

**The Ross School of Business  
at the University of Michigan  
Accounting 502  
Principles of Financial Accounting Fall A 2007**

**Professor**

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**Office Hours**

By appointment

**Course Materials**

Easton, P.D., J.J. Wild, R.F. Halsey, and M.L. McAnally *Financial Accounting for MBAs*, Third Edition, Cambridge Business Publishers, **Required**

ACC 502 Coursepack, **Required**.

Other course materials will either be distributed as part of the coursepack, posted on CTools, or handed out during class.

**Course Content and Objectives**

ACC 502 is the first in a series of financial accounting classes offered at the MBA level at the Ross School of Business at the University of Michigan (Ross). This MBA core course focuses on the nature of the financial reporting process and the basic accounting principles, conventions, and concepts underlying the extant reporting environment of GAAP basis financial statements. You will learn how the financial statements (the balance sheet, income statement, statement of cash flows, and statement of retained earnings) are prepared, as well as how to use the information that financial statements provide. We will focus on actual corporate reports and you are strongly encouraged to apply your understanding to any financial statements you have at your disposal.

The primary emphasis will be directed towards obtaining an understanding of the accounting for certain transactions and economic events with respect to the measurement of the associated assets, liabilities, and related income and cash flow consequences. This level of understanding should include insights into the fundamental strengths and limitations of the financial reporting process. The knowledge obtained in this class will provide you with an important set of tools that are vital for anyone who will be expected to use financial statements in a meaningful way.

We will adopt a “user perspective” approach, emphasizing the analysis and interpretation of financial statements. However, to do this effectively requires some knowledge of the “nuts and bolts” of accounting: debits and credits, journal entries, etc., so you will learn these aspects of the subject.

ACC 502 is the first in a series of three financial accounting classes. The second class, ACC 564, explores some of the more complex corporate financial reporting issues that we do not cover in ACC 502 and extends your abilities to adjust actual financial statements in such a way as to make sound economic decisions. The third class, ACC 712, concentrates less on accounting and more on financial statement analysis along with the role that financial statement information plays in capital markets. Students interested in careers in finance, including investment banking, will want to complete the entire financial accounting series.

### Course Prerequisites

This course assumes *no* prior knowledge of accounting. If you do have previous accounting expertise (classes or experience) and have retained that knowledge, please consider waiving the class. However, keep in mind that this class is substantially different from most traditional undergraduate financial accounting classes in its focus. Certified Public Accountants or equivalent are automatically waived and in fact are prohibited by school policy from taking the class for credit.

### Grading

	Date	Weight
Quiz #1	Monday, Sept. 17	20%
Quiz #2	Wednesday, Oct. 3	20%
Final Examination	Thursday, Oct. 18	50%
Participation	Everyday!	10%
Total		100%

Since this is a core course it is graded on a fairly strict “curve,” i.e., 25% EX; 35% GD; 35% PS; 5% LP. Consistency will be maintained across all sections of the class.

If you find an error in the grading of an assignment, quiz, or exam, please resubmit the work to me and provide a *written* explanation of your concerns. Your work will be reevaluated and the score recalculated where appropriate.

Note that the final examination is cumulative.

## **Conduct of the Course**

The “crisis approach” to study is not appropriate for this course. There is a “building block” effect and failure to keep up with the material will adversely affect your performance. Many of the Corporate Strategy, Finance and Marketing courses rely upon your ability to read, interpret, and evaluate financial statements in the manner taught in the ACC 502 – ACC 712 sequence.

A class-by-class outline of the course is provided. The case for a particular day will be discussed in detail in class and should be completed prior to the assigned day. All assignments (problems and readings) are expected to be completed prior to class. It is your responsibility to do the assigned textbook problems in a timely fashion and to consult the published solutions or myself in case of difficulties. Solutions to the assigned problems will be provided on the web.

**Warning:** Difficulties encountered by students can usually be traced to a failure to grasp the fundamental concepts early in the course. I cannot overemphasize the trouble you will encounter should you fall behind, fail to read the chapters and work problems in advance, or miss classes.

## **Participation**

In order to participate you will have to be prepared. It is virtually impossible to do well in this class without devoting a considerable amount of time to solving textbook problems and cases. I will be calling on students in class to answer questions based on these assignments. While attendance is necessary in order to receive credit for class participation, it is not sufficient. The discussion portion of the grade requires that you ask meaningful questions and provide substantive solutions and comments. Additionally, you should arrive at class on time and remain throughout the entire class period.

## **Code of Honor**

Students will not give or receive aid on exams. This includes, but is not limited to, viewing the exams of others, sharing answers with others, and using books or notes while taking the exam. It also includes discussing the exam in order to help those who are taking it later. In essence, no cheating.

**Ross School of Business**  
**Accounting 502**  
**Fall A – 2007**  
**Tentative Course Schedule**

**1. Wednesday, September 5**  
**Introduction to Financial Accounting**

*Reading*

**Text:** Module 1 and Module 2  
(Including Appendix 1A)

*Self-Study*

**Text Problems:** M1-19, M1-22, M1-24, E1-28, P1-36, P1-38, P1-39, P1-40

*Case Discussion*

**Coursepack:** Personal Balance Sheet

**2. Monday, September 10**  
**Introducing Financial Statements and Transaction Analysis**

*Reading*

**Text:** Module 2 and Module 3  
(Including Appendix 2A)

**Coursepack:** Topic A

*Self-Study*

**Text Problems:** M2-20, M2-22, M2-24, M2-26, E2-29, P2-39, P2-45

**3. Wednesday, September 12**  
**Constructing Financial Statements and Analyzing Transactions**

*Reading*

**Text:** Module 3  
(Including Appendix 3A)

**Coursepack:** Topic A

*Self Study*

**Text Problems:** M3-13, M3-15, M3-19, M3-25, P3-40, P3-42, P3-43

*Case Discussion*

**Coursepack:** AOL – Deferred Costs (time permitting)

**4. Monday, September 17**  
**Reporting and Analyzing Operating Income**

**Quiz #1**

*Reading*

**Text:** Module 5

*Self Study*

**Text Problems:** Q5-1, Q5-2, Q5-4, Q5-5, Q5-6, Q5-7, Q5-9, Q5-10, M5-16, E5-32

**5. Wednesday, September 19**  
**Analyzing and Interpreting Financial Statements**

*Reading*

**Text:** Module 4

*Self Study*

**Text Problems:** E4-24, E4-27, E4-30, P4-35

*Case Discussion*

In class case

**6. Monday, September 24**  
**Reporting and Analyzing Operating Assets I**

*Reading*

**Text:** Module 6

**Coursepack:** Topic B

*Self Study*

**Text Problems:** M6-12, M6-14, M6-15, E6-24, E6-26, P6-39, P6-40

*Case Discussion*

**Coursepack:** Microsoft

**7. Wednesday, September 26**  
**Reporting and Analyzing Operating Assets II**

*Reading*

**Text:** Module 6

*Self Study*

**Text Problems:** M6-17, M6-18, E6-28, E6-30

*Case Discussion*

**Coursepack:** Caterpillar vs. Deere vs. Kubota

**8. Monday, October 1**  
**Reporting and Analyzing Operating Assets III**

*Reading*

**Text:** Module 6

*Self Study*

**Text Problems:** M6-19, M6-21, E6-32, E6-34, E6-35, E6-36

*Case Discussion*

To be announced

**9. Wednesday, October 3**  
**Reporting and Analyzing Intercorporate Investments**  
**(focus on Intangibles)**

**Quiz #2**

*Reading*

**Text:** Module 7 (especially pages 7-18 to 7-23)

*Self Study*

**Text Problems:** E7-34, E7-35

*Case Discussion*

**Coursepack:** AOL Time Warner – Goodwill

**10. Monday, October 8**  
**Constructing and Analyzing the Cash Flow Statement**

*Reading*

**Text:** Cash Flow Appendix (Appendix B at the end of the text)

**Coursepack:** Topic C

*Self Study*

**Text Problems:** MB-22, MB-23, MB-24, MB-26, EB-30, PB-34, PB-35, PB-36, PB-43

*Case Discussion*

**Coursepack:** Oxford Industries – Operating Cash Flows

**11. Wednesday, October 10**

**Liability Topics: Debt, Income Taxes, Off-balance Sheet Financing**

*Reading*

**Text:** Module 5 (pp 5-17 to 5-22)  
Module 8 (pp 8-1 to 8-12)  
Module 10 (pp 10-1 to 10-4)

*Self Study*

**Text Problems:** E5-26, P5-34, Q8-5, M8-7, M8-18, E8-24

*Case Discussion*

**Coursepack:** Southwest Airlines

**12. Monday, October 15**

**Reporting and Analyzing Owner Financing**

*Reading*

**Text:** Module 9 (pp 9-1 to 9-20)

*Self Study*

**Text Problems:** M9-21, M9-25, E9-34, E9-35, P9-50

*Case Discussion*

To be announced

**Final Exam: October 18, 2007 4:00 pm – 6:00 pm**