ACCT 430: Accounting for Decision Making

Sections 61 and 71

Course Web Site: http://canvas.northwestern.edu/

Instructor:
Professor Daniel Aobdia
Kellogg Global Hub 4431
Tel: 847-467-4508
d-aobdia@kellogg.northwestern.edu
https://www.kellogg.northwestern.edu/faculty/directory/aobdia_daniel.aspx

Teaching Assistant: To be announced

Office Hours: Before class; otherwise by appointment (please note that I am physically present in Evanston during most of the week)

This syllabus provides an overview of the objectives, approach, and topics covered by Accounting 430, Kellogg’s core accounting course.

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 by users of these statements. The course begins by viewing 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.” We examine how financial statements such as the Income Statement, the Balance Sheet, and the Statement of Cash Flows relate to each other (“articulate”). The course adopts an external user's perspective in analyzing these financial statements.

Understanding and analyzing actual annual reports, periodic public filing of financial statements by firms with the Securities Exchange Commission (SEC) in forms such as 10-K (annual statements) and 10-Q (quarterly statements), other corporate disclosures, and analysts’ reports 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 differences in practices across these entities. The course highlights the links between accounting information and management planning, decision-making and control, and also examines 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 and the accounting cycle – prior to the start of ACCT 430. Access to Accounting Essentials is through the Canvas learning management system. 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


The fifth edition 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. (2) An e-book version of the text is available for a six-month rental from myBusinessCourse.com. Under this second alternative, you need to be online to access the text.

While I will make no use of them, 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. But to repeat, access to myBusinessCourse.com is not necessary or required for the course.

Course Packet: Available through Study.Net (contains cases).

IV. Preparation for the 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. The solutions to these problems are available in the solutions manual. The problems are chosen for their relevance to the concepts we discuss in class and provide good practice and reinforcement for those concepts.

Please review the class slides carefully before class. These slides are posted on Canvas. You should be prepared to answer questions about the concepts covered in the problems on the class slides. If you wish to have a hard copy for class, please print your own copy. You may use a tablet in class, as long as the tablet remains flat on the desk and is used only for course activities. Laptops are generally not allowed in class, with a few exceptions.
V. 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 + 10% for Homework Assignments + 10% for case assignments (Biovail Corporation, Ceres Gardening Company, and financial reporting journal) + 10% for individual class participation + 65% for a combination of the midterm and final exam. 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 65% of the final course grade. In other words, the grading scheme is as follows:

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

- 5% grade on final exam in Accounting Essentials, the online preterm course
- 10% homework assignments
- 10% case assignments
- 10% class participation
- 20% midterm exam
- 45% final exam

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

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

Consistent with current Kellogg guidance, it is expected that 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.
(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 classmates, but each student must submit their own responses. The due date for each of the homework assignments is noted on the class schedule in section VIII. For grading purposes, I will drop the homework assignment with the lowest grade.

(c) Case Assignments and Financial Reporting Journal
The two case assignments (Biovail and Ceres Gardening) will be completed as a group. The composition of groups for each case assignment will be posted on Canvas. All group members are responsible for the content of work submitted. In addition, you will be expected to provide confidential peer evaluations for group assignments. These evaluations will affect your individual grade on the group assignments and may, in extreme cases, also affect individual class participation grades. Written case assignments and peer evaluations should be submitted via Canvas before the deadline noted on the class schedule in section VIII.

Notwithstanding all the rules underlying the preparation of financial statements, there is an amazing amount of diversity across firms’ financial presentations. Initially, this diversity is disorienting: not all the financial statements you see in practice conform to the presentations that appear in our, or any other, textbook. As managers, you must grow accustomed to the variations in these presentations to be effective. The way to do that is to examine as many statements as possible. To encourage your financial statement exploration, I want you to construct a financial reporting “journal” in which you record what you regard as interesting observations concerning two (2) financial reports involving companies other than those whose financial statements are discussed in class. It suffices to have one typed, double-spaced page of commentary per company. You have considerable discretion regarding the contents of your commentary. It can consist of comments about unusual accounting practices, unusual financial statement presentations, puzzling notes, auditors’ opinions, trends in a firm’s financial data, MD&A discussion, etc. The important thing is to expand the scope of the financial statements you are acquainted with. Your financial reporting journal is due before the last class, and is to be prepared individually by each student.

(d) Class Participation
Individual class participation is a critical component of the learning experience at Kellogg. It shall be evaluated based upon 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 VI). 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.

(e) Exams
The midterm and final exams are closed-book and closed-notes. You may not use “cheat sheets,” computers, phones or any electronic devices other than calculators. 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 disturbance of fellow students.
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 your receiving a grade on a given exam or assignment to submit a written request for re-grading, along 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 are indeed correct or why the grading was erroneous or overlooked certain aspects of your answer. I will respond in writing to your request within twenty 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. I 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.

VI. 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. Use your laptop in class unless given permission. Tablets (iPads, etc.) are allowable as long as they remain flat on the desk and are used only for coursework.

3. 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.

VII. 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.
VIII. Tentative Class Schedule

This section provides an overview of the class schedule for the quarter, including the due date for each homework and case assignment.

<table>
<thead>
<tr>
<th>Class Session</th>
<th>Topic</th>
</tr>
</thead>
</table>
| Week 1        | Construction of Financial Statements  
The Accounting Cycle and Accrual Principles |
| **Prior to Week 2** | **Homework #1 due at noon** |
| Week 2        | The Accounting Cycle and Accrual Principles (Continued)  
Revenue Recognition |
| **Prior to Week 3** | **Homework #2 due at noon**  
**Biovail Case Analysis due at noon** |
| Week 3        | Accounts Receivable and The Use of Estimates  
Biovail Corporation |
| **Prior to Week 4** | **Homework #3 due at noon** |
| Week 4        | Statement of Cash Flows |
| **Prior to Week 5** | **Homework #4 due at noon** |
| Week 5        | Ratios and Performance Analysis  
Midterm review |
| **Prior to Week 6** | **No Homework so that you can prepare for the midterm** |
| Week 6        | Midterm Examination (During Regular Class Time)  
Current Assets |
| **Prior to Week 7** | **Homework #5 due at noon** |
| Week 7        | Noncurrent Assets  
Investments |
| **Prior to Week 8** | **Homework #6 due at noon** |
| Week 8        | Consolidations  
Noncurrent Liabilities |
| **Prior to Week 9** | **Homework #7 due at noon**  
**Ceres Gardening Case Analysis due at noon** |
| Week 9        | Shareholders’ equity  
Ceres Gardening |
| **Prior to Week 10** | **Homework #8 due at noon**  
**Financial Reporting Journal due at noon** |
| Week 10       | Taxes  
Final review |
| **Week 11**   | **Final examination (Normal Class Time)** |