

ACCOUNTING 493 – ACCOUNTING CASES, RESEARCH AND ANALYSIS
FALL 2012

Instructor:

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Class Schedule:

Call #	Day	Time	Classroom
34824/34825	Tue/Thu	9:30 a.m. – 10:45 a.m.	205 GH

Pre-requisites:

ACTG 316; and ECON 346 or IDS 371.

Course Materials and Websites:

1. *Mastering the FASB Codification and eIFRS: A Case Approach*, by Natalie T. Churyk, Thomas C. Pearson, and Thomas R. Weirich, John Wiley & Sons, Inc., 2012. ISBN: 9781118107294. (CPW)
2. *Course Website*: <http://blackboard.uic.edu>. Most of our reading materials are available on Blackboard, either in downloadable electronic files or links to other freely accessible websites. Course announcements, cases, lecture notes, and other course information will also be posted on Blackboard as the semester progresses. You should check it daily for updates, as you will be held responsible for any information posted that affects any component of the course and your grade.
3. Optional reference: *Intermediate Accounting*, by J. David Spiceland, James F. Sepe, and Mark W. Nelson, McGraw-Hill Irwin.

Course Objectives and Overview:

The objectives of this course are to help you (1) develop skills for conducting research and comprehending research output in an applied professional accounting context; and (2) further your understanding of the general financial reporting environment by studying the impact of regulation and main concepts and principles underlying accounting standards.

Accounting and auditing standards and tax rules are complex and rapidly changing over time, which makes it necessary for accountants to perform research continually to ensure that their knowledge remains current. The course introduces students to research methods, research appreciation and evaluation together with practice in conducting and reporting professional research projects in accounting, auditing, and taxation. It will also assist students in professional preparation. This course, therefore, emphasizes communication, analytical, and problem-solving skills, as well as technical accounting knowledge. Upon completing the course you should be able to:

1. Evaluate the impact of regulation on the accounting profession;
2. Understand and evaluate the purpose, process, and products of scientific and applied research in accounting, auditing, and taxation;
3. Use common research resources to conduct applied professional accounting research;
4. Explain and analyze key conceptual issues in accounting standard setting, such as fair value accounting, principles-based accounting, and international convergence;
5. Make ethical decisions and effectively work and communicate in a team environment similar to the professional accounting environment.

This course will often require you to think critically about issues for which there are no “correct” answers. Hence, your analysis and conclusions must be based on sound assumptions and well-constructed analysis and arguments. Critical thinking is a skill that is required for advancement in the professional world, and therefore, it is a skill that we will focus on and sharpen in this class.

The course consists of four major modules. Module 1 introduces the economics of regulation and its application in accounting and auditing. Module 2 introduces you to the principles and methods of applied professional research in accounting. Module 3 applies professional research to select topics in accounting. Module 4 discusses some additional current issues in accounting standard setting. Overall, two thirds of the course focuses on research, and the remaining covers case-based analysis and current accounting issues.

Learning/Teaching Philosophy:

This class works best when you prepare the assigned readings and actively participate in group and class discussions. The basic tools with which we work are stating facts, ideas, and opinions, and, discussing and challenging one another’s facts, ideas, and opinions. Doing well in this class requires that you express your thoughts, defend them and gracefully criticize the misconceptions and lack of clarity in your own and other’s reasoning (when appropriate). You are at the center of this learning process, and the instructor plays the role of a moderator or facilitator who helps students learn (or self-discover) from their own analyses. Accordingly, you can expect the following from your course instructor:

1. Personal concern for your education and development as a professional;
2. Fairness and honesty;
3. Openness to your ideas and opinions; and
4. Personal commitment to excellence in scholarship.

Correspondingly, the instructor expects the following from you as a student:

1. Thorough preparation of reading materials and written assignments for each class before the class;
2. Fairness and honesty;
3. Class attendance and active class participation; Active participation in and contribution to group activities and assignments;
4. Openness to the ideas and opinions of others; and
5. Personal commitment to excellence in scholarship.

Communication:

In the event I need to communicate with the entire class, for instance, for class schedule changes, I will post an announcement on Blackboard and/or send an email to your UIC email address. Please make sure your UIC email is active and check Blackboard and your UIC email daily.

Course Grading:

	Points	Percentage
Individual homework assignments (25 points \times 6 out of 8)	150	15.0%
Group case assignments (35 points \times 4)	140	14.0%
Group projects (2 reports at 60 points each; 1 presentation at 40 points)	160	16.0%
Midterm exam	180	18.0%
Final exam	270	27.0%
Participation (70 points instructor evaluation; 30 points peer evaluation)	100	10.0%
Total points possible	1,000	100%

Your final course grade is a function of your performance on the components listed above. In the interest of fairness and transparency, I do not offer “make-up” assignments or “extra credit” in this course. I reserve the right to utilize a curve. Normally, 90% of course points is an “A”, 80% “B”, 70% “C”, 60% “D”. However, the actual grade cutoff points may vary, and will be determined at the end of the semester.

Class Procedures:

This course will take a lecture/discussions format. For each class, the instructor typically will introduce the topics and key conceptual issues. Class discussion and student activities will then further explore these topics and issues. Through this process, students not only learn the important ideas and techniques covered in the course but also practice the skills of self-learning and discovery. Success in this course requires active learning that includes at least three steps, namely, preparation before class, participation during class, and further learning after class. In order to excel in this class you should expect to devote approximately 10 to 12 hours of study and practice per week.

Preparation for Class

Lecture slides and discussion questions will be posted on Blackboard at least two days in advance. Please print out the lecture slides and/or discussion questions, and bring them to class. In order to get the most out of class, please do all the readings before the session for which they are assigned and be ready to contribute to in-class discussions.

Individual Homework Assignments

All homework assignments will be posted on Blackboard not less than one week prior to their respective due dates. There are 8 graded homework assignments, of which the top 6 scores will count toward your course grade. That is, you can miss or drop 2 homework assignments with the lowest scores. These assignments will use a variety of formats. Specific requirements will be given in each individual assignment. Homework assignments are collected at the beginning of the class meetings on the due dates, which are listed in the course schedule.

Student Groups

Students will be randomly assigned into groups of four or five people. The groups are assigned for the entire term and group members should sit together in class. Groups will complete the group projects and other group assignments together. Teamwork is one of the essential skills in most organizations. Groups work the best when tasks and expectations of all teammates are clearly laid out at the beginning. Open communication is also very important. During the semester students will have opportunities to evaluate the performance and contribution of other group members via peer evaluation forms. The peer evaluation results will be used in assessing individual participation performance.

Group Case Assignments

There are 4 group case assignments. Each group case write-up will consist of a memo conveying your responses to the case assignment questions, recommendation(s) for the case issues and/or an explanation or justification for the recommendation, if required, using the format described below.

Group Case Memo Guidelines:

- a) Memos must be written concisely and in a proper memo format (see guidelines on course website). Proper memo format is NOT simply listing question numbers and responding.
- b) Memos must reference any attached exhibits that are used to resolve case issues. Exhibits should be typed (using a word processor or spreadsheet tool), and can include computations or any other analyses that are required in the case assignment and/or that you believe are needed to support arguments advanced in your memo. Exhibits do not count toward the memo's page limit.
- c) The content portion of memos (excluding exhibits) must be:
 - no more than five (5) pages in length; and
 - typed, double spaced, with 12-point Times New Roman font and a minimum of one-inch margins for the text of the memo.
- d) The "FROM" line of each memo must include your names and your group number.

Group Projects

There are 2 group projects that require research using the authoritative literature and other publicly available sources of information. For each project, the output of your research and analysis efforts will be a written project report, and half the groups will also make a presentation to the class. That is, you will complete 2 group project written reports and 1 oral presentation during the semester. Project reports and presentations will be evaluated for both content and grammar and style. You should follow the guidelines below for the written reports and the class presentation.

Written Report Guidelines:

- a) Your written report should be no longer than ten (10) pages (including any tables, graphs, exhibits and appendices) and you should use 12-point Times New Roman font, with double spacing and one-inch margins on all sides.
- b) Your written report should use an acceptable heading system, and it should include an introduction and a conclusion, along with its main body. You should conclude the report with a bibliography that gives references to the sources that you used in your project (the bibliography does not count toward the page limit).
- c) You should submit one paper copy of the report in class.

Class Presentation Guidelines:

- a) Your group presentation should not exceed 10 minutes.
- b) Every group member should contribute to the class presentation.
- c) You should use PowerPoint slides to aid your presentation, but remember that PowerPoint is not effective for highly detailed information. You should submit your PowerPoint file to the instructor via email at least 12 hours prior to the scheduled presentation.
- d) If your presentation includes extensive numerical or categorical data/analysis, you should arrange such in well-organized and understandable forms (generally tables, schedules, charts, and graphs), and present such data/analysis to the audience as printed hand-outs.
- e) The basis of the group's presentation grade is the effectiveness and efficiency of its presentation.

Exams

One midterm exam will be given in class on the date indicated on the course schedule. Please make sure to be there as no make-up exam is offered for the midterm. The comprehensive final exam will take place in the finals week. Exams will include a mixture of short answer questions, cases, essays, and journal entries, and will cover topics from the readings, class discussions, and lectures. You must have my approval to be eligible to take a conflict final exam.

Participation

I expect you to treat this class as you would any professional responsibility. For example, I expect you to be on time and prepared to discuss all materials relevant to the topic of the day. Learning is an active process. Most of you eventually will become managers in various organizations. Across all types of organizations and functional areas, most managers' interactions with others are verbal, and as such thoughtful listening, questioning, and discussion skills are crucial. For this reason, the development of your ability to explain, discuss and debate different problems is one important part of this course. While I recognize that those who are shy or reluctant to participate in class discussions will be penalized in this portion of their grade, it is a reality that such characteristics are often penalized in the workplace. Hence, your participation is evaluated on a daily basis and figures prominently in your overall grade. Your participation grade will have two components: (1) instructor evaluation of in-class participation and (2) peer evaluation of in-group participation. The following guidelines are helpful for understanding how your participation score is calculated.

Instructor Evaluation of In-Class Participation (70 Points):

In each session, I will assess your participation based on a scale of 1 to 4 (with 4 being the best and 1 being the worst). Below is a description of the factors that I will consider in assessing your participation.

Some characteristics of effective class participation include:

- Are the points that are made substantive and relevant to the discussion in terms of increasing everyone's understanding, or are they merely regurgitation of facts? Do the comments provide useful insights?
- Do the comments take into consideration the ideas offered by others earlier in the class, or are the points isolated and disjointed? The best contributions tend to be those which reflect not only excellent preparation but also good listening, interpretative and integrative skills.
- Do the comments show evidence of a thorough reading and analysis of the required readings/cases and of prior class information?
- Does the person distinguish among different kinds of data (facts vs. opinions vs. assumptions) and provide reasonable substantiation of arguments?
- Do the comments take the discussion into a new and relevant direction, without a disregard for the current flow of the discussion?
- Is there a willingness to test new ideas or share uncertainties, or are all comments "cautious" or "safe" (sharing uncertainties about an issue can be valuable and can in fact lead the discussion in interesting directions)?
- Is the person willing to interact with classmates by asking questions or challenging conclusions in a courteous manner?

You're not required to contribute to each and every class session. You are required to make good contributions in multiple class sessions in order to earn a good grade for your class participation; you'll need to make good contributions consistently over the semester in order to earn an A. Some of the best contributors in the past have been those who participated in only some sessions, but their contributions were truly insightful and persuasive—the issue is one of quality, not quantity. There may also be some in-class activities, such as impromptu group presentations, which will count toward the class participation grade.

Since so much of the learning in this class takes place through discussion and debate, attendance is necessary to your success—it's impossible either to contribute or to benefit from others if you're not in class. On the other hand, perfect but passive attendance is not sufficient for your success or a good grade in participation.

Here's a general idea of how I plan to grade your class participation over the course of the semester:

- **Outstanding Contributor:** Contributions to large-group discussions reflect thorough preparation. Ideas offered are usually substantive, provide good insights and sometimes change the direction of the class for the better. Arguments, when presented, are generally well substantiated and often persuasive. If this person were not a member of the class, the quality of the large-group discussions would be diminished significantly. In addition to exceptional large-group discussion contributions, also actively participates in small-group discussions.
- **Good Contributor:** Contributions to large-group discussions reflect satisfactory preparation. Ideas offered are usually substantive, generally provide useful insights, and occasionally offer a new direction for the discussion. Arguments, if presented, are reasonably well substantiated. If this person were not a member of the class, the quality of the large-group discussions would be diminished. In addition to satisfactory large-group discussion contributions, also offers comments in small-group discussions.

- **Marginal Contributor:** Contributions to large-group discussions reflect some minimal preparation. Ideas offered are occasionally substantive but seldom provide clear insights or new directions for the discussion. Arguments may be occasionally presented but are generally not well substantiated. If this person were not a member of the class, the quality of the large-group discussions would be diminished only slightly. This grade is warranted for those who participate only in small-group activities with no large-group contributions.
- **Non-participant:** This person has maintained attendance to some extent but has said little or nothing in class; hence there is no adequate basis for evaluation. If this person were not a member of the class, the quality of the discussions would be unchanged.
- **Disruptive Contributor:** If present in class at all, contributions to discussions reflect inadequate preparation. Ideas offered are rarely substantive, provide few, if any, insights and never offer a constructive direction. Integrative comments and effective arguments are absent. At best, contributions are obscure, confused, and indicate a lack of familiarity with the facts of the issues under discussion. At worst, comments demonstrate disrespect for others. If this person were not a member of class, valuable airtime would be saved.

Peer Evaluation of In-Group Participation (30 Points):

You will receive evaluations from your peers in your assigned group. To help evaluate the members of your group throughout the semester, you will be asked to complete a peer evaluation form twice. Your evaluation should be based upon your peers' contribution in the completion of group cases and project and their performance in group-based class activities. To ensure confidentiality of peer evaluations, you will receive one combined score (out of 100 possible points) for the peer and instructor evaluations of your participation, and you will not be allowed to review the peer evaluation forms provided by your group members. The criterion your peers will use to evaluate you is as follows:

- **Outstanding Contributor ±:** This person is thoroughly prepared for our group work. Ideas offered are usually substantive, provide good insights and sometimes also provide direction for our group. If this person were not a member of our group, the quality of our work would be diminished significantly.
- **Good Contributor ±:** This person is generally well prepared for our group work. Ideas offered are usually substantive, generally provide useful insights, and occasionally offer a new direction for our group to consider. If this person were not a member of our group, the quality of our work would be diminished.
- **Marginal Contributor ±:** This person's preparation for our group work is minimal. Ideas offered are occasionally substantive, but seldom provide clear insights or offer new directions for our group to consider. If this person were not a member of our group, the quality of our work would be diminished only slightly if at all.
- **Non-participant:** This person has attended our group meetings, but has contributed little or nothing to date. If this person were not a member of our group, the quality of our work would be unchanged.
- **Disruptive Contributor:** This person's preparation for our group work is inadequate. Ideas offered are rarely substantive; provide few, if any, insights; and never offer a constructive direction for our group to consider. Contributions are generally obscure, confused, and indicate a lack of familiarity with the facts of the case under discussion. If this person were not a member of our group, valuable time would be saved.

Other Course Policies

Missing classes, exams and presentations

Please make every effort to attend classes. Unexcused absences will adversely affect your participation grade. If you miss a class when there is a homework assignment due for whichever reason, you are responsible for getting your assignment to me no later than the beginning of our class meeting, in one of three ways, i.e., handing it in via email, delivering your assignment to my office, or asking your classmates to bring it to class for you. Late submissions will not be accepted.

There is no makeup exam for the midterm. If you miss the midterm exam for a valid excuse, the instructor will use your final exam grade to assign a weighted percentage grade to the missed midterm exam. If you have to miss a group project presentation, you are responsible for making sure your group delivers a complete presentation. If your reason to miss the presentation is a valid excuse, you will receive the average grade for your group.

Valid excuses include illness, family emergency, court duty, religious holidays, university-sponsored trips, and out-of-town job interviews. Independent documentation may be required. On a case-by-case

basis, the instructor will make exceptions for some other unusual circumstances. Students are encouraged to communicate with the instructor regarding any absences or other difficulties that may arise.

Grade record and grading disputes

Your official grade record will be maintained on Blackboard. While the graders and the instructor make every effort to grade your work accurately, grading errors occur. Students with questions about grades should contact the instructor. If re-grading is requested, the paper or exam will be re-graded in its entirety such that all grading errors will be corrected. Grading errors can occur both ways. As a result, your grade may go up or down after the re-grading. To request re-grading, you must submit a written request to me within one week from the session in which the assignment is first returned to students. The request must be accompanied by the graded original and must state the area of dispute, your recommendation for change in grade, and an explanation or justification for your recommendation.

Classroom etiquette

Please make every effort to get to class on time. Once class has started you are expected to remain in the classroom until the end of our meeting time. Leaving and reentering the room should be strictly limited to emergencies. Please do not conduct side conversations during class time. Cell phones, pagers, PDAs, laptops and other electronic devices should be turned off and stowed during class.

Getting help or clarification of information

To succeed in this course, you need to invest a significant amount of time and energy. If at any time you feel you are investing the required time and energy but are not learning the materials or improving your skills, contact me and I will do my best to help you and to suggest additional resources and options. If you have questions or concerns that you believe can be handled via e-mail, feel free to contact me or the teaching assistant that way. We will make every effort to reply to e-mails no later than the end of the next business day. If your questions or concerns are relevant to others in the class, I may respond to an e-mail by indicating that relevant information is available on the course website. If I cannot adequately address your question via e-mail, I will ask you to come to my regular office hours or make an appointment.

Academic Integrity

This course and its associated coursework are being administered under the policies of the University of Illinois at Chicago (UIC) College of Business Administration Honor Code. All students are expected to respect and uphold this code. As a student, you should maintain the highest moral and ethical standards in all academic and business endeavors and to conduct yourself honorably as a responsible member of the college academic community. This includes the following:

- Not to seek unfair advantage over other students, including, but not limited to giving or receiving unauthorized aid during completion of academic requirements
- To represent fact and self truthfully at all times;
- To respect the property and personal rights of all members of the academic community.

Violations of the Honor Code are just causes for discipline under the University of Illinois at Chicago Student Disciplinary Policy, and all allegations of Honor Code violations shall be handled pursuant to the Policy.

ACTG 493 – Accounting Cases, Research and Analysis

Course Schedule

(Tentative, subject to change as the semester progresses)

Session	Date	Topics	Readings	Cases and Homework Due
Module 1. Regulation and Accounting				
1	Tue Aug-28	Course introduction		
2	Thu Aug-30	Regulation of capital markets; the SEC	<ul style="list-style-type: none"> • Market failures • Wall Street crash of 1929 • The SEC 	
3	Tue Sep-4	Regulation of accounting standards; the FASB	<ul style="list-style-type: none"> • Political economy of accounting standards • Facts about FASB 	
4	Thu Sep-6	Regulation of accounting standards; international convergence	<ul style="list-style-type: none"> • International convergence of accounting standards • IASB: who we are and what we do 	Individual assignment #1
5	Tue Sep-11	Regulation of auditing; the Sarbanes-Oxley Act	<ul style="list-style-type: none"> • Summary of the Sarbanes-Oxley Act • About the PCAOB 	
6	Thu Sep-13	Accounting information and capital markets	<ul style="list-style-type: none"> • Bernard and Thomas (1990) 	Individual assignment #2
Module 2. Applied Professional Research in Accounting: Principles and Methods				
7	Tue Sep-18	The conceptual framework and accounting standard-setting	<ul style="list-style-type: none"> • FASB Statement of Financial Accounting Concepts No. 8 • Allee, Maines, and Wood (2008) 	
8	Thu Sep-20	The conceptual framework	<ul style="list-style-type: none"> • FASB Statement of Financial Accounting Concepts No. 6 • FASB Statement of Financial Accounting Concepts No. 5 • Guay, Kothari, and Sloan (2003) 	
9	Tue Sep-25	Introduction to applied accounting research		Individual assignment #3
10	Thu Sep-27	Introduction to the FASB Codification	<ul style="list-style-type: none"> • CPW: Chapter 1 	

Session	Date	Topics	Readings	Cases and Homework Due
11	Tue Oct-2	Applied research using the Codification	<ul style="list-style-type: none"> • CPW: Chapter 1 	
12	Thu Oct-4	Earnings management and financial restatements	<ul style="list-style-type: none"> • Levitt (1998): The Numbers Game • GAO: Financial Restatements 	Individual assignment #4
13	Tue Oct-9	Other research resources	<ul style="list-style-type: none"> • CPW: Chapter 3 	
14	Thu Oct-11	Introduction to audit research; PCAOB and auditors	<ul style="list-style-type: none"> • PCAOB inspection of Ernst & Young • PCAOB settlement with Ernst & Young 	Individual assignment #5
15	Tue Oct-13	Group project 1 presentation; midterm review		Project 1 report
16	Thu Oct-18	Midterm exam		
Module 3. Applied Professional Research in Accounting: Select Topics				
17	Tue Oct-23	Revenue recognition	<ul style="list-style-type: none"> • FASB Accounting Standards Update No. 2009-13 • New GAAP for multiple deliverables 	
18	Thu Oct-25	Revenue recognition	<ul style="list-style-type: none"> • CPW: Nortel 	Group case #1
19	Tue Oct-30	Revenue recognition	<ul style="list-style-type: none"> • Groupon Form S-1 • SEC letter to Groupon • Groupon forced to revise results 	Individual assignment #6
20	Thu Nov-1	Introduction to tax research		
21	Tue Nov-6	Special purpose entities and securitization	<ul style="list-style-type: none"> • Accounting for special purpose entities revisited: FIN 46(R) • Securitization: a platform to debate accounting 	Individual assignment #7
22	Thu Nov-8	Securitization and deferred taxes	<ul style="list-style-type: none"> • CPW: E*Trade 	Group case #2
23	Tue Nov-13	Options backdating	<ul style="list-style-type: none"> • Lie (2005) • CPW: Sycamore 	Group case #3

Session	Date	Topics	Readings	Cases and Homework Due
Module 4. Current Issues in Accounting Standard Setting				
24	Thu Nov-15	Principle- and rules-based accounting; lease accounting	<ul style="list-style-type: none"> Defining Principles-Based Accounting Standards 	
25	Tue Nov-20	Lease accounting; course review	<ul style="list-style-type: none"> FASB in Focus: Exposure Draft—leases 	Individual assignment #8
26	Thu Nov-22	Thanksgiving;		
27	Tue Nov-27	Group project 2 presentation		Project 2 report
28	Thu Nov-29	Fair value accounting	<ul style="list-style-type: none"> SFAS 159 Fair Value Option: CPAs at a crossroad? 	
29	Tue Dec-4	Fair value accounting	<ul style="list-style-type: none"> CPW: Mesa Building Products 	Group case #4
30	Thu Dec-6	Fair value accounting and the recent financial crisis	<ul style="list-style-type: none"> Fair value caused the crisis Herz: Lessons Learned, Relearned, and Relearned Again from the Global Financial Crisis—Accounting and Beyond 	
31	TBA	Final exam		