ACCT 430: Accounting for Decision Making

Section 62 – Wednesdays 6:00PM-9:00PM

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

Instructor:
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https://www.kellogg.northwestern.edu/faculty/directory/aobdia_daniel.aspx

Teaching Assistant: To be assigned

Office Hours: In the faculty office suite of the second floor of Wieboldt. Tuesdays and Wednesdays: 5:00PM-5:30PM (please send me an email in advance to let me know you will come), or 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.

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 will use this language to construct the main financial statements, the Income Statement, the Balance Sheet, and the Statement of Cash Flows, and see how they relate to each other (“articulate” in the language of accounting). My goal is not to turn you into an accountant but arm you with the language so that you can be an intelligent user of accounting information.

I. 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.
II. Course Materials


The sixth 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.

The entire solutions manual will be posted on the course web site for the duration of the quarter.

There are additional study resources that supplement the textbook (available on myBusinessCourse.com), although I will make no use of them. These resources include e-lectures, guided problem solutions, and additional practice on problems marked with a red check in the text. You will also receive complementary access to this material for six months if you purchase a new physical text or the e-book. 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.

Historically, some students have used prior editions of the textbook for the class (for example the fourth edition). While this usually did not create any major issue, several accounting standards, especially for revenue recognition and leases, have recently changed. The sixth edition (but not the prior ones) incorporates these most recent changes. Please be aware of this if you purchase an older edition of the textbook.

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

III. Preparation for the class

The assignments for each class are posted on Canvas (please also see the end of this syllabus for the schedule). There are also some suggested readings and problems from the textbook. The problems are chosen for their relevance to the concepts we discuss in class and provide good practice and reinforcement for those concepts. The solutions to these problems are available in the solutions manual, which is posted on Canvas.

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.
IV. Course components and evaluation of your performance

1. Grading – overall picture

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 and 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 and financial reporting journal
- 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 and financial reporting journal
- 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
As mentioned before, 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 in the form of quizzes (multiple choice answers). They are open-book and open-notes. You may discuss the problems with classmates, but you must submit your own responses by the due date. The due date for each of the quizzes is noted on the class schedule in section VII. For grading purposes, I will drop your quiz with the lowest grade.

(c) Case Assignments
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 VII.

(d) Financial Reporting Journal
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 with which you are acquainted. Your financial reporting journal is due before the last class (see the due date noted on the class schedule in section VII), and is to be prepared individually by each student.

(e) 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 confused with the “quantity” – and on adherence to the Kellogg Code of Classroom Etiquette (described in section V). If you are absent (including tardy), 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.

(f) 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 simple 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 you receive 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 opportunities to improve your grade through extra credit work.
V. Classroom Etiquette

Available online at: 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.

VI. Kellogg Honor Code

All students 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.
VII. Tentative Class Schedule

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

<table>
<thead>
<tr>
<th>Class Session</th>
<th>Topic</th>
<th>Suggested Readings and Assignments</th>
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<tbody>
<tr>
<td>25-Sep</td>
<td>Construction of Financial Statements</td>
<td>Review Chapters 1-3</td>
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<tr>
<td>2-Oct</td>
<td>The Accounting Cycle and Accrual Principles</td>
<td>Suggested problems: P2-69, E3-34, P3-54</td>
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<tr>
<td>1-Oct</td>
<td>Homework #1 due at noon</td>
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<tr>
<td>2-Oct</td>
<td>The Accounting Cycle and Accrual Principles (Continued)</td>
<td>Review Chapter 3 and read Chapter 6, pp 270-283 and 296-298</td>
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<tr>
<td>8-Oct</td>
<td>Revenue Recognition</td>
<td>Suggested problems: E6-27, E6-29, E6-40, P6-47</td>
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<tr>
<td>8-Oct</td>
<td>Biovat Case Analysis due at noon</td>
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<tr>
<td>9-Oct</td>
<td>Accounts Receivable and The Use of Estimates</td>
<td>Read Chapter 6, pp 283-291</td>
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<tr>
<td>15-Oct</td>
<td>Biowal Corporation</td>
<td>Suggested problems: M6-26, P6-44, P6-45</td>
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<tr>
<td>16-Oct</td>
<td>Homework #3 due at noon</td>
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<tr>
<td>22-Oct</td>
<td>Statement of Cash Flows</td>
<td>Read Chapter 4</td>
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<td>23-Oct</td>
<td>Ratios and Performance Analysis</td>
<td>Suggested problems: M4-22, E4-34, E4-37, E4-44, P4-46, P4-48, P4-52</td>
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<tr>
<td>29-Oct</td>
<td>No Homework so that you can prepare for the midterm</td>
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<tr>
<td>30-Oct</td>
<td>Midterm Examination (during regular class time)</td>
<td>Read Chapter 7</td>
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<tr>
<td>5-Nov</td>
<td>Current Assets</td>
<td>Suggested problems: M7-18, E7-26, E7-32, P7-33</td>
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<td>6-Nov</td>
<td>Homework #5 due at noon</td>
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<tr>
<td>12-Nov</td>
<td>Noncurrent Assets</td>
<td>Read Chapter 8 and Chapter 12, pp 582-600 and Appendix 12A</td>
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<td>19-Nov</td>
<td>Consolations</td>
<td>Read Chapter 12, pp 600-609 and Appendix 12B, Chapter 10, pp 464-476, and Appendix A</td>
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<td>19-Nov</td>
<td>Noncurrent Liabilities</td>
<td>Suggested problems: E12-39, M12-17, E12-34, M10-13</td>
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<td>19-Nov</td>
<td>Ceres Gardening Case Analysis due at noon</td>
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<td>19-Nov</td>
<td>Homework #7 due at noon</td>
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<td>20-Nov</td>
<td>Shareholders' equity</td>
<td>Read Chapter 11</td>
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<tr>
<td>3-Dec</td>
<td>Ceres Gardening</td>
<td>Suggested problems: E11-41, E11-39, C11-64</td>
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<td>3-Dec</td>
<td>Financial Reporting Journal due at noon</td>
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<td>4-Dec</td>
<td>Taxes</td>
<td>Read Chapter 10 pp 486-497</td>
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<td>11-Dec</td>
<td>Final review</td>
<td>Suggested problems: M10-23, E10-33, C10-47</td>
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<tr>
<td>11-Dec</td>
<td>Final examination (normal class time)</td>
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