

**ACCOUNTING 305**  
**Introduction to Accounting**

Fall 2000

Section 1 - 7:00pm - 8:15 pm MW, KH 102

Section 2 - 8:00am - 9:15 am TTh, SH 303

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1:15 - 3:00 MTWTh

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**SYLLABUS**

Accounting 305, Introduction to Accounting, is concerned with the preparation and use of financial statements: balance sheet, income statement, and statement of cash flows. There are no prerequisites, and the course should be useful to those who will read financial statements--such as lawyers, investors, financial analysts, bankers, consultants, and economic analysts--and, of course, to prospective accountants and auditors. Medical doctors will find a knowledge of accounting to be useful when evaluating the reports rendered by the administrators of hospitals and HMO's.

The course begins with the accounting cycle. It then turns to the accounting problems of receivables, merchandise inventories, tangible and intangible fixed assets (including depreciation, amortization and depletion), short-term liabilities, and long-term liabilities (including bonds and long-term leases). The course concludes with discussions of marketable securities, business combinations, consolidated statements, cash flow statements, and financial statement analysis. Throughout the course, a critical attitude will be encouraged, and accounting practices will be discussed in the light of the "political" context in which accounting standards are set and enforced (i.e., by the Financial Accounting Standards Board and the Securities and Exchange Commission). Comparisons will be made with the approaches to accounting in other major countries.

The "political" dimension of accounting, mentioned above, suggests that company managers and government policy makers have incentives to "tilt" the accounting measures in one way or another in order to achieve their particular aims. In the 1980s, federal regulators used "creative accounting" to make the savings and loans associations and banks appear to be more economically healthy than they actually were, thus postponing the eventual day of reckoning and exacerbating the financial crisis. Recently, regulators in Japan have used creative accounting to make the banks look healthier than they are.

**CONDUCT OF THE COURSE**

The course grade will be determined by performance on three examinations, a term paper, and the homework problems that are to be turned in. Homework problems are of two types: problems to be discussed in class (which are not to be turned in), and all

other problems (to be turned in by the end of the class for which they are assigned). Homework turned in at a time later than the end of the student's class period, other than for extenuating circumstances, will not be accepted; two misses will be allowed without discredit. Performance on homework problems to be turned in will be assessed according to the evident effort expended by the student, not by the correctness of the answers. Credit will not be given for partially completed homework. Three grades will be given: + and , both of which signify full credit, and 0, which signifies no credit. The homework is not governed by the Honor Code, and students are encouraged to work together both in completing the homework and in studying for examinations.

All homework should be done in black pencil, preferably on two- or four-column accounting paper, which may be purchased in the Rice Campus Store. The solutions to all homework problems at the end of a chapter will be placed on reserve in Fondren Library following the final class meeting on each respective chapter.

The homework is to be completed prior to the class for which it is assigned. If the homework is evidently being completed during class, credit for homework to be turned in may not be awarded.

The first and second examinations, both of two hours' duration, will be given on a take-home basis. The three-hour third examination will also be given on a take-home basis, during the last week of classes. The completed bluebooks for all three examinations must be turned in personally, and not be faxed or sent by courier or e-mail. All three examinations are governed by the Honor Code. Unless otherwise announced in class, the second and third examinations will cover only the material taken up since the previous examination.

The instructor's prior-year examination and solution will be placed on reserve at least one week before each examination. Students are not permitted to make use of other examinations, whether given by this instructor or by others, else the Honor Code will have been infringed.

The term paper will be due by 5:00 pm., Wednesday, December 20 (the last day of the Final Examination Period). This deadline will be observed strictly, and late papers will be given a grade of zero. The paper will be a report to the management of a small enterprise, drawing on its financial statements to comment on the strengths and weaknesses of the company. The company's financial statements and accompanying information will be distributed on Monday, November 13 and Tuesday, November 14. Questions regarding the paper may be raised at subsequent class meetings. The term paper, like the examinations, is governed by the Honor Code.

The required textbook is the ninth edition of *Financial Accounting: An Introduction to Concepts, Methods, and Uses* by Clyde P. Stickney and Roman L. Weil (Dryden Press, 2000). Purchase of the authors' *Study Guide* is optional.

A packet of photocopied articles may be obtained for \$2 from Michael Binns in 235 Herring Hall (enter through 225 or 237 Herring Hall to his inner office). The charge covers the copyright permission fees and the cost of photocopying the articles and other materials to be distributed during the semester, and all students must pay this charge. Students who have not paid this charge will not be admitted to the first examination. The first assignment from this packet will be for Wednesday, August 30/Thursday, August 31.

A unique paperback that students may wish to purchase is *Accounting: The Language of Business*, by Weil, O'Brien, Maher and Stickney (25th anniversary edition, 1999). It has a superb glossary of accounting terms and also contains a detailed explanation of the financial statements and footnotes from a recent General Electric Company annual report. Purchase of this paperback is merely a suggestion.

The course grade will be determined by the following approximate weights:

First examination	15%	Term paper	20
Second examination	25	Homework	<u>10</u>
Third examination	30		100%

The instructor's estimate of each student's contribution to class discussion will be a factor in making borderline decisions for the course grade. Another factor will be the trend of the student's grades: a significant upward trend will be a plus, and significant downward trend will be a minus.

Regular class attendance is indispensable to learning the subject. Attendance will not be taken and will not play a part in the determination of the course grade, except as noted above in terms of class participation. In the extreme circumstance, however, of a student who misses more than half of the classes during the semester, a course grade of F will be submitted to the Registrar regardless of grades on the examinations and the term paper.

Any student with a disability requiring accommodations in this course is encouraged to contact the instructor after class or during office hours. Additionally, students should contact Disabled Student Services in the Ley Student Center.

### **ASSIGNMENTS (Aug. 28 to Dec. 5)**

In the following list of assignments, the 1999 Annual Reports of General Electric Company and Pepsico should be brought to class on the dates indicated. Their contents in relation to the chapter assigned for the day will be discussed. The Annual Reports will be distributed on Monday, September 25 and Tuesday, September 26.

When chapters are assigned, it will be necessary to study only those chapter appendices indicated in the list of assignments. Appendices not indicated may be ignored.

Mon Aug 28/

Tue Aug 29 Introduction (Students should purchase the Course Packet in 235 Herring Hall (enter through 225)—the first reading is assigned for August 30/31.)

### **Balance Sheet and Income Statement: The Accrual Process**

Wed Aug 30/

Thu Aug 31 Study Chapters 1 and 2 (omit pages 70 to the top of 75) Packet: "Why Corporate America Needs Strong Accounting Standards"

Mon Sep 4     LABOR DAY HOLIDAY

Tue Sep 5     NO CLASS MEETING

Wed Sep 6/

Thu Sep 7     Solve problems 2.10 (that is, problem 10 at the end of Chapter 2), 2.20 and 2.28

Mon Sep 11/

Tue Sep 12     Solve problem 2.34 (instead of showing the effects, show the journal entries that should have been made for 1-6) and study Chapter 3

Wed Sep 13/

Thu Sep 14     Solve problems 3.34 and 3.41

Mon Sep 18/

Tue Sep 19     Solve problems 3.27 (instead of showing the effects, show the correcting journal entries to be made when errors are discovered) and 3.45

Wed Sep 20/

Thu Sep 21     Solve Problem A (to be distributed)

Thu Sep 21     FIRST EXAMINATION (take-home). Students may pick up the examination questions and blank bluebooks beginning at noon in 225 Herring Hall. Completed bluebooks must be submitted by 5:00 pm, Friday, September 22 in the marked receptacle in 225 Herring Hall.

### **Receivables and Revenue Recognition**

Mon Sep 25/

Tue Sep 26     Annual Reports will be distributed. Study Chapter 6 and solve problem 6.16 to be discussed in class Packet: "Earth to Dot-com Accountants"

Wed Sep 27/

Thu Sep 28     Solve problems 6.27, 6.32 and 6.33

### **Merchandise Inventories**

Mon Oct 2/

Tue Oct 3     Study Chapter 7 (bring Annual Reports to class), and solve problem 7.42 to be discussed in class Packet: "Note on International Accounting Standards" and "Global Accounting Rules? Not So Fast"

Wed Oct 4/

Thu Oct 5     Solve problems 7.35, 7.45 and 7.46

### **Present Value Calculations; Plant, Equipment, and Intangible Assets**

Mon Oct 9/

Tue Oct 10 Study the Appendix (pages 825-842), and solve problems A.11, A.18, A.20, A.26 and A.40, all to be discussed in class (A = Appendix)

Wed Oct 11/

Thu Oct 12 NO CLASS MEETINGS

Mon Oct 16/

Tue Oct 17 MID-TERM RECESS

Wed Oct 18/

Thu Oct 19 Solve problems A.35 and A.42, and study pages 410-415

Mon Oct 23/

Tue Oct 24 Complete the study of Chapter 8 (omit MACRS, pages 423 to 425), study pages 70 to the top of 75 (bring Annual Reports to class), and solve problem 8.17 Packet: “Depreciation Calculations” and “Big Crackdown by the S.E.C. on Accounting”

Wed Oct 25/

Thu Oct 26 Solve problems 8.24, 8.41, 8.43 and 8.45 (a, b and c only) Packet: “Pick a Number, Any Number” and “Gaps in GAAP”

### **Long-term Liabilities, Including Notes and Bonds Payable, and Leases Subject to Capitalization**

Mon Oct 30/

Tue Oct 31 Study Chapter 9 and pages 540-547 (bring Annual Reports to class), and solve problem 9.22 to be discussed in class

Wed Nov 1/

Thu Nov 2 Solve problems 9.28, 9.32 and 10.42

Thu Nov 2 SECOND EXAMINATION (take-home). Students may pick up the examination questions and blank bluebooks beginning at noon in 225 Herring Hall. Completed bluebooks must be submitted by 5:00 pm, Friday, November 3 in the marked receptacle in 225 Herring Hall.

### **Marketable Securities, Investments, Consolidated Statements, and Business Combinations**

Mon Nov 6/

Tue Nov 7 Study Chapter 11 and Appendices 11.1 and 11.2 (bring Annual Reports to class)

Wed Nov 8/

Thu Nov 9 Solve problems 11.42, 11.47 and 11.50 Packet: “A Premium of Billions Will Vanish on the Accounting Ledgers” and “Earnings Hocus-Pocus: How Companies Come Up with the Numbers They Want”

Mon Nov 13/

Tue Nov 14 Solve problems 11.17, 11.48 and 11.52

### **Reporting Earnings, Comprehensive Income, and Shareholders' Equity**

Wed Nov 15/

Thu Nov 16 Study Chapter 12 (bring Annual Reports to class) and solve problem 12.24 to be discussed in class Packet: “Coming Clean on Company Stock Options” and “The U.S. Senate Votes on Accounting for Employee Stock Options”

Mon Nov 20/

Tue Nov 21 Solve problems 12.27, 12.36 and 12.35

Wed Nov 22 NO CLASS MEETING

Thu Nov 23 THANKSGIVING RECESS

### **Statement of Cash Flows**

Mon Nov 27/

Tue Nov 28 Study Chapters 4 and 13 (bring Annual Reports to class), and solve problem 13.9 to be discussed in class Packet: “Stock Options Pad Cash Flow of Technology Highfliers”

Wed Nov 29/

Thu Nov 30 Solve problems 13.10 and 13.15

### **Financial Statement Analysis**

Mon Dec 4/

Tue Dec 5 Study Chapter 5 and solve problem 5.22 to be discussed in class

Tue, Dec 5 **THIRD EXAMINATION** (take-home). Students may pick up the examination questions and blank bluebooks beginning at noon in 225 Herring Hall. The deadline for submitting the completed bluebooks in the receptacle in 225 Herring Hall is 5:00 pm on Friday, December 8.