



Class Participation		
Recitation	20	
Attendance	<u>10</u>	30
Mid-term Exam		20
Final Exam	<u>30</u>	<u>100%</u>

**Case Analyses:** In groups of two to three, you should submit a typewritten analysis of each of the assigned cases. Make several copies of the report --- one for each of the group members as a reference during class discussion and one to be submitted to me at the *beginning* of class. The case analysis should respond specifically to the case questions outlined in the syllabus in a clear and concise manner. The report should be no longer than two pages of text plus three pages of exhibits if necessary (single spaced, one-inch margins, 10 point font minimum), unless otherwise indicated. To maintain these limits, it is important that you focus on answering the guide questions rather than repeating the highly descriptive text that has already been covered in the case. In answering the case questions, use only the information available at the time of the case. Specifically, do not use subsequently issued standards or rules to determine or justify your answer.

I will not accept any reports once the class has discussed the case. Thus, if everyone in your group will be unable to attend class, it is essential that someone drops off the write-up in my office or e-mails me your report *before* the case is covered in class.

**Class Participation:** Class participation will be measured in two ways: class attendance and class recitation. By attending class, you earn a minimum amount of credit. However, your presence in class implies that you have prepared for the case and are therefore “fair game” to be called upon in class. To distinguish between students who do not show up for class and those that attend but do not participate (because they did not raise their hands or I did not call them), 10% of your grade will be based solely on class attendance. Even though the written case analyses are prepared as a group, I expect each member to be prepared to participate in class. There is an important distinction between high and low quality recitation. Class recitation is considered good if you add content by contributing new ideas or by expanding on (*not repeating*) your classmates’ contributions, or through process by raising issues that move the discussion along. Frequency without content or process does not contribute to the class (nor to your grade).

To adequately prepare for the class, you need to answer the assigned questions and be ready to introduce the case. For each case, I will randomly choose an “opener” and expect that individual to have an introduction that answers the opening guide question. The selection of the opener is made *at the beginning of the class*. Missed opportunities adversely affect your class recitation score so try not to be absent nor late for class.

**Exams:** A mid-term and final exam will be given. The exams will consist of multiple choice and open-ended Theory/Practice questions based on material covered in class and any assigned homework. If you conscientiously follow the lectures and do your homework, you should do well in the final exam. **No makeup will be given to the missed exam.**

**Study Guidelines:**

To maximize your learning (and grades) from the class, it is important that you spend a significant time preparing the written case summaries. Because the class discussion is based on these same case summaries, you will be effectively preparing for both requirements of the class. As part of this preparation, you should read the text and review any handouts or class lectures. For each case, carefully consider the guide questions and issues. Although the reports are written by one group, I encourage you to discuss the case with your other classmates. By “sounding out” or testing your ideas with your classmates, you will be better prepared to articulate and defend your views in class. Merely reading the case and sketching a few notes on the margins will *not* adequately prepare you for class.

In addition, it is also important for you to read the course packet and work on the assigned problems. Although the problem solutions will not be discussed in class, the exam will be primarily based on questions similar to those of the problems. If any of the material is not clear, feel free to email me for questions or to set up an appointment to see me.

We have a lot of material to cover in very little time! It is therefore vital that you keep up to date with the readings and homework assignments. You must do each day's reading **before** class if you are to make any sense of the subject matter. The best way to understand the material covered in class is through doing the assigned problems yourself. While group discussion and collaborative work are beneficial, you must *eventually* learn to do the problems individually. The list of problems provided here will give you a good coverage of the material you need to know. If you understand the material and can do these problems without difficulty (***and without looking at the solution***), you should do very well in the course. If a particular topic gives you difficulty, try additional problems. Be sure to do the problems each week as we cover the topic in class. Leaving them until the end of the semester, when you will be very busy with other classes, will have *adverse* consequences to your learning. I strongly discourage it.

**Needless to say, it is a violation of the academic code of ethics to refer to case notes or solutions obtained through the internet or from people who previously have studied the case. Not only will this not help you in the final exam, it will also cheat you of the academic experience. It is the responsibility of the group to report anyone who violates this principle.**

If you have a disability and will be requesting accommodations for this course, please register with either Kathy Duggan ([Kathleen.duggan@bc.edu](mailto:Kathleen.duggan@bc.edu)) Associate Director, Academic Support Services, the Connors Family Learning Center (learning disabilities and ADHD) or Suzy Conway ([suzy.conway@bc.edu](mailto:suzy.conway@bc.edu)), Assistant Dean for Students with Disabilities (all other disabilities). Advance notice and appropriate documentation are required for accommodations.

***Honesty & Integrity...Mutual Respect...Pursuit of Excellence...Personal Accountability***

### Course Schedule Quick Look

	<u>Date</u>	<u>Case Due</u>	<u>Lecture</u>	<u>WSF Chapter</u>	<u>WSF Problems</u>	<u>WSJ Reading</u>	
	Self-study		Financial Analysis (ratios)	4 (p. 110-149, 152-154 only)	4-17, 4-19		
(1)	3/9 (M)		Review of Financial Statements (Balance Sheet, Income Statement & Cash Flow)	2 (p. 28-39, 52-68 only), 3	2-13, 2-14, 3-2, 3-12	Intel Corporation	
(2)	3/16 (M)	Harnischfeger	Inventories			Missed signals; Cash flow ...	
(3)	3/18 (W)		Inventories  Long-term Assets: Capitalize v Expense	6  7-8	6-2, 6-10, 6-20, 6-21 7-1, 7-5, 7-9, 8-2, 8-8, 8-12, 8-14	Short order	
(4)	3/23 (M)	Prepaid Legal	Revenue Recognition				
(5)	3/25 (W)		Revenue Recognition Deferred Taxes	2 (p. 39-52 only)	2-9, 2-17, 2-21	SEC cottons ...	
(6)	3/30 (M)	Triangle Mfd Homes	Deferred taxes	9 (290-314 only)	9-6, 9-9, 9-13		
(7)	4/1 (W)		Earnings per share			Alcatel	
(8)	4/29 (M)	<b><i>Interim Exam</i></b>					
(9)	4/8 (W)		Off-Balance-sheet Activities & Investments	11 (376-386 only), 13 (455-482 only)	11-14, 11-18, 13-5, 13-6	Fast relief; How leases ...	
(10)	4/13 (M)	Anacomp	Pensions				
(11)	4/15 (W)		Pensions	12 (401-438 only)	12-4, 12-5, 12-20	Lift's off; Financial surgery	
(12)	4/22 (M)	Ford & Toyota	Stock options	12 (438-442)	12-21	Cisco may profit	
(13)	4/27 (W)		Foreign Currency	15 (546-574 only)	15-2, 15-3, 15-4, 15-5		

(14 )	4/29 (M)	<i>Final Exam</i>
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**Pre-class (Review on your own)**

- Financial Analysis
- WSF, Chapter 4 (pp. 110-154)
- WSF, Problems 4-17, 4-19

**Class 1: (3/9)**

- Overview of course
- Review of Financial Statements – Balance Sheet and Income Statement (course packet)
- Balance Sheet WSJ article (course packet): “Intel Corporation ...”
- WSF, Chapters 2 (pp. 28-39, 52-68 only)
- WSF, Problems 2-13, 2-14
- Review of Financial Statements – Statement of Cash Flows (course packet)
- WSF Chapter 3
- WSF, Problems 3-2, 3-12

**Class 2: (3/16)**

- Case: Harnischfeger Corporation – course packet

Guide Questions:

**For class discussion only:** Describe Harnischfeger’s business and the conditions it was facing at the time of the case.

1. Identify all accounting policy changes and accounting estimates that Harnischfeger made during 1984. Estimate the effect on the company’s 1984 reported profits and cash flows. Use the following table as a format:

Policies/Estimates Changes	1984 Net income Effect	EPS effect	Operating Cash flow effect	Future net income effect (one-time or recurring; + or -)
1) ...				
2) ...				
...				

If the amounts are not determinable, specify if the impact is increasing (+) or decreasing (-).

On a separate list, identify other operating transactions that affected 1984 income that you believe are one-time or non-recurring.

2. What do you think are the motivations of Harnischfeger's management in making these changes to its financial reporting policies? Do you think that investors will see through these changes?

- Income Statement WSJ article (course packet): "Missed Signals ..."
- Cash Flow WSJ article (course packet): "Cash flow never lies ..."
  
- Accounting for Inventories (course packet)
- WSF Chapter 6
- WSF Problems 6-2, 6-10, 6-20, 6-21

### **Class 3: (3/18)**

- Inventories (continued)
- Inventories WSJ article (course packet): "Short Order: Costly Inventory Lesson ..."
  
- Analysis of Long-lived Assets (course packet)
- WSF Chapters 7 and 8
- WSF Problems 7-1, 7-5, 7-9, 8-2, 8-8, 8-12, 8-14

### **Class 4: (3/23)**

- Case: Pre-Paid Legal Services, Inc.

Guide Questions:

**For class discussion only:** Describe Prepaid Legal Service's business.

1. How does PPLS create value for its customers? What are the critical risks that it has to manage well?
2. Describe and compare the pre- and post-1995 commission formula. Why do you think the company changed its policy? Discuss both quantitative and qualitative reasons for doing so.
3. Describe the financial statements (balance sheet, income statement and statement of cash flows) impact of the two commission schemes. Under what conditions or assumptions will one commission scheme be "better" than the other?

- Revenue Recognition (course packet)

### **Class 5: (3/25)**

- Revenue Recognition (continued)
- WSF, Chapter 2 (pp. 39-52 only)
- WSF Problems 2-9, 2-17, 2-21
  
- Revenue recognition WSJ article (course packet): “SEC Cottons to Aggressive ...”
- Revenue recognition Mini-cases (course packet)
  
- Deferred taxes (course packet)
- WSF Chapter 9, pp. 290-314
- WSF Problems, 9-6, 9-9, 9-13

**Class 6: (3/30)**

- Case: Triangle Manufactured Homes, Inc.

Guide Questions:

**For class discussion only:** Describe Triangle Manufactured Homes’ primary lines of business. What are the critical risks to its business?

1. Identify and evaluate the revenue recognition (and related) policies of Triangle Manufactured Homes. What are the key assumptions behind these policies? Do you think that these assumptions are justified (cite evidence in support of or against these assumptions)?
2. Evaluate the company’s financial and operating performance during 2006 and 2007 overall and by operating segment. Identify some potential areas of concern based on this analysis.

- Deferred taxes (continued)
- Deferred taxes WSJ Article (course packet): “Alcatel ...”

**Class 7: (4/1):**

- Earnings per share (course packet)

**Class 8: (4/6)**      *Interim Exam:* (Financial statements, Inventories, Capitalize v Expense, Revenue recognition, Deferred taxes, Earnings per share)

**Class 9: (4/8)**

- Off-Balance-Sheet Activities and Investments (course packet)

- WSF Chapter 11, pp. 376-386 only and chapter 13, pp. 455-482 only
- WSF Problems 11-14, 11-18; 13-5, 13-6
- OBS WSJ article (course packet): “Fast Relief ...”
- OBS WSJ article (course packet): “How leases ...”

**Class 10: (4/13):**

- Case: Anacomp, Inc. – course packet

Guide Questions:

**For class discussion only:** Describe Anacomp’s business and the challenges it faced at the time of the case.

1. Evaluate Anacomp’s business new product development strategy. In particular, discuss and describe how Anacomp develops its software products. How does this differ from in-house software development? What are the risks and benefits of this strategy for Anacomp’s shareholders?
2. What is the impact of the above new product development strategy on the company’s financial statements compared to in-house development?
3. Evaluate the quality of Anacomp’s earnings and financial condition.

- Pensions (course packet)

**Class 11: (4/15):**

- Pensions (continued)
- Pensions WSJ article (course packet): “Lift’s Off: ...” and “Financial surgery ...”
- WSF Chapter 12 (pp. 401-438 only)
- WSF Problems 12-4, 12-5, 12-20

**Class 12: (4/22):**

- Case: Accounting for Pensions and Employee Benefits at Ford and Toyota

Guide Questions:

1. What is the impact of Ford and Toyota’s pension/OPEB plans on their net earnings for fiscal 2003? What is the impact of these firms’ pension/OPEB plans on their reported cash flows for 2003? Evaluate the adequacy of these cash contributions and their potential impact on future cash flow.

2. Assuming no change in employee levels and assumptions, estimate each of the recurring components of pension expense for 2004. Show all your calculations and assumptions.
3. Evaluate the reasonableness of Ford's *disclosed* pension and OPEB assumptions. Explain (and quantify, if possible) how these assumptions affect their reported earnings and balance sheet.
4. Compare Ford and Toyota's gross and net economic obligations for pensions/OPEBs to the net effect of these plans as reported on the companies' balance sheets. Describe how these numbers are reflected on these companies' balance sheets.
5. Discuss the risks faced by each of the companies with respect to their pension and OPEB obligations.
  - Stock Options (course packet)
  - WSF Chapter 12 (pp. 438-442 only)
  - WSF Problems 12-21

**Class 13: (4/27):**

- Stock Options WSJ Article (course packet): "Cisco may profit ..."
- Foreign Currency Accounting (course packet)
- WSF Chapter 15 pp. 546-574 only
- WSF Problems 15-2, 15-3, 15-4, 15-5

**Class 14: (4/29):**     *Final Exam* (OBS/Accounting for Investments, Pensions, stock options, Foreign currency)

## EVALUATION OF GROUP MEMBERS

**INSTRUCTIONS:** Complete the following evaluation for your entire group. Identify your group members in the column headings (you **MUST** include their names). **INCLUDE YOURSELF IN THE EVALUATION!!** Place your completed evaluation in a sealed envelope and return it **DIRECTLY** to the professor on the day of the final (May 3). Use the following categories to assign numerical scores from 0 to 10.

	Score		Score
Outstanding	10	Below Average	5 to 6
Excellent	9	Poor	3 to 4
Above Average	8	Unsatisfactory	1 to 2
Average	7	Did not participate	0

Scores for each Group Member (write a score from 0 to 10 per cell)

Evaluation Criteria	Your Name:	Name:	Name:
1. Attendance in group meetings.			
2. Contributed to group discussions.			
3. Assumed a fair share of the group work.			
4. Worked well with others.			
5. Was creative and enthusiastic.			
6. Assumed a leadership role.			
7. Contributed to the writing and editing of progress reports.			
8. Was timely in preparing work			
9. Provided quality work.			
10. Helped others in the group to learn.			
<b>TOTAL - please add the total points for each group member (range: 0-100)</b>			