

Oakland University
School of Business Administration
ACC511 Winter 2018
Financial Accounting and Disclosure

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I. Course Objectives:

Accounting is the language of business, with its own vocabulary and rules. Business leaders must read, understand, and use corporate financial statements. Accounting is studied both as a method of communication and as a decision-making tool. Accounting addresses the measurement, aggregation, and evaluation of economic information useful for decision making. Financial accounting is concerned with the needs of external users of firm-related, audited financial information, which is prepared and presented according to Generally Accepted Accounting Principles (GAAP) in the US or some other authoritative guidance with which the reporting entity must comply.

This course provides an introduction to financial statements and the financial reporting process. Students learn fundamental accounting concepts and principles, and how the economic transactions of a firm are reported in the financial statements and related disclosures. The objective of the course is to provide students with the skills necessary to read and do preliminary essential financial statements analysis while preparing them for more advanced financial statement analysis courses.

This course addresses the construction and interpretation of corporate financial reports. The goal is not to train the students to become accountants, rather, students to become informed users of financial statement information. Because annual reports are somewhat formidable, a lot of time will be spent discussing how firms present the information for various accounts in the statements, including the footnotes. The course will focus on accounting for specific assets, liabilities and stockholders' equity on a firm's balance sheet. It will also focus on how a firm's performance is presented in the income statement and discuss how different revenue and expense recognition practices affect it. By the end of the course, students should have a basic understanding of financial statements and the ability to use them for decision making.

Students will gain (i) an understanding of the concepts and language of accounting so it can be used as an effective tool for communication, monitoring, and resource allocation, (ii) knowledge of the vocabulary of financial statements and accounting reports and (iii) familiarity with how accounting is used in evaluating economic conditions for making organizational decisions.

The course also introduces other disclosures like management discussion and analysis, auditor's reports, management certifications about corporate governance in the annual reports and certain filings the corporations are required to do with Securities and Exchange Commission (SEC). The course will examine theory, concepts, principles, and techniques related to Financial Accounting.

Specifically, the students will develop an understanding of:

- the type of information contained, the general format & contents, and disclosure requirements for the financial statements,
- the type of information contained, the general format and contents for the annual reports in addition to the financial statements,
- the type of information contained in certain SEC filings including information related to corporate governance,
- the nature of various economic activities related to business enterprises and their effects on financial position of the business,
- the accounting cycle that includes collecting, analyzing, recording economic transactions under accrual accounting with adjusting and closing processes.

This course will also provide students with experience in collecting, confronting and manipulating "real world" financial data. The other goals of the course are to (a) learn the strengths and limitations of financial statements information; and (b) appreciate the effects of accounting choices on reported results.

II. Prerequisites: Admission to graduate program

III. Required Materials:

Text: Financial Accounting; 17e
Williams, Haka, Bettner, and Carcello;
McGraw-Hill Irwin, Inc.
ISBN 978-1-259-69239-0

IV. Grading:

The course grade will be based on the following:

Examinations	50%
Group Cases, Homework and Participation	30%
Group Project	<u>20%</u>
	<u>100%</u>

Anticipated cutoff percentages are 90's for A range, 80's for B range, and 70's for C range.

V. Assignments:

Students are expected to have read the assigned readings for the face-to-face in class sessions as indicated in the class schedule. Some of assignments included in the class schedule may be used in the class to explain and discuss concepts. Students are required to do the remaining assignments. Students are required to submit the homework within Moodle on the stated due dates. Students are required to email homework as an attachment file (word or excel). The homework will be graded based on honest and serious attempt rather than correct answers. For homework, students are supposed to submit individual work and effort. The solutions will be posted after the due date and students will go over them to assess where they went wrong to further understand the concepts. Discussion threads for different chapters and significant items will be created on Moodle for students' participation and discussion of the posted solutions for the assignments. Instructor will intervene only when it is necessary. Moodle will also be used for student communication. Moodle is not a substitution for in class face-to-face classroom instructions. Additional cases will be assigned during the semester where students will be required to submit typed double spaced report. Students will form groups of fours for writing cases.

VI. Group Project:

Students will form groups of fours for the group project. Each group will choose a large manufacturing or retail company that is listed on a major exchange (SEC company). Each group will be responsible to collect financial statements and the SEC filings of the chosen company. The group will follow the chosen company to collect non-financial statements information like daily stock prices, specific company related announcements, etc. The group will write a report that will include memos, explanations, analysis of financial statements, auditor's reports, management certifications and information included in certain SEC filings. Each group will hand in a typed ten-page (maximum) double-spaced written report of the above in good form. Additional details will be provided later in the semester.

VII. Ethics:

Trust underlies the business environment. This translates into personal integrity and ethical behavior. Ethics involve choices of conduct that balance peer reaction or extrinsic rewards with one's own value system. Ethics include both choice and consequences of choice.

Please read and follow the university policy on academic conduct; it is printed in the Schedule of Classes. In this class, unaided individual work is expected on homework assignments and examinations. It is permissible to work together on group cases and group project. Any apparent violations will be reported to the Committee on Academic Conduct.

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Class Schedule and Assignments

<u>Date</u>	<u>Topic</u>	<u>Chapter</u>	<u>Exercises</u>	<u>Problems</u>	<u>Cases</u>	<u>Due Date</u>
<u>In class</u>				<u>SET A</u>		<u>Assignments</u>
1/8	Introduction					
	Accounting: Information for Decision Making	1	16			none
	Basic Financial Statements	2	5, 7	4, 9		1/15
	The Accounting Cycle: Capturing Economic Events	3	3, 4, 5	4	2	1/22
1/15	The Accounting Cycle: Accruals and Deferrals	4	3, 5, 8, 14	7		1/29
	The Accounting Cycle: Reporting Financial Results	5		2		1/29
1/29	Merchandising Activities	6	4, 11, 12	4, 8		2/5
	Statement of Cash Flows	13	10	1		none
2/5 & 12	Financial Statement (Formats &) Analysis Corporate Governance	14	2	1, 6, 7	2, 5	2/12
	Examination (Chapters 1-6, 13, 14)					2/26
	Group Case – F/S Analysis (to be assigned)					3/5
	Group Case – F/S Disclosure (to be assigned)					3/12
3/19	Stockholders' Equity: Paid-in Capital	11	4, 9, 10	4, 6, 7	2	3/26
	Income and Changes in Retained Earnings	12	5, 7	2, 6	1	4/2
4/2	Liabilities	10	6, 9, 10, 12	8		4/9
	Financial Assets	7	8, 13	1, 3, 6		4/13
4/9	Inventories and the Cost of Goods Sold	8	6, 8, 9, 11, 13	2, 3, 8		none
	Plant and Intangible Assets	9	6, 8	1, 3, 4	3	none
	Group Project Examination (Chapters 7-12)					4/18 4/23