

BRENNAN SCHOOL OF BUSINESS
DOMINICAN UNIVERSITY
GSB 705 – ADVANCED FINANCIAL ACCOUNTING II
Spring 2017

Dominican University Vision Statement

Dominican University aspires to be a premier, Catholic, comprehensive, teaching university.

Dominican University Mission Statement

As a Sinsinawa Dominican-sponsored institution, Dominican University prepares students to pursue truth, to give compassionate service and to participate in the creation of a more just and humane world.

Dominican University Identity Statement

Dominican University is a distinctively relationship-centered educational community rooted in the liberal arts and sciences. It is known for its rigorous and engaging academic programs, the care and respect with which it mentors students, its enduring commitment to social justice; and the enriching diversity of its students, faculty and staff. Integral to Dominican's success and distinction is the ongoing exploration, clear expression and shared experience of its Catholic Dominican identity.

The Brennan School of Business Mission Statement

The Brennan School of Business provides ethics-centered management education for students who are either entering business professions or continuing their professional development.

Our curriculum provides our students with an enduring foundation in business and leadership skills and an understanding of the best in current business practices resonant with the University's core values of *Caritas et Veritas*.

The Brennan School of Business provides a student-centered learning environment to develop the business skills and appreciation for continuous learning necessary to succeed in a dynamic global economy. Our high quality programs develop ethical, knowledgeable, and technologically competent business professionals. We strive to further the University mission of providing a premier educational experience to students in our undergraduate and graduate programs.

My Understanding of the Department of Accounting Mission

The mission of the Department of Accounting is to provide high-quality, student-centered educational programs for students preparing for professional careers in accounting and seeking prestigious professional certifications like the CPA; to support research and other scholarly activities consistent with these programs; and to perform service activities for the Department, the College of Business, the University, and other organizations consistent with these programs. In addition, our mission includes establishing relationships with outside organizations that support our programs, students, and faculty. Providing introductory and other courses in accounting to non-major students as a service to other departments within the College and University is also fundamental to our mission.

Definition of Academic Integrity

Dominican University has defined academic integrity as follows on page 29 of the 2010-2012 Undergraduate Bulletin:

Academic Integrity Policy

Students of the university must conduct themselves in accordance with the highest standards of academic honesty and integrity. Failure to maintain academic integrity will not be tolerated. The following definitions are provided for understanding and clarity.

Definitions of Plagiarism, Cheating and Academic Dishonesty

Student plagiarism is the deliberate presentation of the writing or thinking of another as the student's own. In written or oral work a student may make fair use of quotations, ideas, images, etc., that appear in others' work only if the student gives appropriate credit to the original authors, thinkers, owners or creators of that work. This includes material found on the Internet and in electronic databases. Cheating entails the use of unauthorized or prohibited aids in accomplishing assigned academic tasks. Obtaining unauthorized help on examinations, using prohibited notes on closed-note examinations, and depending on others for the writing of essays or the creation of other assigned work are all forms of cheating. Academic dishonesty may also include other acts intended to misrepresent the authorship of academic work or to undermine the integrity of the classroom or of grades assigned for academic work. Deliberate acts threatening the integrity of library materials or the smooth operation of laboratories are among possible acts of academic dishonesty.

See the Undergraduate Bulletin for more information.

Avoiding Plagiarism

Avoid plagiarizing by keeping track of the sources you use from the beginning of the research process to the very end. Create a bibliography of your sources and indicate which quotations and ideas come from which source. There are a number of tools (see below) that can help you with this automatically, or you can simply keep a list by printing, saving, or emailing citations. When it comes time to use quotations and ideas in your paper from your sources, you can easily refer to your bibliography. Be sure to cite each quotation and idea, even if it is paraphrased. This includes material found on the web that you are summarizing.

- [Avoiding plagiarism with Turnitin.com](#)
- [Citation management tools and styles](#)

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Required Materials: Kieso D., J. Weygandt and T. Warfield. *Intermediate Accounting*, (15th edition). John Wiley & Sons, Inc.

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My Expectations of You

- Read the chapter **PRIOR** to attending class. See the end of the syllabus for guidance.
- Look at the Questions (not the Brief Exercises, Exercises, or Problems) in the homework prior to coming to class. This is an indication of what I view as important, “must-know” points.
- ATTEND CLASS and SHOW UP ON TIME!
- PARTICIPATE in class. Also, act professionally. For example, silence your phone. Do not text or surf the web. It distracts those around you and for some reason it even distracts me. Believe me, I understand the desire to pull out my phone and do something during meetings. However, it’s an UNACCEPTABLE behavior in meetings and the classroom. If your behavior becomes a distraction for me, it will hurt your participation grade.

Specific Course Objectives

Upon successful completion of this course, a student will have

- Developed an understanding of generally accepted accounting principles, their conceptual framework, and an understanding of the application of the principles and framework to a variety of applications – particularly to current assets, plant assets, current liabilities, long-term liabilities, and owners’ equity.
- Identified situations where the time value of money is relevant and learned to apply present value concepts to those situations.
- Developed an understanding of the differences between U.S. generally accepted accounting principles and the international reporting standards.

Course Description and Objectives

This course is the second of a two (or three) course sequence dealing with financial accounting and reporting (GSB 704, GSB 705 and GSB 707). Financial *reporting* is the communication of relevant economic information to decision makers outside the firm (e.g., stockholders, potential investors, creditors, and regulatory agencies). These decision makers will use this information for more efficient resource allocation and utilization. Financial *accounting* is the identification, measurement and summarization of the firm's economic transactions for reporting purposes. As such, financial accounting focuses on the rules by which firms report the results of the operating, investments, and financing activities to interested parties. Since most of you will become accountants we will concentrate on production of financial accounting information. However, you also will probably use financial accounting information as a tool for making investment, credit, marketing, production, or other decisions. Therefore, we also will discuss ways in which financial accounting information is used.

We will examine issues related to Stockholders’ Equity, Dilutive Securities and EPS, Investments, Revenue Recognition, Income Taxes, Pensions and Postretirement Benefits, Leases,, Accounting Changes, and the Statement of Cash Flows. We will also learn how to solve accounting problems through research. We will research the authoritative financial-accounting literature by using the Financial Accounting. The following is a detailed list of subtopics that we will study in the course:

Components of stockholders' equity (common & preferred stock, paid-in capital, retained earnings, treasury stock.

Accounting for stock issuance accounting for stock repurchase (treasury stock) and reissuance understanding of nature of preferred stock and priority to dividends.

Accounting for cash and stock dividends (large, small) and stock splits accounting for convertible debt and convertible preferred stock.

Accounting for detachable vs. non-detachable warrants (proportional and incremental methods) components of stockholders' equity (common & preferred stock, paid-in capital, retained earnings, treasury stock).

Earnings per share – computation of basic EPS and diluted EPS.

EPS – accounting for stock splits, stock dividends, sale of stock, repurchase of stock in computing weighted average number of shares.

EPS – understanding of “treasury” method related to stock options.

EPS – understanding of “as if converted” method related to convertible debt and convertible stock.

Stock based compensation plans - fixed vs. performance based; use of intrinsic vs. fair value method of accounting.

Stock appreciation rights (SARs) stock and equity- understanding and accounting.

investment securities - three ways to classify (T, AFS, HTM) and related income statement accounting.

investment securities - Trading - adjust to market; P& L with changes in market value.

Investment securities - Available for Sale - adjust to market: comp income with changes in market value.

Investment securities - Held to Maturity - amortization of premium/discount optional; no adjustment to fair value unless "permanent drop in value".

Investment securities - use of "portfolio" groups to adjust to market.

Investment securities - transfers between categories - set up based on NEW classification.

Fair value option in accounting for investment securities.

Equity securities - ownership between 20 and 50% (significant influence) use "equity method" to record pro rata income or loss; dividends received offset investment account.

investment securities - understanding "controlling financial interest" from "controlling voting interest" for need for consolidation.

Equity securities - consolidation if over 50% controlling financial interest, presentation of variable interest entities.

Investment securities – disclosure requirements.

Equity investments (under 20% ownership) and method of accounting for interest and dividends.

Equity investments – concept of significant influence in determining classification/accounting.

Derivatives – terms and general concepts of hedge vs. speculation, fair value vs. cash flow hedge vs.

Derivatives – types of risk they attempt to reduce.

SOP 101 underlying rules regarding revenue recognition.

Contract accounting using completed contract and percentage of completion methods.

Percentage of completion method - cost to cost method - key items to consider.

Application of percentage of completion method.

Percentage of completion method - changes in estimates, change orders and contract loss recognition.

Completed contract limited use application.

Contract accounting: presentation on balance sheet and required disclosures.

Other methods of revenue recognition: installment sales, cost recovery, cash, deposit method.

Revenue recognition issues for franchisers

GAAP treatment of consignment sales

Taxes – concept of deferred income taxes, taxable income vs. book income

Taxes – permanent vs. temporary differences

Taxes – computation of current and deferred tax expense.

Taxes – concept of valuation allowance on deferred tax assets

Taxes – rules for carryback and carryforward of operating losses

Taxes - effect of tax rate changes on deferred taxes

Taxes – financial statement presentation and disclosures

Pension plans – concepts of defined contribution vs. defined benefit plans

Accounting for defined contribution plans

Pensions – understanding role of actuary and nature of items actuary considers in making pension computations

Pensions – understanding concepts behind service expense, interest expense, return on plan assets, PBO, fair value of plan assets, unrecognized prior service cost

Pensions – calculation of pension expense using actuarial provided data and pension worksheet

Pensions – concept of unrecognized pension gains or losses, prior service cost and computation of amortization

Pension - FASB 158 affect on comprehensive income; recording funding status on balance sheet

Pensions – required presentation and disclosures in financial statements

Pension termination: settlements and curtailments of pension plans - related accounting

Post retirement benefits other than pension (health care) – concept and general relationship to pension accounting.

Leases – reasons why companies lease

Lease terms – bargain purchase option, bargain renewal, residual value, minimum lease payments, implicit interest rate, guaranteed residual

Leases – classification by lessee – operating vs. capital

Leases – four criteria for determining if a lease should be capitalized

Leases – classification by lessor – operating vs. direct financing vs. sales-type

Leases – accounting for each classification

Leases – preparation of matrix to allocate lease payments between principle and interest

Operating leases – accounting for leases with uneven or artificial lease payments

Leases – presentation in financial statements and disclosures

Leases – concept and accounting for a sales/leaseback

Accounting changes – concepts of change in estimate vs. change in accounting method.

Accounting changes in estimates; how to apply prospectively

Accounting changes in principles – concept and application retrospectively

Accounting changes - accounting for changes in reporting entity

Accounting changes – concept of cumulative effect adjustment (not used now unless called for by FASB)

Accounting changes – disclosure of “pro-forma” adjustments

Corrections of errors – accounting entry to correct

Accounting reclassifications - understanding they regroup categories for reporting but do not change income or net worth

Cash Flows - understanding that income is not equal to cash - key concepts

Cash Flows - format of cash flow statement into operations, financing, investing

Cash Flows - ability to create statement using cash flow worksheet

Cash Flows - isolated issues (fixed asset changes, acquired assets; discontinued operations)

Disclosures in financial statements - concept and implementation issues

Disclosures in financial statements - use of footnotes

Disclosures - segment reporting

Issues related to financial forecasts and projections

Prerequisites

Prerequisites: GSB 704.

Attendance

Daily attendance will be taken. Regular attendance is **strongly** recommended since class presentations will clarify and **add to** textbook information (i.e., not all the information you will be held responsible for is included in the text) and class participation is a significant portion of your grade. Students will be held responsible for all information covered in class. **NON-ATTENDANCE IS AT YOUR OWN RISK!!!**

Keys to Success

This course involves a **high volume of important material** for anyone who will deal with accounting information – either in its preparation, audit or use. Much of the material builds on previously covered material. It is critical that students **keep up with assignments** and **participate in class**. These two factors have proven to be highly correlated with class success in the past.

Participation in class discussions is **strongly** encouraged. Class participation includes asking questions, providing suggestions, and challenging others to support their positions. Descriptions of your own experiences that relate to the topic under discussion are especially useful. These activities stimulate critical thinking, develop problem solving and communication skills, and, in general, make the class much more interesting and useful. Evaluation of your class preparation/participation will be based on perceptions of the quantity and quality of your contributions to both group and class discussions.

The exams will consist of multiple choice, problems and short answer. Although the final exam will serve as a third midterm, it will contain some comprehensive material. I will announce what topics are eligible for comprehensive coverage prior to the final. Unless otherwise stated, the exams will be closed book and closed note.

If you disagree with the grading of an exam, state the disagreement in writing on the front of the exam and let me know that you would like it re-graded.

Grade anxiety seems to be a significant problem for some individuals in this course. I encourage you to talk to me if it is really causing you undue stress.

Course Mechanics

The course format is lecture/discussion. **YOU ARE EXPECTED TO READ THE CHAPTER AND DO THE HOMEWORK PRIOR TO CLASS.** This material will not necessarily be covered in class. In upper level courses responsibility for learning the material at basic levels is pushed down to you—that is, you are expected to pick it up on your own. That leaves class time to deal with the more complicated material and engage in activities designed to provide higher-level learning (i.e., move beyond mere awareness of the topic and begin to be able to transfer that knowledge to different situations).

Further, preparing assignments in advance provides you with a framework to digest the lecture material, thus, allowing you to better use the lecture to clarify difficult points. You should consider the problems listed on the syllabus to be a minimum set of problems to work - **- select additional problems in those areas where you are having difficulty.**

Calculators and Cell Phones/PDA's

It is my policy to permit *numeric-display-only* calculators to be used on accounting examinations and quizzes. Calculators that accept alphabetic input are expressly prohibited by this policy. A student who questions whether a specific calculator is acceptable is encouraged to secure advance approval of its use.

Students will be allowed to use **pre-approved** calculators on examinations. A "pre-approved" calculator is defined as a calculator having **only** the functions of addition, subtraction, multiplication, division, square root, and one memory. **“Programmable” calculators will NOT be allowed!** If the student does not have one of the pre-approved calculators defined above, I must approve the calculator the student wishes to use **prior** to exam time. I reserve the right to confirm that only pre-approved calculators are being used at each exam date. If a student calculator fails during an exam, it is the student's responsibility to complete the exam **within the allotted time**; extra time will **not** be made available. **Students may not share calculators during exams.** Cell Phones and PDA's will not be allowed out during exam

NOTE TO ALL STUDENTS

Any student needing to arrange a reasonable accommodation for a documented disability should contact the office of Disability Concerns.

Grading

	<u>Portion</u>		
Midterm 1	25%		
Midterm 2	25%		
Midterm 3	25%	A	90%+
		B	80%+
FARS Assignments	15%	C	70%+
Research Case #1—6%		F	< 70%
Research Case #2—9%			
 Homework & Class Participation	 10%		
 TOTAL	 <u>100%</u>		

Exams

Exams will be a mixture of multiple choice, short answer and long problems. The midterm exams will be given in class and the final will be taken at the scheduled time. Make-up exams will be given only in **rare** circumstances. You must contact me **before** the original examination date and time to discuss the **possibility** of a make-up exam. Please call me on my cell phone (309.242.6807) to discuss the possibility of a make-up exam; **leave a message if I am not available. MISSING AN EXAM WITHOUT MY PERMISSION IS AN AUTOMATIC ZERO.**

Any student caught cheating on an accounting examination will be given a grade of "F" for the course. Additionally, anyone who takes a test out of the classroom (either during a test or during a review period) or the instructor's office will be given a grade of "F" for the course.

FARS Assignments

Various Financial Accounting Research System (FARS) assignments will be made throughout the semester. These assignments focus on conducting research using the authoritative financial accounting literature.

As candidates for a profession that survives only through unquestionable integrity, students are reminded that the University Community views any instance of academic misconduct to be a serious offense. While you are strongly encouraged to pursue outside readings that help you understand and discuss the topic material at a higher level, all work turned in for this class should be your own work. If you use outside materials, you should use appropriate citation and quotation of other works. Please review the discussion provided by Indiana University at the following link in order to assure you have a full understanding of the expectations in recognizing the use of outside sources and to assure you do not inadvertently **plagiarize** other works. <http://www.indiana.edu/~istd/>

Homework & Class participation

Homework will entail completing Homework Assignment by the due date. Class participation includes speaking in class, handing in articles from the business press that are pertinent to financial accounting and reporting, and possibly some quizzes.

The more you speak the better, but quality of participation is also included. As discussed above, the only way to meaningfully participate is to be prepared. Quizzes will require basic understanding of the material. I expect the quizzes to be relatively easy if you appropriately prepared for class. Specifically, you must read and understand the chapter and make a good-faith attempt at the homework. If you are extremely uncomfortable speaking in class, please talk to me. I will make partial accommodations for you on an agreed upon project. However, you must recognize that orally presenting and defending your ideas is a necessary skill in the accounting profession.

CHAPTER TOPIC ASSIGNMENT

NOTE: Assignment dates are provided on WileyPLUS

15	Stockholders' Equity (Read Appendix 15A.)	P15-5, P15-1, P15-3, E15-14, E15-22
17	Investments	P17-7, E17-11, P17-5, E17-7, E17-16
19	Deferred Taxes	E19-6, E19-4 parts (a)(b)(c) only; E19-21, E19-17, P19-8

***** Exam 1 Chapters 15,17,19 Tuesday, *****

20	Pensions	E20-8, P20-2, E20-14, P20-7
18	Revenue Recognition	P18-3, P18-8
16	Dilutive Securities and EPS (Read Appendix 16B.)	E16-4, E16-9, E16-12, E16-20, E16-16, E16-24 part (a) only; E16-26

***** Exam 2 Chapters 20,18,16 Tuesday, *****

21	Leases	E21-2, E21-3, E21-10, E21-6, E21-8, E21-9
22	Accounting Changes	E22-8, E22-14, E22-17, P22-6
23	Statement of Cash Flows	E23-11, E23-12, P23-2, P23-4

***** Comprehensive Final Exam *****