

Peter F. Drucker and Masatoshi Ito Graduate School of Management  
Claremont Graduate University

Management 326 Financial and Managerial Accounting – Financial Engineering  
Fall 2008

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**Course overview:**

First a caveat. Management 326 is a one semester overview of financial accounting. Because of the tremendous depth and breadth of this subject, it is not reasonable to expect a mastery of accounting. We will not even try to fool ourselves that this will occur. Instead we will set attainable goals of gaining an appreciation and understanding of financial accounting, with the knowledge that this core course is by its nature a survey course. Students who desire a more rigorous course in financial accounting will have the opportunity to supplement Management 326 with elective courses.

There are essentially two philosophies regarding the proper approach to teaching financial accounting. Perhaps the more traditional approach takes the perspective of the preparer, whereby the emphasis is on the proper recording of transactions. This debits and credits approach is very useful for anybody contemplating a career as an accountant. It is my belief that this approach is also responsible for accounting's reputation as "boring" and just a bunch of rules to be learned. We will be following a second teaching philosophy, whereby we study accounting from the perspective of the user/manager. This does not mean we will ignore debits and credits, it simply means that recording of transactions takes a back seat to a more general understanding of the underlying concepts used to record these transactions. The ultimate goal from this section will be for you to read and understand the output from the financial accounting process, the financial statements. While this is not a class in either statement preparation or statement analysis, we will do a little of each. Still, the goal is understand the basic rules governing the preparation of financial statements, the flexibility that exists within these rules, the possible incentives of management to make choices from within these rules, and the output from this environment.

**Text:** Financial Accounting For Executives, Ferris and Wallace, Cambridge Business Publishers, ISBN 0-9787279-8-3.

**Course Packet:** There will not be a formal course packet, however there will be some readings and handouts that will be available for download from SAKAI.

**Assignments:** The class schedule below indicates which problems and cases have been assigned for each class section. All assignments from the main text should be done prior to class. These assignments are not required to be turned in; they are assigned simply to give you an opportunity to make sure you understand the material. Accounting, perhaps more than most courses you will be taking, requires you to solve problems in order to learn the material. Simply reading the text and listening in class is rarely sufficient. I will provide solutions for all these problems. I encourage you to work these problems as a group; however each student is responsible for knowing the material at test time.

In addition to the practice problems there will be one problem from each chapter of the Ferris/Wallace textbook that will be turned in. These problems, identified with an asterisk, utilize the P&G 10-K report. They are due the week following the class section when we cover the topic. We may discuss the cases during the class when they are turned in, therefore you should make a copy for yourself in addition to the copy that is turned in for a grade.

**Attendance:** It is a school policy that attendance in class is mandatory. All absences must be approved and greater than of two absences per semester will result in a failing grade.

**Grading and academic honesty:** Unfortunately we still assign grades in graduate school. Grading will be determined as follows:

Midterm:	35%
Final:	40%
Homework	15%
Quizzes:	10%

Grading will be according to official school guidelines.

One strategy some students have attempted in the past is to cheat. I strongly discourage this strategy. If you are caught cheating you will receive an F in the class. **I have a zero tolerance policy for cheating.** Even a small level of cheating could cause you to fail. If in doubt about what constitutes cheating, ask. In almost all cases it is quite obvious. Business schools have been criticized recently for failing to instill ethical behavior within its curriculum. My belief is that ethical behavior should not even be a choice; it should be second nature. Cheating is not a victimless crime; other students are harmed based on relative evaluation. In addition, such behavior results in a general degradation of the entire classroom environment.

**Class Schedule: (This is subject to change as the semester progresses)**

Before 1 <sup>st</sup> class	Read chapter 1 of Ferris and Wallace	
Week 1 – 9/3	Introduction to financial accounting Chapter 1	In class Case: Baron Coburg (will be handed out in class) Q1.2,1.10,1.11 E1.22, 1.30 *CA1.32
Week 2 – 9/10	Financial Statements Chapter 2	Q2.1, 2.3, 2.5, 2.6, 2.13 E2.16 P2.23, 2.28 *CA2.34
Week 3 – 9/17	Cash Flows Chapter 3	Q3.5, 3.6 E3.13, P3.23, 3.26 *CA3.29 parts b and c
Week 4 – 9/24	Financial Statement Analysis Chapter 4	Q4.1, 4.2 P4.24, 4.26 *CA4.32
Week 5 – 10/1	Revenue Recognition Chapter 5	Q5.1, 5.7, 5.9, E5.12, 5.15, 5.17 P5.24, 5.27, 5.29 *CA5.32
Week 6 – 10/8	Inventory and A/P Chapter 6	Q6.2, 6.5, 6.6 E6.16, 6.19, 6.20 P6.26 *CA6.33
Week 7 – 10/15	Long-Lived Assts Chapter 7 Inter-company Investments Chapter 8	Q7.1, 7.3, 7.11 E7.14, 7.16, 7.17, 7.21 Q8.1, 8.2, 8.3 E8.17, 8.18, 8.21 P8.27
Week 8 – 10/22	Midterm	
Week 9 – 10/29	Debt Financing Chapter 9	Q9.6, 9.7 E9.14, 9.16, 9.19, 9.25, P9.26 *CA9.37
Week 10 – 11/5	Liabilities- Continued Chapter 10 Stockholders' Equity Chapter 11	Q10.5, 10.7 E10.15 P10.22 *CA10.31 parts a and b  Q11.3, E11.13, 11.22 *CA11.34
Week 11 – 11/12	Equity Valuation Chapter 12	Q12.3, E12.10, 12.11, 12.15, 12.16, 12.17 *CA12.31
Week 12 - 11/19	Accounting For Derivatives Chapter 10 Appendix Derivatives Outline	Q10.10, E10.18, E10.19, E10.20, P10.27, P10.28
Week 13 - 12/3	International Accounting TBA	TBA

Week 14 – 12/10	Final	
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