

UGBA 102A-LEC001

Introduction to Financial Accounting (Fall 2022)

Course Syllabus

1 Instructor & Class Information

Instructor: Professor Biwen Zhang

Email: biwen.zhang@haas.berkeley.edu

Class Dates: Monday, Wednesday

Class Time: 12:30 pm - 2:00 pm

Classroom: Cheit C230

GSI: Felipe Bosselin

GSI Email: fbosselin@berkeley.edu

GSI Review Date & Time: Friday, 8 - 9 am and 9 am - 10 am

Office Hours Zoom Link: <https://berkeley.zoom.us/j/93517421050>

Office Hours:

- Biwen Zhang : 3 - 5 pm, Wednesday
- Felipe Bosselin: 3 - 4 pm, Thursday; 10 - 11 am, Friday
- Wei Zheng: 10 - 11 am, Monday; 4 - 5 pm, Tuesday

2 Course Description & Objectives

This course provides an introduction to the principles of financial reporting. The goal of this class is **not** to train you to be an accountant. Rather, this class is intended to train you into an informed user of financial statements. I assume no prior knowledge of accounting, and I designed the course accordingly. I will constantly draw insights from real business anecdotes to contextualize the accounting concepts and the corresponding capital markets implications.

Accounting is an information system that maps a firm's economic activities into specific accounting numbers. For the first half of the class, we will focus on understanding how each business transaction impacts specific accounting numbers. In the second half of the class, you will develop the ability to analyze a firm's operation and business strategy based on its financial statements. I will also occasionally introduce seminal finance or accounting research to highlight (i) how managers' incentives distort the mapping process between real business transactions and accounting numbers and (ii) the investment value of certain accounting numbers.

Specifically, by the end of this course, you will

- Understand the logic structure that maps business transactions into accounting numbers
- Be able to prepare a set of financial statements (*i.e., speak the language of accounting*)
- Be able to analyze financial statements
- Be aware of the limitations of financial statement data

3 Course Materials

- **Textbook:** *Financial Accounting, by Libby, Libby, and Hodge, 10th edition, McGraw-Hill. ISBN: 9781259964947.*
- All the reading assignments are based on the 10th edition of the textbook. A different version of the textbook will result in some difficulty in identifying the relevant reading assignments.
- A calculator
- All the lecture notes will be available on bCourse
- Create a Kahoot account (<https://kahoot.com>) and download the application into your cell-phone. During class, we will frequently use Kahoot games to solidify your understanding of the relevant concepts.

4 Grading

The course grade is determined by the following components:

| | |
|---|-----|
| Constructive Contribution | 5% |
| Team Case Project | 5% |
| Homework Assignments (Lowest grade dropped) | 5% |
| Midterm Exam | 30% |
| Final Exam | 55% |

The details of each component are discussed below.

4.1 Constructive Contribution

The constructive contribution portion of the grade is **NOT** narrowly geared towards in-class discussions. Instead, it is intended to encourage (i) all students to contribute to the learning environment and (ii) all students to show respect for the class and other students. Disruptive behavior, including (but are not limited to) entering, leaving, texting, or disturbing others during class, will negatively impact the constructive contribution portion of the grade. If, due to unforeseen emergencies, a student has to arrive late or leave early during class, please refrain from disrupting the class. Egregious behavior including but not limited to repeated conversing with other students during lectures

and/or repeated being late for classes will lead to a zero or negative participation credit.

Specifically, the constructive contribution portion of the grade is based on:

- A positive attitude that **contributes to the learning environment of the class** (e.g., showing excitement about the topics and respect for the class and other students)
- Helping other students
- **Quality and thoughtful** contributions shared in class, **made with thoughts and preparation prior to class meetings**.
- Sharing with the class accounting-related stories.

4.2 Case Study

Towards the end of the semester, you should work with your team to analyze a case. You are expected to purchase the case from HBR store (<https://store.hbr.org/case-studies/>), and the case should cost less than \$10.

To better prepare for your team case project, you are encouraged to form a team **as early as possible**. Please form a group with only students from the same section, i.e., students enrolled in UGBA 102A-LEC001 to ensure comparability of grades among students. Due to fairness concerns, a team cannot have more than **five** team members. If, due to unforeseen circumstances, a student has to form a team of more than five members, please send me an email, along with the justification, for approval. To create a fair environment for all students, the grade of large teams, i.e., teams consisting of over five members, will be subject to an above-20% discount. A team of fewer than five members or even going solo is automatically approved.

We will discuss the case in class on November 28, 2022. The case is due on November 27, 2022. **No extensions are possible.**

4.3 Homework Assignments

The homework assignments are designed to solidify your understanding of the course materials and will be graded based on completeness. You can collaborate with other students in completing the assignments. However, please submit your assignment individually, instead of as a group. Please identify the names of other students who you have collaborated with in your submission. If, due to unforeseen emergencies, a student is experiencing significant difficulties in submitting the assignment by the deadline, **please direct all the homework extension requests to Felipe Bosselin**. See the details about the assignments and corresponding due dates in A.2.

4.4 Midterm & Final Exam

Note that the schedule of the final exam is decided by the university based on the day and time a class is offered. **It is important that students do not enroll in another class that is offered at the same time as this class. Such scheduling conflicts will lead to a conflict of scheduling for the final exams.** The final exam is cumulative. No make-up exams are possible. If necessary, we

will use **Honorlock** or other software of a similar nature to proctor the exams to ensure fairness among all students.

5 Course Structure

The class will meet three times per week on Monday, Wednesday, and Friday. The regular classes, held on Monday and Wednesday, will be led by Professor Biwen Zhang. During the regular class, a combination of lectures, discussions, and in-class practice problems will be used. We will also constantly make references to real-world business events to illustrate the accounting concepts and the corresponding capital markets implications. Occasionally, I will also introduce the highlights of some seminal accounting and finance research, with an emphasis on the investment value of accounting information and managerial incentives in the preparation of financial statements.

There is also a weekly review session (Friday) led by the graduate student instructor (GSI), i.e., Felipe Bosselin. During these sessions, Felipe Bosselin will discuss solutions to assigned class exercises. The review sessions will not cover new materials, and are optional. That being said, you are strongly encouraged to attend the review sessions to solidify your understanding of the relevant concepts. See the exercises assigned to each review session from A.3.

6 Class Preparations & Questions about Class Content

Before the class, you should read the corresponding reading assignments and think about the questions I raised in the Topic Overviews. See the details of reading assignments in A.1. See the Topic Overviews from bCourse.

After the class, it is inevitable that you have questions about the class content. For each topic and each assignment, we will create a discussion board where you can ask questions about each topic and each assignment. You are encouraged to answer questions raised by your classmates. Felipe Bosselin and I will answer your questions within two days of its posting.

Due to fairness concerns, I will refrain from answering questions via emails, as such correspondences benefit only a small number of students. Please direct all generic questions regarding course materials to bCourse, where **all** students can benefit from the answers.

The office hours are also a good source for you, as you might have questions regarding the class, accounting in general, accounting research, or your career.

7 Academic Integrity

The student community at UC Berkeley have collectively adopted the following Honor Code to support an environment of academic integrity and respect on campus. “As a member of the UC Berkeley community, I act with honesty, integrity, and respect for others.” I expect all of you to comply with the Honor code at all times and under all circumstances.

Also, the following norms were developed by former UC Berkeley students for everyone's benefit to improve the learning environment.

- **Prompt:** Arrive on time at the beginning of class and after breaks
- **Present:** Do not leave during class unless a personal emergency arises. Scheduled breaks, when provided, can be used to take care of personal needs.
- **Focus:** Refrain from being distracted by laptops. The virtual lecturing will for sure negatively impact your learning experience. Thus, it is particularly important now to focus on the lectures to maintain an effective environment
- **Inclusive** Step up in class discussions to ensure that a wide variety of voices and perspectives are heard; encourage classmates to do the same.

8 Statement for Students with Disabilities

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to the program office) as early in the semester as possible.

A.1 Class Schedule & Assignment Dates

The class schedule is drafted based on my best estimates of the flow of the class. As it is more important for you to fully comprehend the class content than we dutifully follow the schedule, it is likely that the actual class schedule will be slightly different from the schedule below.

| Date | Topic | Reading Assignments |
|------------|---|--|
| 8/24/2022 | Orientation & Overview of Financial Accounting | NA |
| 8/29/2022 | The Balance Sheet and Double Entry | Chapter 2 & pp. 111-116(How are Operating Activities Recognized and Measured), pp. 6-8 (The Balance Sheet) |
| 8/31/2022 | | |
| 9/5/2022 | No class (Labor Day) | |
| 9/7/2022 | Balance Sheet and Double Entry (Cont.) | |
| 9/12/2022 | Balance Sheet and Double Entry (Cont.) & Income Statement | |
| 9/14/2022 | Career Panel | |
| 9/19/2022 | The Income Statement | Chapter 3 & pp. 186-187 (Income Statement), pp. 9-10 (Income Statement) |
| 9/21/2022 | | |
| 9/26/2022 | Adjustment Entry | Chapter 4 (Skip pp.187-189) |
| 9/28/2022 | | |
| 10/3/2022 | Statement of Cash Flows | Chapter 12 & pp. 13-16 (Statement of Cash Flows) & 304-305 (Focus on Cash Flows) & 187 (Focus on Cash Flows) & 72-73(Focus on Cash Flows) & 577-582 (Dividends on Common Stock) |
| 10/5/2022 | | |
| 10/10/2022 | Midterm Review | |
| 10/12/2022 | Midterm Exam | |
| 10/17/2022 | Statement of Cash Flows (Cont.) | |
| 10/19/2022 | Statement of Cash Flows (Cont.) & Accounts Receivable | skim "Accounting for Net Sales Revenue", pp.290-295; read the remaining chapter 6. |
| 10/24/2022 | Accounts Receivable | |
| 10/26/2022 | | |
| 10/31/2022 | Inventories of Cost of Goods Sold | Chapter 7, skip 359-364 (Inventory Method and Financial Statement Analysis & Control of Inventory) |
| 11/2/2022 | | |
| 11/7/2022 | | |
| 11/9/2022 | Ratio Analysis | pp. 129- 130 (Chapter 3, Key Ratio Analysis, Net Profit Margin), pp.189-190 (Key Ratio Analysis, Total Asset Turnover Ratio), pp.249-250 (Chapter 5, Key Ratio Analysis: Gross Profit Margin), pp.255-260 (Chapter 5, Key Ratio Analysis: Return on Assets (ROA), pp.472 (Chapter 9, Key Ratio Analysis, Accounts Payable Turnover), pp.538-539 (Chapter 10, Key Ratio Analysis Debt-to-Equity), Chapter 13, slides for Ratio Analysis |
| 11/14/2022 | | |
| 11/16/2022 | Long Lived Assets and Intangible Assets | Chapter 8 (Reporting and Interpreting Property, Plant, and Equipment: Intangibles; and Natural Resources), skim units-of-production and declining-balance. (pp.411-413) |
| 11/21/2022 | | |
| 11/23/2022 | No class (Thanksgiving Break) | |
| 11/28/2022 | Case Analysis | NA |
| 11/30/2022 | | |
| | Final Exam | 11:30 - 2:30 pm, December 16th, 2022 |

A.2 Assignment Due Dates

| Assignment | Exercises | Due Dates |
|---------------|--|---------------------|
| HW1 | E2-15, E2-16, CP2-4, CP2-6 | 9/19/2022 (Monday) |
| HW2 | AP3-2, AP3-4 (Ignore q4 & 5), CON3-1 (Ignore q3) | 10/21/2022 (Friday) |
| HW3 | CP6-3 , E12-9, E12-18 | 10/31/2022 (Monday) |
| HW4 | E6-19, E7-5, CP7-1 | 11/14/2022 (Monday) |
| HW5 | E8-1, E8-3, E8-17 | 11/27/2022 (Sunday) |
| Case Analysis | NA | 11/27/2022 (Sunday) |

A.3 Review Sessions

| Week | Date | Topic | Review Exercises |
|------|------------|--|--|
| 1 | 8/26/2022 | No review sessions | |
| 2 | 9/2/2022 | Balance Sheet | E2-3,E2-4, E2-5, E2-6, P2-1 |
| 3 | 9/9/2022 | Balance Sheet (cont.) | E2-9, E2-10, E2-11, E2-12, CP2-2 (ignore q2, q5) |
| 4 | 9/16/2022 | Income Statement | E1-9, P1-3, AP1-3 (ignore q4), CP1-1, CP1-2 |
| 5 | 9/23/2022 | Income Statement (cont.) and Adjustment Entries | E3-13, E3-14, AP 3-6 (ignore q4), COMP 3-1, E4-19 (ignore q1), AP4-4 |
| 6 | 9/30/2022 | Statement of Cash Flows | E12-2, E12-3, E12-4, E12-5 |
| 7 | 10/7/2022 | Statement of Cash Flows (cont.) and Midterm Review | Mid-term Review - Go over review questions of midterm exam |
| 8 | 10/14/2022 | Midterm Week - No Class | |
| 9 | 10/21/2022 | Accounts Receivables | E6-10, E6-11, E6-22, E6-25, CP6-1 |
| 10 | 10/28/2022 | Accounts Receivables (cont.) | E6-24, E6-13, P6-2, AP6-3 |
| 11 | 11/4/2022 | Inventories of Cost of Goods Sold | E7-13, E7-17, AP7-2, CP7-2 |
| 12 | 11/11/2022 | No class (Veterans Day) | E13-3, E13-7, P13-4, P13-9, AP13-4, CON13-1 |
| 13 | 11/18/2022 | Long Lived Assets | P8-2, P8-6, P9-11, P9-15, E9-8 |
| 14 | 11/25/2022 | No class (Thanksgiving Break) | E8-12, E8-16, E9-7 |
| 15 | 12/2/2022 | Case Analysis Week | Office Hour, No assigned exercises |