

**The Ross School of Business**  
**Accounting 502**  
**Principles of Financial Accounting**  
**Fall A 2005**

**Instructor**

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**Course Materials**

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

ACC 502 Coursepack, **Required**.

Other course materials will either be distributed as part of the course-  
pack, 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 University of Michigan. 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 have to know 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. 19	20%
Quiz #2	Monday, Oct. 3	20%
Final Examination	Wednesday, Oct. 19	45%
Participation		15%
Total		100%

## 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 cases listed on the course schedule will be discussed in detail in class and should be attempted 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 difficulties 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 participation 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.

## Grading

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 evaluation and/or calculation of any piece of assessable work, 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.

### **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.

**Accounting 502**  
**Fall A 2005 — Course Outline — Tentative<sup>1</sup>**

1. **Wednesday, September 7**  
**Introduction to Financial Accounting for MBAs**  
*Reading*  
{Text} Module 1  
{CP} Topic 1  
*Self Study*  
{Text} M1-24, E1-28, P1-36, P1-39, P1-40, P1-45  
*Case Discussion*  
{CP} Personal Balance Sheet
  
2. **Monday, September 12**  
**Constructing and Reporting Financial Statements I**  
*Reading*  
{Text} Module 2  
{CP} Topic 2  
*Self Study*  
{Text} M2-19, M2-22, M2-26, E2-36  
*Case Discussion*  
{CP} Nordstrom and T.J. Max - Financial Statements
  
3. **Wednesday, September 14**  
**Constructing and Reporting Financial Statements II**  
*Reading*  
{Text} Module 2 (including Appendix 2A & 2B)  
{CP} Topic 2b  
*Self Study*  
{Text} P2-42, P2-46, P2-47, P2-48  
*Case Discussion*  
{CP} AOL - Deferred Costs

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<sup>1</sup>Text = Textbook, CP = Coursepack

4. **Monday, September 19**  
**Accrual Accounting, Adjustments**

Quiz #1

*Reading*

{Text} Module 4 (esp. pp. 4.1-4.7, 4.16-4.19, & 4.21-4.25)

{CP} Topic 3

*Self Study*

{Text} E4-18, E4-23, P4-30

*Case Discussion*

{CP} No Case

5. **Wednesday, September 21**  
**Analyzing and Interpreting Financial Statements**

*Reading*

{Text} Module 3

*Self Study*

{Text} M3-15, M3-19, E3-32, P3-39

*Case Discussion*

{CP} In class case

6. **Monday, September 26**  
**Reporting and Analyzing Operating Assets I**

*Reading*

{Text} Module 5

{CP} Topic 4

*Self Study*

{Text} M5-13, M5-15, E5-23, E5-24, P5-39, P5-40

*Case Discussion*

{CP} No Case

7. **Wednesday, September 28**  
**Reporting and Analyzing Operating Assets II**

*Reading*

{Text} Module 5

{CP} Topics 5 & 6

*Self Study*

{Text} M5-18, M5-21, E5-27, E5-28, E5-34, P5-41

*Case Discussion*

{CP} Ford - Allowance for Doubtful Debts

8. **Monday, October 3**  
**Reporting & Analyzing Intercorporate Investments I** Quiz #2

*Reading*

{Text} Module 6

{CP} Topic 7

*Self Study*

{Text} E6-20, E6-22, E6-27, E6-28, P6-40

*Case Discussion*

{CP} No Case

9. **Wednesday, October 5**  
**Reporting & Analyzing Intercorporate Investments II**  
**(plus Intangibles discussion)**

*Reading*

{Text} Module 6

*Self Study*

{Text} See above

*Case Discussion*

{CP} AOL Time Warner - Goodwill

10. **Monday, October 10**  
**Liability Topics: Debt, Income Taxes, Off-balance Sheet Financing**

*Reading*

{Text} Modules 4, 7, & 9 (pp. 7.1-7.9, 7.20-7.24, 4.12-4.15, & 9.1-9.4)

{CP} Topic 8

*Self Study*

{Text} E7-23, E7-24, E7-25, E7-29, E4-22

*Case Discussion*

{CP} Southwest Airlines

11. **Wednesday, October 12**  
**Reporting & Analyzing Owner Financing**

*Reading*

{Text} Module 8

{CP} Topic 9

*Self Study*

{Text} M8-20, E8-43, E8-46, P8-50

*Case Discussion*

{CP} Dell Computer Corporation - Stock Splits and Repurchases

12. **Monday, October 17**  
**Reporting & Analyzing the Cash Flow Statement**

*Reading*

{Text} Cash Flow Appendix & Chapter 2 Appendix 2B

{CP} Topic 10

*Self Study*

{Text} MB-22, MB-24, EB-29, PB-37

*Case Discussion*

{CP} Oxford Industries - Operating Cash Flows

**Final Exam October 19, 2005 8:00 AM - 10:00 AM**