

## Financial Accounting Concepts and Research ACC 356 – Fall 2018

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**Office Hours:** Tuesday 2.45-3.45pm, Wednesday 4:15-5.15pm, and other times by appointment.

**Class Hours:** 02480: T/Th 11.00-12:30 pm in GSB 2.120

02485: T/Th 12.30-2:00 pm in GSB 2.120

**Teaching Assistant:** Cassie Mongold and Laura Kettell

TA Contact Information and Office Hours will be posted on Canvas

### Course Summary and Objectives

ACC 356 is the first in a three-course sequence of upper division/graduate financial accounting courses in the integrated MPA program. The main objective of this course is to give you a foundation in accounting concepts that prepares you for the two following financial accounting courses, which cover more advanced accounting topics (380K.1 and 380K.2).

The course is divided into three parts. The first part deals with the **definition** and **recognition** of *balance sheet* elements. In this part of the course, we will introduce the definition of assets, liabilities, and equity using the Financial Accounting Standards Board's (FASB) Conceptual Framework. We will then explore whether and when certain balance statement elements should be recognized on a conceptual basis. Finally, we will study actual accounting standards under US GAAP and IFRS related to the recognition of these financial statement elements.

The second part of the course focuses on the **definition** and **recognition** of *income statement* elements, with a particular focus on revenue. As before, we will explore when and how revenue should be recognized on a conceptual basis. Finally, we will study actual accounting standards under US GAAP and IFRS related to revenue recognition.

The last part of the course addresses issues related to **measurement**. Financial statement elements can be measured in a variety of ways. We will define various measurement attributes, examine the advantages and disadvantages involved in their application, and study actual accounting standards under US GAAP and IFRS that address the measurement of financial statement elements.

Almost all controversial issues in financial accounting can be reduced to disputes over **recognition** and **measurement**. After completing this class, you will leave with a *framework for thinking about accounting* that can be used to analyze virtually any financial reporting issue.

### Required Course Materials

1. **Course Packet** – contains reading assignments, technical notes, in-class discussion questions, questions from the reading assignments, and practice questions. This is an invaluable resource for the course. You can download and print your copy (for free) from Canvas.
2. **Financial calculator** – A calculator with time value of money capabilities is required.

*There is no expensive textbook required!*

The course packet and other materials are the intellectual property of the professors teaching this course and are given to you, for free, on an individual basis only. You may not, in anyway, share, distribute or post electronic, hardcopy or other versions of the class materials with other people or on websites or other avenues of social media without explicit permission from the professor. Posting or sharing materials, or even snippets of materials, will be considered a violation of our University's Academic Policies for all parties involved.

### **Recording Class**

Recording all or any part of class without explicit written permission from the professor is strictly prohibited. Violations will constitute a violation of the academic integrity policies of our University and may lead to a failing grade in this class and legal prosecution. If you need to record the class, please email me to seek permission at least a week in advance and include details about the date, topics, individuals involved, and a clear explanation of the reasons for this need.

### **Performance Evaluation**

Course grades are determined by the following assessments.

<b><u>Component</u></b>	<b><u>Percent</u></b>
Class Participation and Quizzes	5.0%
Discussion Questions	16.0%
Case 1	10.0%
Case 2	14.0%
Individual project	15.0%
Test 1	20.0%
Test 2	20.0%
Total	100.0%

***Class Participation and Quizzes*** – Attendance is required. Students who miss more than two classes will likely get lower than a B. As your absence can detract from the learning experience of others, if you will miss part of or a whole class, please post to our Discussion Board before (or after) class when this occurs. The post can include an apology to your classmates, if sincere, and can include whatever information you believe is both personally and professionally prudent. If, for any reason, you are uncomfortable posting the circumstance to the class, you may email me in private. The benefits of attending class should be obvious; however, in the event that they are not, the following information might be useful: based on prior year data, students who missed more than a few classes received a B- or lower. That is, whether or not there is an attendance requirement, missing 2 or more classes is the perfect path for students looking to maintain a GPA well below 3.0.

This small portion of the grade represents your contributions to the professional learning environment inside the classroom. A student who asks good questions; proposes wrong, but relevant, answers; provides correct responses; or offers points related to the class discussion on a consistent basis, such as once a class, and refrains from missing class or disruptive behavior will score well on this component. In addition, good questions, answers or relevant points posted to the Discussion Board will be considered in this component of the grade, but the main emphasis is on classroom participation.

In addition, to give you an incentive to complete the assigned readings for each session, numerous short quizzes will be given on an unannounced basis at the beginning of various sessions throughout the course. Quiz material will cover the basic concepts from these readings and should not be used as a guide for the tests. In-class quizzes will occur at the **beginning** of class, **so arrive on time if you want to take the quiz**. No makeup quizzes will be given, but I will consider allowing all students to drop a quiz at the end of the semester. You must attend your official section to get credit for a quiz.

***In Class Discussion Questions*** – For certain sessions, we will have questions that we will discuss as a class. To encourage you to think about these questions before class, you are required to upload written answers to these questions on Canvas the night before the day they are assigned. You will need to pair up with one person (and change partner across the submissions) to complete some of these questions. Therefore, these exercises provide an opportunity to learn from and work with your classmates. Answers should be typed and should be a maximum of two pages – 1 page is preferred for most. The document should be professional by all normal standards and will be analyzed with plagiarism software. Your grade will be based upon effort given and the thoughtfulness of your responses.

***Cases*** – There will be two written cases graded on the quality and accuracy of your answers. Cases will be completed in small groups. To help reinforce concepts presented in the course, the cases will involve a degree of independent research on your part. Learning is doing, and thus you may have to “dig” a little to answer the questions posed in the case assignments. No specific questions as to the application of the material on the case will be answered during office hours or via email. Questions that clarify the case questions may be posted on Canvas Discussion Board (questions should not be emailed, but posted to ensure access is granted to all students). Your discussions and conclusions for the case should be limited to your group members only. *No cases will be dropped, and no late assignments will be accepted.* The due dates for the cases are noted on the course schedule.

***Individual Project*** – There will be a comprehensive **individual** project for which the final product will be due at the end of the semester. However, this project will involve multiple deliverables throughout the semester, including one within the first week of class. The purpose of this project is twofold: 1) as a way for you to see the connection between the various topics we cover throughout the semester, and 2) a way for you to directly observe how much you have learned over the course of the semester.

***Tests*** – There will be two tests. The dates and times are provided in the course schedule provided within the syllabus. These dates are set and will not change, except if the University officially closes on one of these days (which is an extremely unlikely event). You must notify me of any University of Texas at Austin exam or class conflicts before **Friday, September 7<sup>th</sup>**. Work, club, organization, interviews or other conflicts are not sufficient reasons to miss the regularly scheduled test. You are required by the MPA program to tell potential employers that they will need to reschedule dinners or interviews around tests and inform the program of any issues.

## **Grading**

We will use plus/minus grading (A, A-, B+, B, B-, C+, etc.) for this class. Consistent with the **MPA Program** GPA guidelines, we will strive for an average GPA across all ACC 356 students of **3.2-3.4**. To be clear, this is only a general guide and lower grades such as Cs, Ds, and Fs are possible for underperformance and/or any academic integrity issues.

The final distribution of letter grades is determined at the end of the semester. This means that numerical scores on specific assignments do not correspond to a particular letter grade prior to the end of the semester. Final grades are determined by summing up all pieces, then ranking all students and then following the class distribution. Some areas of the distribution may be very tight. This means that

it is mathematically unavoidable that some students with similar grades do not get the exact same final letter grades. Ultimately, someone must fall at each “break point” that means that someone gets the lowest of one grade (for example, the lowest A-) and someone else, with similar grades, gets the highest of the next letter grade (for example, the highest B+). The class’s distribution dictates the percentage of each of the letter grades. That is, you and your classmates’ performance, more than I, determine your final letter grade.

**Grading Questions or Appeals** – If you feel a grading error exists on any of the above grade components, you will have **72 hours** from the date the grade is posted on Canvas to take such action and have the matter resolved. **After this time there will be no adjustments to your grade for any reason whatsoever.** Students may not ask for exclusive extra credit or grade changes at the end of the semester. This is unprofessional and requesting specific treatment violates our University’s academic goals. Moreover, challenging the grades, points, allocation or policies after the semester has begun is unprofessional and may result in a lower final grade as it signifies a departure from the expectations of the class. Constructive comments are warmly welcomed as long as they are made by the first day of class.

**Guidelines** – A main benefit of being accepted into a top-ranked MPA program like ours is that you are surrounded by excellent students. The fact that there are many top-quality students means it could be harder to achieve the same grades as you did in high school, in your first years at UT or even in your previous accounting classes, which are much easier than this one. This class offers a great opportunity to focus on mastering the material and away from a myopic focus on a GPA. The reason for this is that the knowledge will stick with you and assist you in your careers long after anyone cares about your GPA. In addition, true mastery will enable you to perform well on tests without wasting your time cramming. On this, here are some general guidelines on the grades in the class:

**A:**

- An A student always reads the course packet and any conceptual statements or accounting standards before class. When reading, the student takes an active approach, summarizes the points and notes his or her comments. The A student discusses the reading with another classmate before class and works on both explaining the material and listening to the classmate’s explanation.
- The A student always comes to class prepared and both asks questions and provides answers as needed. The A student takes accountability for his or her learning, approaches learning like an adult and knows that active learning, including putting forth answers that he or she is not entirely sure of, is a great way to master the material.
- The A student always does the practice questions the day of or right after class. The student discusses these with another student and works on talking about the why behind his or her response. The student makes use of the Discussion Board to address any questions that he or she has.
- The A student always completes any required assignments before they are due, offers constructive feedback in his or her Discussion Question pairs, and is a responsible team leader who works very well with others on the cases.
- An A student generally relaxes before the test, gets a good night of sleep as he or she knows that learning cannot occur at the last minute, but that EVERYTHING meaningful that humans have ever excelled at (whether sports, business, relationships, art, performance, music, hobbies, fitness, etc.) required a commitment over time. For example, the A student knows that ignoring the day-to-day and only cramming for a test is as silly as trying to do a marathon by never running until he or she runs 5 marathons two days before the big race.

An A student completely understands that there is little to no relationship between cramming and solid performance in any class that involves real learning.

**B:** A B student follows most of the steps noted above on most days, but occasionally misses.

**C:** A C student only occasionally follows the steps above. Using historical data as a predictor, students who miss two or more classes should expect to receive a C or lower.

**D:** A D student basically ignores these steps or is otherwise unprofessional and uninterested in the McCombs community or his or her learning.

### **Canvas and E-mail**

**Canvas.** I will use Canvas to post important course materials, lecture notes, and announcements. You can log on to Canvas at <http://canvas.utexas.edu/>. I will post the syllabus on Canvas. I will also post solutions to practice questions for each class session. *I will make course announcements periodically through Canvas, so it is important that you have an active e-mail address with the University.*

**E-mail.** I encourage you to communicate with me on personal matters by e-mail ([sara.toynbee@mcombs.utexas.edu](mailto:sara.toynbee@mcombs.utexas.edu)). You are responsible for addressing any issues you have during the semester. Non-personal questions must be posted on the Canvas Discussion Board.

### **Professional Conduct**

The MPA program at Texas is one of the most highly regarded accounting programs in the country. In order to preserve our reputation, our students must maintain a high standard of professionalism at all times. Professional conduct, as it relates to this class, involves:

1. Arriving to class on time
2. Attending only the sections for which you are registered
3. Preparing for class in advance
4. Turning off and not using cell phones
5. Not using laptops during class
6. Keeping personal breaks during class to an absolute minimum
7. Attending class to learn, *not merely to take a quiz and leave abruptly*
8. Refraining from side conversations or other disruptive behavior
9. Being respectful toward your fellow peers and the McCombs Faculty

I expect you to behave professionally. In return, you can expect that my TA and I will strive to provide you with the best accounting education possible.

### **Departmental Policy on Scholastic Dishonesty**

*The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the department's Policy Scholastic Dishonesty. By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.*

*Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from*

*the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at <http://deanofstudents.utexas.edu/sjs/> or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.*

### **Application of Departmental Policy to this Course**

One of the faculty responsibilities is “to communicate clearly in writing the instructions for each assignment.” Following are the instructions for each type of assignment in this course.

**Quizzes** – The quizzes are closed book and closed notes. The only materials that are permitted are blank paper, pen or pencil, and a calculator (when necessary). Students are prohibited from using words or formulas that are stored in programmable calculators without the express permission of the instructor. Students who have taken a quiz are prohibited from discussing the quiz with other students. This prohibition applies to any students in **any** sections of this course. Violation of this policy will be treated as an act of scholastic dishonesty.

**In Class Discussion Questions** – In addition to the required involvement of a partner, you can discuss these questions with other classmates or study partners, but each student must turn in his/her original answers and these should not be copy/pasted versions. *I may call on you unexpectedly in class to discuss or explain your responses, so simply copying answers from another student is not wise.*

**Cases** – You are allowed to consult with fellow group members for these assignments and **NO ONE ELSE**. **Copying solutions from any source is not permitted nor is copying and then editing another’s work.** Violation of this policy will be treated as an act of scholastic dishonesty. [On a related note, I am willing to discuss course material with you, but I will not directly apply that material to the case for you in or out of class. The whole point of these cases is for you to practice applying your knowledge to a new situation without my help.]

**Individual Project** – As the name of this project indicates, this project **must** be completed individually although you are permitted to use your course notes to complete the project. Violation of this policy will be treated as an act of scholastic dishonesty.

**Tests** – The tests are closed book and closed notes. The only materials that are permitted are blank paper, pen or pencil, a calculator, if permitted. Students are prohibited from using words or formulas that are stored in programmable calculators without the express permission of the instructor. Students who have taken a test are prohibited from discussing the test with students who have not yet taken the test. This prohibition applies to any students in **any** sections of this course. Violation of this policy will be treated as an act of scholastic dishonesty.

**Under no circumstances should you use any materials (course packets, notes, etc.) obtained from students who have already completed this course. Such usage will constitute scholastic dishonesty for both borrower and lender.**

**Evidence of any act of scholastic dishonesty will be forwarded to the Dean of Students with a recommendation that a grade of “F” be assigned in the course.**

### **Class Sessions and Preparation**

At the end of the syllabus you will see a schedule for each of the 28 class sessions in the semester. This is accounting, so everything is organized. All sessions have a main reading assignment, which are provided in the course packet for your convenience. Certain sessions may also have additional information such as background on a standard or technical notes, usually in the form of bookkeeping

exercises or in-depth illustrations. As described above, to prepare you for in class discussions, some sessions also have “in class discussion questions”, which you are required to think about and write out solutions for ahead of time, which you will turn in *before* the beginning of class. Finally, most sessions will have practice questions that will not be covered in class. These questions are designed to let you practice applying the material covered in class in a challenging way on your own. They should be a great study aid for tests. **Solutions to the questions from readings and practice questions will be available on Canvas.**

## Additional Disclosures

**Website Privacy Disclosure required by the University:** *Password-protected class sites are available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters are a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi00-01/app/appc09.html>*

**Privacy in Canvas:** *Information in Canvas is protected by your UTEID login. Please be aware that I will use a merged Canvas site for all sections of the course that I am teaching this semester. This will allow students in other sections to see that you are enrolled in the course and send you email from within Canvas. However, they will not actually learn your email address and no other personal data will be revealed through Canvas. If you have any concerns, please contact the ITS Help Desk at 475-9400 for help removing your name from view of other students.*

**Religious Holy Day procedures:** By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

**Commitment to students with disabilities:** The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://www.utexas.edu/diversity/ddce/ssd/>

## Campus Safety

Please note the following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety/>:

- Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside.
- Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
- Students requiring assistance in evacuation should inform their instructor in writing during the first week of class.
- In the event of an evacuation, follow the instruction of faculty or class instructors.
- Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.
- Behavior Concerns Advice Line (BCAL): 512-232-5050
- Further information regarding emergency evacuation routes and emergency procedures can be found at: [www.utexas.edu/emergency](http://www.utexas.edu/emergency).

## ACC 356 COURSE SCHEDULE AND ASSESSMENT DUE DATES

	Week	Topic	Assessments due
<b>Part I</b>	1	Session 1 (8/30): Introduction	
	2	Session 2 (9/4): Qualitative Characteristics	9/3: Discussion question I
		Session 3 (9/6): Recognition of balance sheet items - Assets	9/5: Discussion question II
			9/9: Part 1 of individual project
	3	Session 4 (9/11): Recognition of balance sheet items - Liabilities	9/10: Discussion question III
		Session 5 (9/13): Research and development expenditures	
			9/16: Progress report for part 2 of individual project
	4	Session 6 (9/18): Software and acquired intangibles	
		Session 7 (9/20): Contingencies	
	5	Session 8 (9/25): Restructuring obligations	
<b>Part II</b>		Session 9 (9/27): (No class today)	9/27: Test 1 (6:30-8:30pm)
	6	Session 10 (10/2): Test 1 review/Revenue recognition - concepts	10/1: Discussion question IV
		Session 11 (10/4): Revenue recognition - concepts	
			10/7: Case 1 due
	7	Session 12 (10/9): Revenue recognition under ASC 606 – Steps 1 and 2	
		Session 13 (10/11): Revenue recognition under ASC 606 – Step 3	
			10/14: Individual submission for Case 2 (Case 2 groups released)
	8	Session 14 (10/16): Revenue recognition under ASC 606 – Step 4	
		Session 15 (10/18): Revenue recognition under ASC 606 – Step 5	10/17: Discussion question V
	9	Session 16 (10/23): Revenue recognition – bring it all together	10/22: Discussion question VI
		Session 17 (10/25): Complete draft of case 2 in groups	
			10/28: Case 2 due



	Week	Topic	Assessments due
<b>Part III</b>	10	Session 18 (10/30): Case 2 review/Time value of money review Session 19 (11/1): Overview of measurement issues in accounting / Fair value	11/4: Progress report on part 3 of individual project
	11	Session 20 (11/6): Fair value / Financial assets and liabilities Session 21 (11/8): Financial assets and liabilities	11/5: Discussion question VII
	12	Session 22 (11/13): Remeasurement 1: Interest rate changes Session 23 (11/15): Investment securities	11/14: Discussion question VIII
	13	Session 24 (11/20): Remeasurement 2: Cash flow changes	
	14	Session 25 (11/27): Troubled debt restructurings Session 26 (11/29): Impairment of long-lived assets (US GAAP)	12/2: Progress report on part 3 of individual project
	15	Session 27 (12/4): Impairment of long-lived assets (IFRS) Session 28 (12/6): (No class today)	12/6: Test 2 (6:30-8:30pm)
			12/13: Individual project due