers as follows:
 - First-tier: Responses judged to be of comparable quality to those of the top 3-4 responses in the two sections will be awarded 100% of the maximum possible points. For example, 15 points for part 2(d). In principle, all groups could receive this score.
 - Second-tier: Responses judged to be of lower quality than the top responses but still of high quality will receive 90% of the maximum possible points. For example, 13.5 points for part 2(d).
 - Other tiers: Responses judged to be of lower quality than the second tier responses will receive scores that reflect the quality of their responses relative to the second tier performers' responses.
- Because of the compressed course schedule, there is not enough time to give you detailed written feedback on the reports. Instead, the three reports with the highest total scores out of 100 points will be posted to Blackboard Vista (with group names removed). This will help you calibrate the quality of work needed to get in the top tier.
- To report's impact on your overall course score will be 5% of your report score (out of 100 points).

Session 5: Introduction to cash flow statements

Objectives and Concepts

Understand:

1. The purposes and structures of cash flow statements.
2. Cash-flow-statement elements and concepts.
3. Items commonly reported on cash flow statements.

Assignment

Read

All reading assignments and exercises for this session are from Chapter 3 of *Navigating Accounting*. You will find a PDF in the Session 5 folder of the *Navigating Accounting* CD and a hard copy in the Session 5 section of Course Packet 2.

- Skim: page 3.
- Grasp: pages 4-6.

Do

- Practice problem:

Exercise 3.01, page 7

- This exercise is a low priority prior to class and medium priority by the September 23rd mid-term exam.

Read

- Grasp: pages 8-15.
- Master: pages 16-31.

Don't be concerned if you find this reading challenging. This said, it is essential that you try to master the EasyLearn example therein the best you can before coming to class. If you do so, there is a good chance you will make significant progress towards understanding indirect cash flow statements by the end of class. If not, you will likely be quite frustrated by the end of class.

Do

- Practice problem:

Exercise 3.02, page 32

- This exercise is a low priority prior to class and medium priority by the September 23rd mid-term exam.

Read

- Master: pages 33-60.

Do

- Assigned problem:

Exercise 3.03, pages 61-67, with part (c) optional.

Paper templates are included in the chapter. The Excel templates are in CreativeABC_cash_flow_statement_chapter_worksheets.xlsx, which is located in the Session 5 folder of the *Navigating Accounting* CD.

- This exercise is the **highest priority prior** to class: the class discussion will focus mostly on this question.

Session 6: Introduction to cash flow statements

Objectives and Concepts

Understand:

1. The purposes and structures of cash flow statements.
2. Cash-flow-statement elements and concepts.
3. Items commonly reported on cash flow statements.
4. Some of the ways investors and others use cash-flow-statement numbers.

Assignment

Do

- Assigned problem:

Exercise 3.04, pages 68-75.

Paper templates are included in the chapter. The Excel templates are in BHF_cash_flow_statement_chapter_worksheets.xls, which is located in the Session 6 folder of the *Navigating Accounting* CD.

- This exercise is the **highest priority prior** to class: the class discussion will focus mostly on this question.

Read

All reading assignments and exercises for this session are from Chapter 3 of *Navigating Accounting*. You will find a PDF in the Session 5 folder of the *Navigating Accounting* CD and a hard copy in the Session 5 section of Course Packet 2.

- Grasp: page 76.
- Skim: pages 76-80 (until the start of Cash Flow Analysis and Company Life Cycles)
- Grasp: pages 80 - 85

Do

- Assigned problems:

Exercise 3.05, pages 86, and Exercise 3.06, page 87.

- This exercise is the **second highest priority prior** to class. We will start the class with Exercise 3.04 and hopefully complete it in time to get through most of Exercises 3.05 and 3.06.

- Optional problem:

Exercise 3.07, pages 88.

Session 7: Accounting for manufacturing

Objectives and Concepts

Understand:

1. Accounting concepts for production activities for manufacturing companies and related computations and record keeping.
 - The effects of production activities on assets, liabilities, owner's equities, revenues, and expenses in terms of the underlying events or business decisions and accounting principles.
 - How to record select inventory transactions for a manufacturing company.
2. The differences between par value and non-par value stock and how to record related entries.
3. How to record transactions related to debt.

Assignment

Read

All reading assignments and exercises for this session are from Chapter 6 of *Navigating Accounting*. You will find a PDF in the Session 7 folder of the *Navigating Accounting* CD and a hard copy in the Session 7 section of Course Packet 2.

- Grasp pages 2-4 prior to class and master by the end of the course
- Master page 5 prior to class

The following reading assignment is from “Excel Model Reference” of *Navigating Accounting*. You will find a PDF in the Eagle subfolder of the Session 7 folder on the *Navigating Accounting* CD and a hard copy in the Session 7 section of Course Packet 2.

- Skim: pages 1-4
- Grasp: pages 4-10
- Optional: page 11
- Grasp pages 12-18

Additional guidance: The Eagle model is in the Eagle subfolder of the Session 7 folder on the *Navigating Accounting* CD. You will also find PDFs of select Eagle sheets in this subfolder and hard copies of these sheets at the end of the Session 7 section of Course Packet 2. You should use hard copies of these sheets as you complete the exercises. This will help you prepare for the mid-term, where you will be given sheets that are the same in all respects except they will have different numbers.

Mac Workarounds

The macos in the Eagle model do not work on most Macs. To learn about workarounds, go to the following site and scroll down the page until you come to Mac Workarounds:

<http://www.navigatingaccounting.com/spreadsheet/eagle-excel-model-entries-and-financial-statement-effects>

Do

- Assigned problem:

Exercise 6.01, page 6 (of Chapter 6 of *Navigating Accounting*).

- ***Highest priority prior to class*** because we will be spending most of the class discussing Eagle entries and their implications for real companies. Also, you will be required to record Eagle entries on the Mid-term exam and identify financial-statement line items affected by these entries.

Read

The remaining reading assignments for this session are from Chapter 6 of *Navigating Accounting*

- Master pages 7-8 prior to class
- Skim page 9 prior to class

Do

- Assigned problem:

Exercise 6.02, page 10

- ***Highest priority prior to class*** for reasons given for Exercise 6.01.

Read

- Grasp pages 11-13 prior to class and master by end of course
- Master pages 14-18 prior to class

Do

- Assigned problem:

Exercise 6.03, page 19

- ***Highest priority prior to class*** for reasons given for Exercise 6.01.

Read

- Master page 20 prior to class

Do

- Assigned problem:

Exercise 6.04, page 21

- ***Highest priority prior to class*** for reasons given for Exercise 6.01.

Read

- Skim pages 22-23 prior to class but master before end of course
- Master pages 24-26 prior to class

Do

- Assigned problem:
Exercise 6.05, page 27

— **Highest priority prior to class** for reasons given for Exercise 6.01.

Read

- Skim page 28 prior to class but master before end of course
- Master pages 29-31 prior to class

Do

- Assigned problem:
Exercise 6.06, page 32

— **Highest priority prior to class** for reasons given for Exercise 6.01.

Read

- Skim page 33 prior to class but master before end of course
- Master pages 34-35 prior to class

Do

- Assigned problem:
Exercise 6.07, page 36

— **Highest priority prior to class** for reasons given for Exercise 6.01.

Session 8: Revenue recognition and related issues

Objectives and Concepts

Understand:

1. How three risks significantly affect revenues, revenue recognition, and related financial-statement items: credit risk, customer preference risk, and foreign currency risk.
2. How to meet the record keeping and reporting and search challenges under alternative revenue recognition policies.
3. How to meet the record keeping and reporting and search challenges for bad debts, warranties, product returns, and sales incentives.
4. How to interpret disclosures associated with revenue recognition, bad debts, warranties, product returns, and sales incentives in terms of the underlying events, circumstances and risks.

Assignment

Read

All reading assignments and exercises for this session are from Chapter 7 of *Navigating Accounting*. You will find a PDF in the Session 8 folder of the *Navigating Accounting* CD and a hard copy in the Session 8 section of Course Packet 3.

- Skim pages 3-17 section prior to class. The topics in this section are extremely important but they will be reinforced throughout the chapter so you just need to get the big picture first time through. You can come back later and read passages more carefully if needed.

Do

- Assigned problem:

Exercise 7.01, page 18

— Medium priority prior to class and high priority by the end of the course. We may not get to this exercise during class but a solution will be included in the class notes posted to Blackboard Vista after class.

Read

- Skim pages 19-23 prior to class.

Additional guidance: The entries in this section are a low priority for this session but a high priority before the final exam. *More generally, you are responsible for meeting the record keeping and reporting challenge (recording entries and determining how they affect financial statements) for the entries in this section and similar entries throughout the remainder of the course on your own.* Remember, meeting these challenges is an essential first step towards interpreting related disclosures. However, to make the most of our time together during class, you are going to have to largely meet the challenge on your own. To this end,

there are examples similar to the one in this section throughout the remaining chapters and exercises similar to the Exercise 7.02 below.

Do

Additional guidance: The MMS model is in the MMS subfolder of the Session 8 folder on the *Navigating Accounting* CD. You will also find PDFs of select MMS sheets in this subfolder and hard copies of these sheets at the end of the Session 8 section of Course Packet 3.

- Practice problem:

Exercise 7.02, page 24

- If you follow the example in this section of Chapter 7, there is no need to complete this exercise. Just take a few moments to get familiar with the MMS model introduced in the exercise. You will be using it throughout the remainder of the course to reinforce your understanding of entries discussed in the remaining chapters.

Read

- Grasp page 25 prior to class.
- Skim pages 26-33. This material is a low priority for the course but you will need a big-picture understanding of the concepts and entries to comprehend how they affect subsequent entries.

Do

- Practice problem:

Exercise 7.03, page 34

- If you follow the entries in this section of Chapter 7, there is no need to complete this exercise.

Read

- Grasp pages 35- 43. It is a **high priority prior to class** because it covers foundational material for later exercises we will be discussing during class.

Do

- Practice problem:

Exercise 7.04, page 44

- If you follow the entries in this section of Chapter 7, there is no need to complete this exercise.

Read

- Master pages 45-50 prior to class. This discussion will help you prepare for the exercise we are planning to discuss during class.

Do

- Assigned problems:

Exercise 7.05, page 51
 - **Highest priority prior to class.** This is an excellent exercise to study while reviewing for the final exam.
Exercise 7.06, page 52
 - **Second highest priority prior to class.** We plan to complete this exercise during class.

Read

- Grasp pages 53-58 prior to class and master it by the end of the course. Warranties are an important topic. However, the accounting is relatively straightforward to learn once you understand the accounting for bad debts and product returns.

Do

- Practice problems:

Exercises 7.07-7.08, pages 59-60
 - These questions are taken from prior exams. They are a low priority for class due to time constraints, but a high priority by the end of the course and excellent review questions for the final exam.
- Assigned problem:

Exercise 7.09, page 61
 - **Fourth highest priority prior to class.** Time permitting, we hope to discuss this problem during class.

Read

- Master pages 62-66
- Grasp the example on pages 67-75

Do

- Practice problem:

Exercise 7.10, page 76
 - If you follow the entries in this section of Chapter 7, there is no need to complete this exercise.
- Assigned problem:

Exercise 7.11, page 77

- **Third highest priority prior to class.** Time permitting, we hope to discuss this problem during class.

Read

- Skim page 88 prior to the end of the course.

Accounting for sales incentives is pretty easy to grasp once you understand accounting for bad debts, warranties, and product returns.

Do

Exercises 7.12-7.13, pages 79-80

We haven't had time to create solutions for in these exercises so we are not recommending them as practice problems. Still, if you have time, we suggest you study them briefly to get a feel for related company disclosures.

- Practice problems:

Exercises 7.14-7.15, pages 81-82

- These questions are taken from prior exams. They are a low priority for class due to time constraints, but a high priority by the end of the course and excellent review questions for the final exam.

Session 9: Revenue recognition and related issues

Objectives and Concepts

Understand:

1. How to analyze bad debts and product returns across time and industries.
2. How significant economic events

Assignment

Read

“Excerpt: Revenue recognition, bad debts, and product returns”

<http://www.navigatingaccounting.com/exercise/industry-comparisons-exercises-series-01>

This link takes you to the Industry Comparisons Exercises: Series 01 web page. Scroll down the page and click on Exercise 5: Receivables, Product returns, and ratio analyses. Scroll down again until you locate the document.

This document mostly repeats content covered in Chapter 7 that was assigned for Session 8. However, you may find it an easier reference to refresh your understanding of entries etc. because it is targeted specifically for the assignment. Also, it covers one important issue not discussed in Chapter 7: *accounting for sales commissions* when there are product returns.

Do

Group Assignment 2 Exercise

Industry Comparisons Exercises: Series 01

Exercise 5: Receivables, Product returns, and ratio analyses

<http://www.navigatingaccounting.com/exercise/industry-comparisons-exercises-series-01>

This link takes you to the Industry Comparisons Exercises: Series 01 web page. Scroll down the page and click on Exercise 5: Receivables, Product returns, and ratio analyses

Before going to this site, read the group assignment guidance on the next page carefully.

Group Assignment 2 Guidance

Points Awarded

This assignment is allocated 100 of the 200 group assignment points used to determine your course score:

- Part 1:
 - a) 20 points (1 point per box in the Excel template)
 - b) 10 points: 8 points for the first entry and 2 points for the second entry.
 - c) 12 points (1/2 point per box in the Excel template)
 - d) 10 points
- Part 2:
 - a) 20 points (1 point per box in the Excel template)
 - b) 8 points
 - c) 10 points
 - d) 10 points

Submission Process

You are to follow the same process as for Group Assignment 1 (see Session 4 guidance) except here the deadlines are for September 28th rather than September 12th.

Report Guidance

See the guidance for Group Assignment 1 (Session 4).

Preparing for Class Discussions

See advice for Group Assignment 1

Grading Submitted Reports

- The grading procedure will be the same as it was for Group Assignment 1.
- To report's impact on your overall course score will be 5% of your report score (out of 100 points).

Session 10: Expense recognition: Leases

Objectives and Concepts

Understand:

1. Interpret companies' lease disclosures and their financial-statement consequences of classifying leases as operating or capital.
2. Use lease disclosures to reclassify off-balance sheet operating leases.
3. Interpret the ratio analysis implications of lease classifications.

Assignment

Watch

- "What's Behind the Numbers?" Present Values video

www.navigatingaccounting.com/video/scenic-present-values

If you have studied present and future value concepts in the past, you may skip this video, watch it as a review, or come back later if needed. Present and future value tables are at the bottom of the web page.

- "What's Behind the Numbers?" Capitalizing Operating Leases video

www.navigatingaccounting.com/content/capitalizing-operating-leases

Do

- Assigned problem:

Exercise debt.hun.leases.040, located in the Session 10 folder of the Navigating Accounting CD, along with related files. You will also find a hard copy of the exercise in the Session 10 section of Course Packet 3.

— **Highest priority prior to class.**

- Practice problems:

Prior-year final exams:

- Wal-Mart 2002 final exam: questions 1b, 1j, 2d, 2f, 2h, 2i, 3c, 4d, 4e
- AMD 2004 final exam: questions 1c, 2h, 4e, 4h
- Caterpillar Spring 2007 final exam: questions 1g, 3f
- Cisco 2010 final exam: questions 3c, 5a

— Low priority prior to class but high priority for final exam. Prior-year final exams are in Course Packet 4 and the Prior-Year Exams folder of the *Navigating Accounting* CD.

Session 11: Expense recognition: Share-based compensation

Objectives and Concepts

Understand:

1. Stock option concepts and related financial and tax reporting entries.
2. How to reverse engineer component measures and entries associated with income taxes and stock options issued to employees as compensation.

Assignment

Read

All reading assignments and exercises for this session are from Chapter 9 of *Navigating Accounting*. You will find a PDF in the Session 11 folder of the *Navigating Accounting* CD and a hard copy in the Session 11 section of Course Packet 3.

- Master pages 2-3
- Grasp the tax consequences on pages 3-4
- Master pages 4-13

Note: Don't be overly concerned if you find the tax entries challenging. We will explain them during class.

Do

- Assigned problem:

Exercise 9.01, page 14

— **Highest priority prior to class.**

- Practice problems:

Prior-year final exams:

- Caterpillar Spring 2007 final exam: questions 1e, 1i, 3e, 3g, 4h
- Microsoft 2008 final exam: questions 1i, 3d, 3i, 4g
- RIM 2009 final exam: questions 1j, 1k, 3h, 3i, 4g, 4h, 4i, 5d, 5e
- Cisco 2010 final exam: questions 1f, 3e, 3f, 3j, 4g, 4h, 4i, 6e

— Low priority prior to class but high priority for final exam. Prior-year final exams are in Course Packet 4 and the Prior-Year Exams folder of the *Navigating Accounting* CD.

Session 12: Gain/loss recognition: valuation adjustments

Objectives and Concepts

Understand:

1. How valuation adjustments affect balance sheets.
2. Two types of adjustments to owners' equity that have significantly different record keeping and reporting implications: recognizing unrealized gains/losses in net income versus OCI.
3. The distinction between a realized and unrealized gain/loss.
4. Begin to recognize the common aspects of the record keeping and reporting challenge that are shared by many balance sheet items related to valuation adjustments.
5. Begin to appreciate that the regulations related to asset and liability valuation adjustments can differ significantly across different types of assets and liabilities within the same country, and across different countries for the same asset or liability.
6. How to reverse engineer component measures and entries associated with investment securities and comprehensive income.

Assignment

Read

All reading assignments and exercises for this session are from Chapter 11 of *Navigating Accounting*. You will find a PDF in the Session 12 folder of the *Navigating Accounting* CD and a hard copy in the Session 12 section of Course Packet 3.

- Master pages 2-4 prior to class
- Grasp tax consequences on page 4 prior to class and master by end of course
- Master pages 5-10 prior to class

Additional guidance:

- Don't be too concerned if you find the tax discussions challenging. We will explain them during class.
- A good deal of the discussion centers on disclosures in Intel's 2006 annual report. You will find the report in the Annual Report folder of the *Navigating Accounting* CD.

Do

- Assigned problem:

Exercise 11.01, page 11

There is a solution in the Chapter 11 PowerPoint slides. Be sure to read the tips on the first slide.

- **Highest priority prior to class.** The discussion during class will focus on similar questions related to disclosures in Intel's 2009 annual report (or possibly the 2010 report), which you will find in the Annual Reports folder of *Navigating Accounting* CD.
- Practice problems:
 - Exercise 11.02, page 12
 - Medium priority prior to class.
- Prior-year final exams:
 - Caterpillar Spring 2007 final exam: questions 1f, 3a, 4a, 4f, 4g
 - Microsoft 2008 final exam: questions 3c, 4a, 4h, 4i, 4j, 5b, 5c
 - RIM 2009 final exam: questions 1h, 3k, 4b, 4j, 5c
 - Cisco 2010 final exam: questions 1d, 1e, 3h, 3k, 3l, 4b, 4j
 - Low priority prior to class but high priority for final exam. Prior-year final exams are in Course Packet 4 and the Prior-Year Exams folder of the *Navigating Accounting* CD.

Session 13: Course wrap up

Objectives and Concepts

Understand:

1. The *Navigating Accounting* conceptual framework that connects all of the issues we studied during the course (and more) and will help you understand new accounting issues you encounter throughout your careers.

Reflect on:

1. The lessons you learned from this course that you expect will help you most in the future.

The Big Accounting Picture

Watch

“Reporting Incentives and Challenges” scenic route video of the “Connecting Preparers’ and Users” module of the “How do I use the numbers?” section of the balance sheet chapter

<http://www.navigatingaccounting.com/video/scenic-reporting-incentives-and-challenges>

“Factors Driving the Dispersion of Actual Measures” scenic route video of the “Factors Driving the Dispersion of Measures” module of the “How do I use the numbers?” section of the balance sheet chapter

<http://www.navigatingaccounting.com/video/scenic-factors-driving-dispersion-actual-measures>

Additional guidance: As you view these videos, look for connections to concepts you have learned in your statistics courses: confidence intervals and hypothesis testing, for example. Also, the take-aways in the two videos are particularly important for framing the course.

The Bigger Picture

Watch

“Live Your Life to the Fullest” playlist on the Navigating Accounting YouTube channel:

<http://www.youtube.com/user/navigatingaccounting?feature=mhum>

- Optional: This playlist is based on the final lecture we have given in this and other courses for well over a decade. In response to requests from past students, we posted the principles to YouTube recently. Students have frequently told us that the principles helped them gain perspective going into the final exams.

Do

- Assignment

What are the five biggest lessons you will take away from the course?