

Peter F. Drucker and Masatoshi Ito Graduate School of Management
Claremont Graduate University
Management 326 Financial Accounting
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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 you to master the subject. 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 accounting, with the knowledge that this core course is by its nature a survey course. Students who desire a more rigorous course in financial or managerial accounting will have opportunities to supplement Management 326 with an elective course in financial statement analysis or managerial management.

That said, this course should prove very beneficial to anybody wishing to further his or her management study. Accounting is the language of business, and without the ability to communicate in this language you will likely feel like a foreigner in a strange land. You may think of this course as the equivalent of a Berlitz course: you may not come away fluent, but you will be able to communicate.

There are essentially two philosophies regarding the proper approach to teaching 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 completely 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. In addition, we will spend some time gaining an understanding of cost behavior and how this knowledge can be useful for various business decisions.

Primary Text (required): The primary text will be a new text by Ferris and Wallace. The text is on order and coming in to Huntley Bookstore.

Financial Calculator: It is recommended that you obtain a financial calculator. A financial calculator is one that has preprogrammed keys for the present and future value functions (usually denoted as PV, FV, n, i, pmt). I recommend the HP 10BII if you do not already own a financial calculator. I can help you using this particular model since I own one.

Course Packet: There will not be a formal course packet. Any supplemental readings will either be handed out in class or posted to the web for downloading.

Assignments: The class schedule below indicates which problems and cases have been assigned for each class section. All assignments should be done prior to class. For the most part 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. I will, on occasion, select one of the problems, or perhaps one like them, to be turned in. 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.

Attendance: It is a school policy that attendance in class is mandatory. Unlike a lot of undergraduate learning, the MBA is taught in an interactive style where you often learn a great deal from your classmates in addition to any learning imparted by the instructor.

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:	25%	
Final:	30%	
Homework	10%	(One lowest score dropped)
Quizzes:	15%	(One lowest score dropped)
Project:	20%	

Grading will be according to official school guidelines

Grade anxiety seems to be a significant issue for some students in the program. I encourage you to talk to me if it is causing you undue stress. One thing important to remember is that accounting backgrounds of students in the class vary widely. While I do not attempt to factor in these differences in the final grades, I feel you should do so in interpreting your grade in the course. In other words, a student who is a CPA and controller would be expected to do quite well. However, if you've had no prior exposure to accounting, a final grade of a B might be a significant achievement.

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.

Contract: My pledge to you is that I will do everything within reason to aid your learning experience. This includes being fully prepared for each class. In addition, I will make every effort to assist you if you require that extra help in understanding the material. I hope that you feel comfortable requesting help if you need it. You chose the Drucker School, and I hope to convince you that you made the correct choice.

One thing that will likely stand out to you in the MBA program, when compared to most undergraduate programs, is that a lot of the learning experience comes from other students, not just from the instructor. For this to really work it is crucial that each of you contribute in the classroom. I therefore expect that you, like me, will fully prepare for each class.

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

Before 1 st class	Read chapter 1	
Week 1 – 9/05	Introduction to financial accounting Chapter 1	In class Case: Baron Coburg (will be handed out in class) Q1.1,1.2,1.3,1.6,1.8,1.10,1.11,1.12 E1.20, 1.24 CA1.34
Week 2 - 9/12	Financial Statements Chapter 2	Q2.1, 2.3, 2.5, 2.6, 2.9, 2.13 E2.17, 2.20, P2.27, 2.32, 2.9, 2.34 CA2.42
Week 3 - 9/19	Cash Flows Chapter 3	Q3.2, 3.5, 3.6, 3.8, 3.10, 3.11 E3.13, 3.17, 3.18, P3.25, 3.31 CA3.35
Week 4 - 9/26	Financial Statement Analysis Chapter 4	Q4.1, 4.2, 4.3, 4.4, 4.10 E4.12, 4.18, 4.24, 4.26, P4.31, 4.32, 4.38 CA4.44
Week 5 – 10/03	Revenue Recognition Chapter 5	Q5.1, 5.2, 5.4, 5.7, 5.9, 5.10 E5.12, 5.15, 5.18, 5.22 P5.26, 5.29, 5.34, 5.37 CA5.40
Week 6 - 10/10	Midterm	
Week 7 - 10/17	Inventory and A/P Chapter 6	Q6.1, 6.2, 6.5, 6.6, 6.10 E6.12, 6.14, 6.16, 6.19, 6.20 P6.24, 6.30, 6.32, 6.36 CA6.42
Week 8 - 10/24	Long-Lived Assts Chapter 7	Q7.1, 7.3, 7.11 E7.14, 7.16, 7.17, 7.21 CA7.41
	Inter-company Investments Chapter 8	Q8.1, E8.18, 8.19, 8.22, 8.23 P8.30, 8.42 CA8.46
Week 9 - 10/31	Debt Financing Chapter 9	Q9.1, 9.6 E9.14, 9.16, 9.19, 9.25, 9.26 P9.27, 9.29, 9.30 CA9.40
Week 10 - 11/7	Liabilities- Continued Chapter 10	Q10.5, 10.7 E10.16 P10.24 CA10.35
	Stockholders' Equity Chapter 11	E11.13, 11.23 P11.32 CA11.37
Week 11 - 11/14	Equity Valuation Chapter 12	Q12.4 E12.12, 12.18, 12.19, P12.34 CD12.37
Week 12 - 11/21	Review and Work on Projects	
11/21 Thanksgiving Break No Class meeting		
Week 13 - 11/28	Catch up and review	
Week 14 – 12/5	Final	
Week 15 – 12/12	Project presentations	