

45-700 Financial and Managerial Accounting I

Fall 2016 Mini 1
Sections A-C
Tuesdays and Thursdays
Posner 153

Instructor: Andrew Bird
Email: apmb@andrew.cmu.edu
Office: Posner 238
<http://tepper.instructure.com>

Course Description

This course is the first of two required accounting courses designed to lay the accounting foundation necessary for any MBA student. Accounting is critical because accounting statements are the most common way of communication inside and outside a business entity. This first course introduces students to (1) corporate financial statements and (2) short term managerial decision making tools. By the end of the course, you will have an improved ability to analyze the information content of financial and managerial accounting statements for decision making. To meet this broad objective, you will develop an analytic framework of how accounting statements inform about the underlying operating, investing, and financing activities, grasp the key accounting concepts that underlie common reporting practices, and understand the way in which accounting measures are sensitive to variations in estimates, methods and possible manipulation. The course divides naturally into three related parts. The first introduces the basic bookkeeping model, including the concepts, definitions, and relationships required for a fundamental understanding of the process that produces the balance sheet, income statement, and cash flow statement. The second part introduces basic concepts and tools to account for costs which are useful in informing short-term decisions faced by managers. The third part explicitly considers the strategic nature of financial reporting – the “numbers game”.

Course Material

Textbook:

Financial Accounting for MBAs, 6th Edition, Cambridge Business Publishers, 2015, by Easton, Wild, Halsey and McAnally.

Course Website:

Canvas website (<http://tepper.instructure.com>) contains comprehensive, up-to-date course information, additional reading material, and links to case readings.

Office Hours

By appointment or announced on Canvas.

Course Evaluation and Grading

Case Discussion	20%
Homework Problems	20%
Final Exam	50%
Class Participation	10%

Grades: A 90% guarantees an A, 80% a B and so on. Cutoffs may be adjusted, but only downwards. Plus or minus will be assigned based on natural breaks in the distribution of final grades.

Cases: Each group will prepare written answers to cases and will be asked to participate in class discussion in class. Expect to be cold-called. Teams will be assigned by the instructor on Canvas.

Homework Problems: Verbal collaboration (i.e., talking about the assignment) on homework is allowed and encouraged. However, the submitted assignment should be your own work (do not borrow, copy, or transfer answers or files from anyone else). Make sure you show your effort and make your reasoning clear. Since the homework is evaluated largely on effort, an answer without explanation, even if correct, counts very little towards your grade.

Final: Closed-book, closed laptop or any other wired or wireless devices but open to one sheet (two pages) of self-prepared notes. The final exam will be held in class on October 4. The content will closely reflect the kinds of questions addressed in the cases and individual homework.

Class Participation: Aside from attending class and participating in case discussions, all students are encouraged to participate in and contribute to our class discussions on concepts, techniques, and real-world companies used as class examples. Good citizenship in your group is a part of your class participation.

Recitations: Recitations will take place on Saturdays from 12:00 – 1:30pm in Cooper Auditorium. Homework and additional practice questions will be discussed.

Teaching Assistant

The head teaching assistant for the class is Hyun Hwang (hyunh@andrew.cmu.edu).

Course Policies

You are expected to follow all University and Tepper School rules regarding student conduct.

Tentative Class Schedule

Week 1 (August 30 and September 1)

- Topics
 - Introduction to accounting
 - The financial reporting environment
 - Basic financial statements
- Reading
 - 1-1 to 1-23 (Introduction); 2-1 to 2-20 (Financial Statements)
 - [How to Read a 10-K](#) (SEC)
- Case/Homework Due
 - [Case] Identifying Industries (Thursday in class)
- (Optional) Recitation Session (12:00-1:30pm, Cooper)

Week 2 (September 6 and 8)

- Topics
 - Financial statement linkages
 - Operating activities (revenues and cost of goods sold)
- Reading
 - 2-21 to 2-30 (Financial statement linkages)
 - 5-1 to 5-12 (Revenue Recognition); 6-3 to 6-26 (Accounts Receivable and Inventory); 7-4 to 7-6 (Accounts Payable)
- Case/Homework Due
 - [Case] Cash Flow Statements: three examples (Tuesday)
 - [HW] Financial Statement Articulation
- (Optional) Recitation Session (12:00-1:30pm, Cooper)

Week 3 (September 13 and 15)

- Topics
 - Operating activities (continued)
 - Investing activities
- Reading
 - 6-26 to 6-37 (PPE/Depreciation), 5-12 to 5-19 (R&D etc.); 7-6 to 7-9 (Accrued Liabilities)
- Case/Homework Due
 - [Case] Biovail (Tuesday)
 - [HW] Operating Activities

- (Optional) Recitation Session (12:00-1:30pm, Cooper)

Week 4 (September 20 and 22)

- Topics
 - Investing activities (continued)
 - Financing activities
- Reading
 - 8-1 to 8-19 (Owner Financing)
- Case/Homework Due
 - [HW] Depreciation
 - [HW] Capitalizing vs. Expensing
- (Optional) Recitation Session (12:00-1:30pm, Cooper)

Week 5 (September 27 and September 29)

- Topics
 - Short-term managerial decisions
 - Cost-Volume-Profit analysis
- Reading
 - [Optional] Managerial Accounting by Balakrishnan et al. – Chapter 5
- Case/Homework Due
 - [Case] Precision Worldwide (Tuesday)
 - [HW] Share transactions
 - [HW] CVP Analysis
- (Optional) Recitation Session (12:00-1:30pm, Cooper)

Week 6 (October 4) – Final (in-class)

Week 6.5 (October 6 and October 11)

- Topics
 - The “Numbers Game”
- Reading
 - 5-31 to 5-38 (EPS and Accounting Quality)
- Case/Homework Due
 - [HW] Non-GAAP Earnings
- No Recitation