ACCT 430: Accounting for Management Decision Making

Aaron S. Yoon

Global Hub 4421
Kellogg School of Management
Northwestern University
aaron.yoon@kellogg.northwestern.edu
(847) 491-2662

I. Course Objectives

This course provides an introduction to the financial reporting environment, the incentives of managers issuing financial statements, and the analysis and interpretation of these statements by users. The course begins by introducing the financial accounting system as a language, and familiarizes students with the structure, usage, conventions, and the grammar of accounting as the “language of business.” The course adopts an external user's perspective to analyzing the main financial statements (balance sheet, income statement, and statement cash flows) of any business enterprise.

Analyzing and gaining an understanding of actual annual reports, the periodic public filings of financial statements by firms, together with other corporate disclosures, constitute an integral part of this course. We will analyze (excerpts from) actual corporate financial statements, with several examples from nonprofit organizations and non-U.S. corporations to highlight the similarities in practices across these entities. The focus is on the concepts underlying the financial statements and not on the specific rules governing the production of the reports. The course highlights the links between accounting information and management planning, decision-making and control. Time permitting, we also examine ethical issues such as earnings management and fraudulent reporting.

II. Pre-Course Requirement – Accounting Essentials Tutorial

All students must complete Accounting Essentials – an online tutorial that covers the basic construction of balance sheets and income statements, accrual accounting, and the accounting cycle – prior to the start of ACCT 430. Access to Accounting Essentials is through the Canvas learning management system. The instructors rely on students’ learning of this material before
class. The tutorial includes a practice exam and a final exam. *This final exam counts for 5% of your grade in ACCT 430.*

### III. Course Materials

**Text:** *“Financial Accounting” by Dyckman, Hanlon, Magee and Pfeiffer (DHMP), fifth edition, published by Cambridge Business Publishers.* The entire solutions manual will be posted on the course web site for the duration of the quarter.

The text is available in two formats: (1) a physical copy of the text can be purchased (or rented) from the Northwestern University bookstore or from any other source you choose or (2) an e-book version of the text is available for a six-month rental from myBusinessCourse.com. Under the rental alternative, you need to be online to access the text. There are additional study resources that supplement the textbook available on myBusinessCourse.com. These resources include e-lectures, guided problem solutions, and additional practice on problems marked with a red check in the text. If you purchase a new physical text or the e-book, you also receive complementary access to this material for six months. If you purchase a used copy of the text, then you may purchase six months access to these materials through myBusinessCourse.com. Access to myBusinessCourse.com is not necessary or required for the course.

### IV. Preparation for Class

The assignments for each class are posted on Canvas. Generally there are some readings from the textbook and some problems, also from the textbook. Because the solutions manual is posted on Canvas, we will not discuss these problems in class. The problems are chosen for their relevance to the concepts we discuss in class and provide good practice and reinforcement for those concepts.

The slides are posted on Canvas. If you wish to have a hard copy of the slides for class, please print your own copy.

### V. Tablets and Laptops

You may use the tablets or laptops to view the slides and take notes.

PLEASE NOTE: Tablets and laptops are NOT to be used for any purposes unrelated to class. I consider them an important tool for practicing the material we discuss in class and consistent with how financial information is generally accessed. However, student complaints about the distracting behavior of their fellow students on laptops resulted in Kellogg’s policy against use of laptops in class so please do not engage in such disrespectful and inappropriate behavior.

### VI. Additional Assistance

Student Affairs provides a list of second year Kellogg students willing to tutor students who seek such assistance.
VII. Evaluation of Students' Performance in the Course

1. Grading:

Grading will be based on the following formula: 5% for the final exam in Accounting Essentials + 20% for the seven homework assignments + 25% for the midterm exam + 40% for the final exam + 10% for individual class participation. The midterm exam is not optional but it cannot hurt your grade; that is, if you score a higher relative percentage on the final exam than on the midterm, the final exam grade will constitute 60% of the final course grade. In other words, the grading scheme is as follows:

If midterm exam score is higher than the final exam score:

- 5% grade on final exam in Accounting Essentials, the online preterm course
- 20% homework assignments
- 10% class participation
- 25% midterm exam
- 40% final exam

If midterm exam score is lower than the final exam score:

- 5% grade on final exam in Accounting Essentials, the online preterm course
- 20% homework assignments
- 10% class participation
- 0% midterm exam
- 65% final exam

Consistent with current Kellogg guidance, A grades will be awarded to no more than 40% of students, with approximately 10% of students receiving a grade of C or lower.

(a) Accounting Essentials – Required Online Tutorial

All students must complete Accounting Essentials – an online tutorial that covers the basic construction of balance sheets and income statements and the accounting cycle – prior to the start of ACCT 430. The tutorial includes a practice exam and a final exam. This final exam counts for 5% of your grade in ACCT 430. The final exam must be completed by midnight, September 23, the day before fall quarter classes begin.

(b) Homework Assignments

The individual homework assignments will be made available on Canvas. They are open-book and open-notes. You may discuss the problems with class-mates, but each student must submit his/her own responses online. The main purpose of the homework assignments is to provide regular feedback as to your understanding of the material on a weekly basis. The best way to master the material in ACCT 430 is to stay current; the material does not lend itself to last minute cramming. The due dates for the homework assignments are noted on the class schedule in section X of this syllabus. You may attempt the homework as many times as you like, and
the last grade will be the one recorded. The homework assignments constitute 20% of your final grade.

(c) Class Participation
Individual class participation is a critical component of the learning experience at Kellogg. It is evaluated by the quality of contribution made in class – not to be equated to the “quantity” of contribution – and on adherence to the Kellogg Code of Classroom Etiquette (described more fully in section VIII). If you are absent (including tardy), then you cannot receive credit for participation. Students should expect to be cold-called to answer questions related to the material covered in the class slides. Class participation constitutes 10% of your final grade.

(d) Exams
The midterm and final exams are closed-book and closed-notes. The midterm will take place during the regular class time. The final exam will take place according the schedule developed by Student Affairs. You may not use “cheat sheets,” computers, phones, or any electronic devices other than simple calculators for the exams. If English is not your first language, you are allowed a dictionary. No questions will be entertained during the course of the exams to avoid disturbing other students. The midterm is not optional but cannot hurt your final grade. The midterm will constitute 25% of the final grade UNLESS you score higher on the final exam than on the midterm in which case the midterm will constitute 0% of your final grade. The final exam will constitute 40% of your final grade UNLESS you score higher on the final exam than on the midterm in which case the final exam will constitute 65% of the final grade.

2. Policies Regarding Exam Rescheduling and Additional Accommodations

No make-up or rescheduling of exams is possible unless warranted by extenuating circumstances. Job interviews, treks, weddings, ski trips, travel, and other similar potentially conflicting events are not considered extenuating. Only physically debilitating illnesses or family emergencies (claims about which are substantiated by appropriate documentation to Kellogg Student Affairs Office) may be viewed as extenuating circumstances.

Northwestern University and the Office of Services for Students with Disabilities (SSD) are committed to providing a supportive and challenging environment for all undergraduate, graduate, and professional school students with disabilities who attend the University. Additionally, the University and SSD work to provide students with disabilities a learning and community environment that affords them full participation, equal access, and reasonable accommodation of their disabilities. Appropriate services and accommodations are determined by SSD on a case-by-case basis. Students with questions about eligibility for services are encouraged to email SSD directly at ssd@northwestern.edu.

3. Re-Grading Policy

You have a deadline of ten working days from the time of receipt of a grade on a given exam or assignment to submit a written request for re-grading, together with the item to be reassessed. In line with the Kellogg re-grading policy, any re-grading would apply to the entire exam or the assignment and not just the item requested to be reassessed.
Any re-grading request should clearly specify (in writing) why you consider that the answers you provided to be correct or why the grading was erroneous or overlooked certain aspects of your answer. The instructor will respond in writing to your request within ten working days. If you remain dissatisfied with the response, you have up to five working days to submit the work a second time for re-grading. The instructor will respond to such a second request within five working days of receiving it, and that response will be the final one.

4. **Policies Regarding Providing Ex-Post Opportunities for Extra Credit**

Given the need to maintain fairness and equity among all students in the class, all students are bound by the same evaluation scheme as laid out above and there will be no additional opportunities to improve your grade through extra credit work.

VIII. **Classroom Etiquette**

Available online at: [http://www.kellogg.northwestern.edu/stu_aff/policies/etiquette.htm](http://www.kellogg.northwestern.edu/stu_aff/policies/etiquette.htm).

The Kellogg Code of Classroom Etiquette policy was developed by students to foster an atmosphere that is conducive to collective learning in the classroom. Students’ compliance with the Kellogg classroom etiquette policy will be strictly enforced. In particular, you may **not:**

1. Engage in any:
   a. cross-talking,
   b. late-coming,
   c. leaving the class for a coffee or snack break, picking up mail, etc.,
   d. use of a cell or smart phone in class, or
   e. Other similar activities that have the potential of distracting other students and disrupting the progress of the class.

2. Indulge in any other behavior that may be deemed by other students or the instructor to be inappropriate or inconsistent with Kellogg Code of Classroom Etiquette.

IX. **Kellogg Honor Code**

All students discuss are expected to adhere strictly to the Kellogg Honor Code, the statement of which is available at: [http://www.kellogg.northwestern.edu/stu_aff/policies/honorcode.htm](http://www.kellogg.northwestern.edu/stu_aff/policies/honorcode.htm).
X. Tentative Course Outline

<table>
<thead>
<tr>
<th>Day #</th>
<th>Session #</th>
<th>Topic</th>
<th>Suggested Problems and Homework</th>
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<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Introduction to Financial Accounting</td>
<td>Ch. 1-3, E1-29, P1-39</td>
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<tr>
<td>2</td>
<td>2</td>
<td>The Accounting Cycle and Accrual Accounting</td>
<td>Ch. 1-3, E2-35, E2-37, P2-67, P2-68, E3-34, P3-54</td>
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<td>2</td>
<td>3</td>
<td>A Closer Look at the Financial Statements</td>
<td>Ch. 1-3</td>
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<td>4</td>
<td>4</td>
<td>Earnings Components and Revenue Recognition</td>
<td>Ch. 6 (pages 270-281, 293-295, Appendix 6B) E6-41, P6-47</td>
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<td>3</td>
<td>5</td>
<td>Current Assets – Cash and Receivables</td>
<td>Ch. 6 (pages 281-288, 291-293) E6-34, P6-45, Homework #1</td>
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<tr>
<td>3</td>
<td>6</td>
<td>Current Assets - Inventory</td>
<td>Ch. 7, Appendix 7A M7-19, E7-27, P7-35</td>
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<td>4</td>
<td>7</td>
<td>Noncurrent Assets</td>
<td>Ch. 8 M8-11, E8-24, E8-29, C8-42, Homework #2</td>
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<td>4</td>
<td>8</td>
<td>Stockholders’ Equity</td>
<td>Ch. 11 E11-52, P11-56</td>
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<td>5</td>
<td>9</td>
<td>Statement of Cash Flows</td>
<td>Ch. 4 M4-22, M4-29, E4-34, Homework #3</td>
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<td>5</td>
<td>10</td>
<td>Statement of Cash Flows</td>
<td>Ch. 4 E4-37, P4-50</td>
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<tr>
<td>6</td>
<td></td>
<td><strong>Midterm Exam</strong> (closed-book, closed-notes)</td>
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<tr>
<td>Week</td>
<td>Reading</td>
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| 7    | **Investments**  
Ch. 12 (pages 562-579), Appendix 12A  
E12-25, E12-31, E12-38, **Homework #4** |
| 8    | **Consolidations**  
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| 13   | **Time Value of Money and Leases**  
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| 14   | **Bonds**  
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| 15   | **Taxes**  
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| 16   | **Ratio Analysis**  
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| 17   | **Valuation**  
Ch. 5  
P5-44, **Homework #7** |
| 18   | **Financial Analysis and Valuation**  
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|      | **Final Exam** *(closed-book, closed-notes)* |