Corporate Financial Accounting
15.501/15.516
Spring 2017

Professor: Maria Loumioti
Office location: E62-685
Office hours: Wednesday 4.30pm-5.30pm, or by appointment
Email: loumioti@mit.edu
Phone: (617) 253-0283

Class time:
Section A: 15.501A and 15.516A M/W 1:00-2:30pm
Section B: 15.501B and 15.516B M/W 2:30-4:00pm

Classroom: E51-335

Administrative Assistant: Laura Brentrup, brentrup@mit.edu
Teaching Assistants:
Section A: Brandon Lang, bslang@mit.edu
Section B: Pavel Fedorov, pfedorov@mit.edu

Course Description
The objective of this course is to provide a rigorous, case-based introduction to the principles of financial accounting and offer factual knowledge of important financial accounting terminology. We will cover the basic structure of financial reports and also learn how investors, creditors, and other users analyze financial statements to assess corporate performance. Presentations will consist of moderately technical expositions of concepts and material, but the primary focus will be that of the user (rather than the preparer) of accounting information.

Course Materials
- Casepack to buy the HBS cases through Study.net and CopyTech (East campus location, E52-076 or Main Campus location, 11-004). Please see the specific instructions on Stellar. **I strongly encourage you to buy the PAPER coursepack.**
- Powerpoint slides will be posted on Stellar every week. Any supplementary readings will be assigned as the course proceeds and will be also available on Stellar.

Class Website – Stellar
Class materials (lecture slides, case questions, handouts, supplementary readings, required problem sets, solutions to additional problems, etc.) are available online at: [http://stellar.mit.edu/S/course/15/sp17/15.501/](http://stellar.mit.edu/S/course/15/sp17/15.501/)
You need to register and have an Athena account to be able to see the class materials (non-MIT students: see below for how to cross-register and obtain an Athena account). Announcements will also be posted on the class website, so please visit the site every day.

**Classroom Values**

Professional conduct is built upon the idea of mutual respect. Such conduct entails (but is not necessarily limited to) the following expectations for students and faculty:

*Class times.* Students are expected to **arrive promptly on time** and to **stay for the entire class**.

*Attending the class.* Each class benefits from the attendance and contributions of all students. Research on learning indicates that it is very difficult to gain anything more than a superficial understanding of material without practice and feedback, so this class incorporates a substantial amount of both. Given that you cannot obtain this practice and feedback without attending class, attendance is very important.

*Being prepared for class.* **You should be ready to discuss any assigned readings and cases and to answer any assigned questions for each day's class.** Cases are assigned for class discussion, which cannot take place if students come unprepared. I will ask questions to get your input during class and, on occasion, I may “cold call.” This interaction helps me to understand where you are having difficulty following the material, and it makes the class more interesting for everyone. Case questions will be available on Stellar. **In case less than 20% of the class had read the case (i.e., case discussion is proceeding slowly and participation is low), I reserve the right to end the class early.** This is because case discussions are conducted by the students, and cases cannot be lectured. Please make sure you bring a copy of the assigned case study with you in class.

*Minimizing disruptions.* Cell phones and PDAs are not to be used or permitted to ring in the classroom. You should avoid engaging in side conversations after class has begun.

*Focusing on the class.* Laptops and e-readers are not to be open in the classroom except with explicit permission of the faculty (e.g., when used as part of the instructional program or when required by students because of physical or other challenges). Activities such as net surfing, day trading, and answering email are disruptive both to neighbors and the class.

*Respect.* Class participants should act respectfully toward one another. For example, when a student is “cold-called” and tries to answer a question, other students should not raise their hands to answer the question: this will stress the student that tries to give an answer.

**TA Office Hours**
The TAs are important members of the teaching team. They are committed to helping you reach the course objectives. Both TAs will be responsible for grading your problem sets and exams. Brandon is responsible for answering student questions both over email and during office hours for students in Section A. Pavel will do the same for students in Section B. In addition, they will take note of your class participation, so make sure they know your name.
TA Office hours:
Brandon: TBA, or by appointment
Pavel: TBA, or by appointment

TA Office hour location: TBA

**Office Visits**
If you have been attending class but are still falling behind, you are strongly encouraged to visit me. These meetings will be much more productive if you come prepared with specific questions. Please do not hesitate asking for my help first before talking to your TA.

**Deliverables**
Your final course grade will be the weighted average of the following components:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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</thead>
<tbody>
<tr>
<td>Final Exam</td>
<td>50%</td>
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<tr>
<td>Midterm Exam</td>
<td>20%</td>
</tr>
<tr>
<td>5 out of 7 Problem sets</td>
<td>15%</td>
</tr>
<tr>
<td>Contribution to Class Discussion</td>
<td>15%</td>
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</tbody>
</table>

**Exams**
Exams are cumulative. There will be a midterm exam on Wednesday, March 15 during regular class hours. I will update you with more information on the final exam date once the MIT Office of the Registrar finalizes the exam schedule. You will need to bring your calculators.

Exam conflicts: Absence from or non-completion of any of the exams at the scheduled time will result in a grade of zero unless a documented excuse (e.g., an illness) is provided. In order to be excused from an exam, you must email me *prior to the exam* and inform me that you are ill, and be ready to provide documentation (e.g., from Student Health Center) after the exam. For students that cannot take the midterm exam for different reasons but send me an email *prior to the exam*, their final exam grade will count for 70% of their course grade. Students who do not show up for an exam without making arrangements with me according to the preceding rules will receive an exam grade of zero.

Re-grading policy: If you believe an error has been made in grading your assignment or exam, you may request a re-grade by doing the following: Write a brief note to your TA explaining why you think there is an error and submit both the note and the assignment or exam to which it pertains to the TA. *All re-grade requests must occur within five (5) calendar days of the day graded material is returned to the class.* Please note that we reserve the right to re-grade the entire content of any submitted exam or assignment.

**Problem Sets**
There will be 7 problem sets distributed throughout the semester. The homework sets are designed to help you determine your grasp of the material covered during a particular section of the class. As such, **I encourage you to submit all 7 sets to be graded. Your 5 highest scores will count to determine your homework grade.** If you choose to skip a problem set, or submit a problem set late, the grade will be a zero.
I will be collecting your homework in class on the days assigned below. Students that cannot
attend the class on these days can scan and email their homework to the TAs by 1pm on that day. Late (electronic) submissions will not be accepted.

Problem sets are to be done individually. By individually, I mean the work you turn in must be
your own, as opposed to copied from another. This does not mean you have to do the assignment
in isolation – I expect that you will need to consult each other in order to understand, or better
understand, the material, and may need assistance. Seeking and giving such assistance is
encouraged. According to the teamwork guidelines distributed by Sloan this is a Type 1
collaboration.

**Contribution to Class Discussion**
The success of many of our classes will depend on the enthusiasm with which you discuss the
material. Class participation will be graded based on **in-class discussions**. I expect you to **come
to class prepared to discuss (and ask questions about) the material to be covered that day,**
and I may call on you to ask your opinion. If you have a question, please ask it. If I am not doing
a good job of covering the material, the chances are that many of your classmates have the same
question.

**Helpful Hints**
1. **Spend an hour each day on this course outside of class.** You will spend less time in
total and understand the material better than if you try to do it all the night before an
assignment is due or just before the exams.
2. **Preparing for a case discussion is much easier if you work in groups of 4-6 students.**
3. **The best way to learn accounting is by doing it.** The solutions to the additional practice
problems will be provided so you can get timely feedback on your own problem-solving
attempts. However, most of the problems will look easy once you have seen the solution.
Try not to read the solution until after you have (at least) thought about how you would
solve the problem. If you work in a group (and you are strongly encouraged to do so),
make sure that you understand the solution to any problem another group member has
solved.
4. If you are uncertain about any of the material covered during the week, be sure to visit
me or your TA during office hours. Our goal is to help you stay on top of the material.

**Cross-Registration for Harvard Students**
1. Harvard students can cross register online. See instructions on
http://web.mit.edu/registrar/reg/xreg/HarvardtoMIT.html
2. Once you submit your online petition, please wait 3 business days. I usually approve
petitions on the same day. **If your form is not approved within this window, that
means I never received it and you need to contact the Harvard admissions office to
resolve any remaining issues.** If there is a waitlist for the class (and as a result I cannot
approve your petition), I will send you an email letting you know about the situation.
3. Once you are notified that your petition is approved, you may obtain an MIT ID Card
from the MIT Card Office in the basement of the Stratton Student Center, W20-021. You
will need to present a valid passport or US Government issued picture ID, such as a driver's license.

4. To gain access to MIT online services such as Stellar and WebSIS, you must first register an MIT email (Athena) account and install MIT web certificates on your browser. Both steps require entry of your MIT ID number, which can be found on your MIT ID card.

5. To obtain an MIT email account and web certificate:
   - Go to Athena Account Registration and follow the on-screen instructions.
   - Install MIT web certificates using your Kerberos username and password and your MIT ID number.
   - Once you have your certificates installed, please go to WebSIS and provide your emergency contact information.

6. All the steps above are outlined at:

   If you need help with setting up Kerberos and Athena, please contact promptly Laura Brentrup and the TAs with your questions.

7. Cross registered students are expected to attend at least 3 of the first 4 sessions. In case there is a waitlist for this class, cross registered students that fail to attend will be dropped from the course and students in the waitlist will take over their spot.

8. Note:
   a. There are a limited number of cross-registration seats available. Preference is given to students taking the class for a letter grade and on a first-come first-serve basis.
   b. You must formally register for courses at both your home institution and here at MIT in order to be eligible for cross-registration.
   c. If you drop a cross-registered class, you must formally drop the class at both institutions as well.
   d. Please keep in mind that MIT's academic calendar may not match up with your home institution's academic calendar. Plan your travel accordingly.

Cross-Registration for Wellesley, MassArt, and SMFA Students

2. Bring your cross-registration form to class and make sure to indicate which section you prefer to attend (Section A or Section B or no preference).
3. Once signed by me, take the registration form to the Student Services Center in Building 11-120 to complete the cross-registration process. You will not be formally registered for the class until you do so.
4. After you are registered, you are eligible for an Athena account. An Athena account will provide you with a username and password that you can use to access the Stellar website (please follow the same steps that Harvard students will need to follow to receive an Athena account).
5. For your home school-specific instructions, visit the MIT Registrar's website ([http://web.mit.edu/registrar/reg/xreg/index.html](http://web.mit.edu/registrar/reg/xreg/index.html)).
6. If you need help with setting up Kerberos and Athena, please contact promptly Laura Brentrup and the TAs with your questions.

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The MIT Sloan Mission

The mission of the MIT Sloan School of Management is to develop principled, innovative leaders who improve the world and to generate ideas that advance management practice.

Values@MIT Sloan

The MIT Sloan Mission statement (above) provides the context for core values that express who we are at our best. These core values include integrity, respect, collaboration, innovation, and positive impact. We invite all members of our community – students, staff, faculty, alumni – to practice these values in all the ways we work together, both inside and outside of the classroom.

Core Values in Practice

We invite all members of our community – students, staff, faculty, alumni – to practice these values in all the ways we work together, both inside and outside of the classroom. The following examples of core values in practice are illustrative but not exhaustive.

Integrity: Upholding the highest personal, professional, and intellectual standards

- Academic integrity: Presenting original work of the highest caliber; recognizing and citing others’ work appropriately
- Professional integrity: exercising judgment in applying professional expertise; adhering to ethical standards of one’s discipline as well as regulating oneself according to those standards
- Personal integrity: being truthful; winning the respect and trust of others; building personal credibility

Respect: Valuing differences and respecting each other’s ideas and abilities as individuals and groups

- Using etiquette that demonstrates respect: Arriving on time and remaining for the duration of a class or meeting; refraining from distracting others, including via use of wireless devices or sidebar conversations.
- Valuing individual differences: Seeking out divergent views about important issues; taking care to include others in professional or classroom conversations; considering a variety of needs and preferences in community events
- Valuing diversity: Being sensitive to the potential impact of comments and behavior on all members of the community; being open to perspectives of others who come from different personal or professional backgrounds than one’s own.

Collaboration: Building community, expanding intellectual and professional horizons
• Building effective relationships: within teams, cohorts, and programs; spanning across programs, departments, professional groupings, class years
• Leveraging diversity of perspective and experience to generate positive results

Innovation: Applying creativity, fresh perspectives, and rigor to generate value

• Achieving results in new ways: creating new structures, thinking in new ways, inventing more efficient processes, developing new ways of working together

Positive Impact: On individuals, the community, society-at-large

• Supporting others’ success: helping others develop skills; generating a positive effect on people’s motivation; making a meaningful impact on how people work together to achieve goals

Engaging in service to individuals and the larger society, in one’s personal and professional pursuits
# 15.501/516 Financial Accounting

## Deliverables
- **Final**: 50%
- **Midterm**: 20%
- 5 out of 7 Problem sets: 15%
- Contributions to Class Discussion: 15%

## Readings
- **TEXT** – Dyckman, Hanlon, Magee and Pfeiffer 5th Ed
- **Cases** = Coursepack

## Class Schedule

<table>
<thead>
<tr>
<th>Class</th>
<th>Date</th>
<th>Topic</th>
<th>Reading</th>
<th>Problem sets</th>
<th>Additional Practice (not due or graded)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>W: 2/8</td>
<td>Overview/Intro</td>
<td><em>Case: Return of the Ogre</em>  &lt;br&gt; TEXT Chapter 1 (4-16)</td>
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<tr>
<td>2</td>
<td>M: 2/13</td>
<td>Accrual Accounting I</td>
<td><em>Class Prep: Peters</em>  &lt;br&gt; TEXT Chapter 2 (44-61)  &lt;br&gt; TEXT Chapter 3 (100-125)</td>
<td>E2-34, E2-35,  &lt;br&gt; E2-37, E2-39,  &lt;br&gt; P2-58</td>
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<tr>
<td>3</td>
<td>W: 2/15</td>
<td>Accrual Accounting II</td>
<td><em>Case: Kansas City Zephyrs</em>  &lt;br&gt; TEXT Chapter 1 (17-20)</td>
<td>E2-40, E2-41,  &lt;br&gt; E2-44, E2-47,  &lt;br&gt; P2-59, P2-57,  &lt;br&gt; P2-61, P2-67,  &lt;br&gt; P3-40, P3-43</td>
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<tr>
<td>4</td>
<td>T: 2/21</td>
<td>Revenue Recognition I/ Allowance Accounting</td>
<td><em>Case: Bausch &amp; Lomb</em>  &lt;br&gt; TEXT Chapter 6 (272-288)</td>
<td>Problem Set 1  &lt;br&gt; Due today and collected in class</td>
<td>E6-37 part a,  &lt;br&gt; P6-43</td>
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<tr>
<td>5</td>
<td>W: 2/22</td>
<td>Revenue Recognition II</td>
<td><em>Case: For-Profit Higher Education: University of Phoenix</em></td>
<td>Problem Set 2  &lt;br&gt; Due today and collected in class</td>
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<tr>
<td>6</td>
<td>M: 2/27</td>
<td>Revenue Recognition III</td>
<td><em>Case: Accounting for the iPhone at Apple Inc.</em></td>
<td>Problem Set 3  &lt;br&gt; Due today and collected in class</td>
<td>E4-34/35, E4-41/42, P4-(46 t through 52)</td>
</tr>
<tr>
<td>7</td>
<td>W: 3/1</td>
<td>Statement of Cash Flows</td>
<td><em>Class Prep: XYZ Transactions</em>  &lt;br&gt; TEXT Chapter 4 (156-180)</td>
<td>Problem Set 3  &lt;br&gt; Due today and collected in class</td>
<td>M7-13, M7-14,  &lt;br&gt; M7-15, M7-21,  &lt;br&gt; M7-23, E7-27,  &lt;br&gt; E7-29</td>
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<tr>
<td>8</td>
<td>M: 3/6</td>
<td>Inventory</td>
<td>TEXT Chapter 7 (328-344)</td>
<td>Problem Set 3  &lt;br&gt; Due today and collected in class</td>
<td>E8-23, E8-26,  &lt;br&gt; E8-24, E8-27,  &lt;br&gt; E8-27, E8-28</td>
</tr>
<tr>
<td>9</td>
<td>W: 3/8</td>
<td>Long-term assets</td>
<td><em>Case: Depreciation at Delta and Singapore Airlines –Case A</em>  &lt;br&gt; TEXT Chapter 8 (372-383)</td>
<td>Problem Set 4  &lt;br&gt; Due today and collected in class</td>
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<tr>
<td>10</td>
<td>M: 3/13</td>
<td>Review Session</td>
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<tr>
<td>11</td>
<td>W: 3/15</td>
<td>MIDTERMN</td>
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<td>Sloan SIP WEEK –No class  &lt;br&gt; Spring break</td>
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<td>Class</td>
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<td>13</td>
<td>W: 4/5</td>
<td>Acquisitions and Intercorporate Ownership</td>
<td><em>Case: Aquantiv/Microsoft&lt;br&gt; TEXT Chapter 12 (575-588)</em></td>
<td>E12-24, E12-25, E12-35</td>
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<tr>
<td>15</td>
<td>W: 4/12</td>
<td>Long-Term Debt</td>
<td><em>TEXT Chapter 9 (412-437)</em></td>
<td>Problem Set 5 Due today and collected in class</td>
<td>E10-31, E10-32, E10-33</td>
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<tr>
<td>16</td>
<td>W: 4/19</td>
<td>Leases</td>
<td><em>Case: Depreciation at Delta and Singapore Airlines – Case B&lt;br&gt; TEXT Chapter 10 (462-472)</em></td>
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</tr>
<tr>
<td>18</td>
<td>W: 4/26</td>
<td>Stockholder’s Equity</td>
<td><em>Case: Double Click&lt;br&gt; TEXT Chapter 11 (516-531)</em></td>
<td>Problem Set 5 Due today and collected in class</td>
<td>E12-24, E12-25, E12-35</td>
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<tr>
<td>19</td>
<td>M: 5/1</td>
<td>Introductory FSA I</td>
<td><em>Case: Sears’s vs. Walmart&lt;br&gt; TEXT Chapter 1 (21-23), Ch. 2 (71-73), Ch. 5 (215-236), Ch. 7 (345-348)</em></td>
<td>Problem Set 6 Due today and collected in class</td>
<td>E2-36, E2-38, P2-52, P2-54, P2-60</td>
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<tr>
<td>20</td>
<td>W: 5/3</td>
<td>Introductory FSA II</td>
<td><em>Case: Dollar General</em></td>
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<tr>
<td>21</td>
<td>M: 5/8</td>
<td>Ethics</td>
<td><em>Case: Corruption at Siemens (A)</em></td>
<td>Problem Set 7 Due today and collected in class</td>
<td></td>
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<tr>
<td>22</td>
<td>W: 5/10</td>
<td>Summary, Synthesis, and Review</td>
<td><em>Case: Natura Cosmeticos</em></td>
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<tr>
<td>23</td>
<td>M: 5/15</td>
<td>Review session</td>
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<tr>
<td>24</td>
<td></td>
<td></td>
<td><strong>FINAL EXAM</strong>&lt;br&gt;(TBD)</td>
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</tbody>
</table>

* I will be also posting my own practice problem sets (with solutions) on STELLAR. Please ignore any reference on T-accounts and journal entries on the textbook.