NOTES - Please read immediately:

➔ There is an assignment due for the first class! See page 5 of syllabus.
Accounting Information & Control Systems
MBFE 652.63 – Spring Trimester, 2004

Day/Class time: Wednesdays (VCC)
Professor Mike Davis
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E-mail address: mdavis@pepperdine.edu
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Office Hours: I’ll be available ½ hour before class at the center where class is held

Course Description and Objectives:

MBFE 652 is assumed to be your first ever course in accounting. It is intended to acquaint you with a basic understanding of financial and managerial accounting in order that you may be able to utilize accounting information to 1) externally evaluate the financial health of a firm and 2) internally make reasonable and rational decisions to guide the future of the firm. In the process, we will talk about generally accepted accounting principles (GAAP), the uses and limitations of accounting information, asset valuation, income determination, funds flows, analysis and interpretation of financial statements, managing the corporation from the inside (e. g., budgeting, costing systems, cost-volume-profit analysis), relevant ethical issues, and touch upon international concerns as appropriate.

This course is not intended to turn you into an accountant. Instead, the goal is to train you to use accounting information as a tool. Regardless of your interests, this course can be of great benefit to you because all organizations, whether they are governmental, not-for-profit, social or profit-seeking businesses, use accounting, both internally and externally. Mastery of the concepts presented in this course will allow you to 1) understand a company’s annual report, 2) understand the inner workings of a business, and 3) enable you to interpret the financial health or soundness of an organization. This ability, regardless of your actual job duties, will serve you well in the MBA program and your future career.

Due to the nature of the material, there will be both individual and group work. Individual work will occur in the preparation of the homework, while group work will occur with the financial analysis project. The project will require significant critical thinking, as the requirements involve synthesizing numerous concepts presented in the text and homework.

The Financial Analysis project involves evaluating the financial health of a publicly-traded company of your group’s choosing (companies will be approved on a first come, first served basis). In addition to a written report, an overview of your group’s analysis will be presented to the class during the last week or two. Further details on this assignment will be distributed in class.

I encourage you to read numerous business periodicals during the course to familiarize yourself with how the press presents accounting issues. Each class will begin with an opportunity for you to share a recent and relevant article. This involvement is factored red into your grade.

Homework solutions will be posted to the eRoom for this course on the GSBM portal the day after a class. Finally, any suggestions for improving the course during the semester will be greatly appreciated.
Course Policies:

1. **Pace & Participation:** We will cover approximately one-two chapters per class as indicated on the following pages. You will be expected to have read the assigned material and attempted the homework prior to the class in which it is covered. Since much learning will occur in class, everyone is expected to participate in all discussions about the theory and application to specific problems. Periodically, I will hand out an “exit standards” sheet summarizing the main issues from the chapters that you will be responsible for and will guide your preparation for the exams.

2. **Homework:** Homework assignments are indicated on the following pages. Solutions are due for the homework problems at the beginning of each class (xerox copy). Homework will be graded as follows: ✓ = acceptable, 5 points; ✓−, incomplete, 2 points; or 0, not acceptable, 0 points. Each homework score is based upon completeness, readability and presentation. I am not expecting perfect solutions nor do I want excessive time spent on “making it look nice;” however, I expect a reasonable and well-organized attempt on all problems and a pleasing presentation is a joy to grade. If you have trouble, contact me or talk with other students in the class. Problem sets submitted late will receive no credit. If you know that you will miss a class, please inform me in advance and get copies of your homework to me via another student, fax, email or mail.

3. **Financial Analysis Project:** This project is to be worked on in teams of 3-5 students, depending on class enrollment. Let me know by class #3 who your partners will be, including a team name. The text, The Financial Reporting Project and Readings, is used to guide you through this project and those assignments will be worth a total of 90 points. To provide an evaluation of how the workload was spread among the team members, 10 points per team member (30 points for 3-member teams, 40 points for 4-member teams) will be allocated among the team members, by the team itself, after the project has been presented. The only requirement and guidance regarding this allocation is that it cannot be equal and there is no minimum or maximum per team member. Each team will present their analysis to the class using PowerPoint. This is to be viewed as a presentation to a Board of Directors and all team members must be part of the presentation. The presentation will also be worth 10 points per team member. As the finished project is worth 50 points in total, 30 points will be for an evaluation of the overall report.

4. **Exams:** There will be 3 mid-term exams plus a final exam, each worth 100 points. Two of the exams will be “individual” exams and two exams will be “group” exams. Individual exams are completed solely by the student. Group exams are completed by groups of 3-4 students, as determined by the professor. Procedurally, group exams are preceded by each student taking the exam by themselves. At the conclusion of that exam, the professor will then announce that that exam is to be a group exam. The group will then have 30 minutes to discuss and turn in one exam for the group. The group exam will be graded and the score will be assigned to each member of the group. Determination of which exams are group exams and which are individual exams will be decided by the professor after the individual exam has been taken. Further information will be provided prior to the first exam.

5. **Extra Credit:** For those with the time and desire, most assignments will include extra credit problems. These are challenging and time consuming but will add tremendously to your understanding of the material. Each one is worth 2 points and the solution must be substantially correct to receive credit. Extra credit problems are due with the homework that is assigned for that week, but handed in separately and marked as “Extra Credit.” Those submitted with errors will be returned with indications where the error is and you will have one week to make corrections. Solutions to these problems will not be posted to the eRoom site.
Text and Course Materials:

REQUIRED TEXTS:
3. PowerPoint lecture notes for course – these will be emailed to you at your Pepperdine email address by the first class.

OPTIONAL TEXT:
*Study Guide* for textbook. Recommended for students who desire greater mastery of the material, as solutions are provided.

Grading and Exams:
1. Exams: There will be three mid-term exams plus a final exam. As explained above, two will be individual exams and two will be group exams, as determined by the professor.

2. Course Grading*:

   Mid-term Exam #1, *Week of Jan 26, during class* .................. 100 pts. (16.7%)
   Mid-term Exam #2, *Week of Feb 23, during class* .................. 100 pts. (16.7%)
   Mid-term Exam #3, *Week of Mar 15, during class* .................. 100 pts. (16.7%)
   Final Exam, *Week of Apr 12* ............................................. 100 pts. (16.7%)
   Project Assignments (10, 40, 40) ........................................... 90 pts (15.0%)
   Financial Analysis Project .................................................. 50 pts (8.3%)
   Homework (12 @ 5 points each) ............................................ 60 pts (10.0%)
   **TOTAL** .............................................................................. 600 pts. (100%)

* Arrive at final grade by adjusting numerical average, as necessary, to incorporate trend of exam scores, attendance, participation, overall performance and any extra credit problems completed.

Attendance Policy:

As indicated above, attendance is factored into your final course grade. While I realize some of you travel in your jobs, you must make every attempt to keep travel to an absolute minimum, as previous experience has indicated a severe negative impact on course performance when more than one class is missed. As indicated above, you are still required to turn in all homework assignments, *by the due date*, for any credit. You must also work out satisfactory arrangements with your fellow team members if you miss team meetings.
**Policy on Homework and Extra Credit Submissions:**

I encourage you to work in groups on your homework. However, you must turn in your **own** work. All extra credit is to be worked on individually. Any homework or extra credit problems that, in the judgment of the professor, looks similar to other students’ work will be subject to disciplinary action as indicated in the GSBM Catalog.

### Course Assignments (the following is partial and subject to change as the course progresses):

#### Pre-First Class Assignment #0 (due at start of Class #1):

**Read:** Chapter 1 and 2

**Do:** P1-1A, BYP1-2, re-do P1-1A according to the requirements shown in E2-8 (in other words, [a] journalize the transactions and [b] post the transactions to the ledger using the standard account form)

**Topics/Headings not covered in class, learn on your own (still responsible for):**

Chp 1: Brief History of Accounting, Distinguishing between Bookkeeping and Accounting, Accounting and You, The Accounting Profession, Ethics – A Fundamental Business Concept

Chp 2: Posting, Chart of Accounts

**During Class #1:** We will discuss chapters 1 and 2 in detail. Chapters 3 and 4 will be introduced.

#### Assignment for Class #2 – HW #1 (week of Jan. 12):

**Read:** Chapter 3 (87-104, Appendix), chapter 4 (151-156)

**Do:** E2-7, BYP2-4, P3-1A (a) only (add the following requirement: Assume Solo’s net income before adjustments was $2,900. What is their net income **after** including the impact of the adjusting entries?), E4-10, BYP4-2, BYP4-7

**Extra Credit:** BYP4-5 (overlook that this is a group decision case – do on your own)

**Topics/Headings not covered in class, learn on your own (still responsible for):**

Chp 3: Selecting an Accounting Time Period, Fiscal and Calendar Years

**During Class #2:** We will review chapters 3 and 4 and introduce chapters 5 and 6

#### Assignment for Class #3 – HW #2 (week of Jan. 19):
(Note: We have or will need to worked out arrangements for Monday night’s class, since it is Martin Luther King Day, a Pepperdine University holiday)

Read: Chapter 5 (183-94, 197-202), chapter 6 (230-42, 245-48, Appendix 6C) and handout

Do: E5-7(a), P5-1A, BYP5-2, E6-3, E6-5, P6-7A, BYP6-7

Also Due: Project Assignments 1B, 1C, 4B (10 points)

Extra Credit: P5-3A (a, b only), P6-4A

Topics/Headings not covered in class, learn on your own (still responsible for):

Chp 5: Operating Cycles, Purchase Returns and Allowances, Freight Costs, Purchase Discounts, Recording Sales of Merchandise, Sales Returns and Allowances, Sales Discounts

Chp 6: All topics from pages 224-232

During Class #3: We will review chapters 5 and 6 and introduce chapter 9

Note: Will also spend some time reviewing for Mid-term #1

Assignment for Class #4 – HW #3 (week of Jan. 26):

Mid-term #1 (chapters 1-5) during the first part of class

Read: Chapter 9 (361-71, 79-80)

Do: E9-2 (b), E9-3, P9-3A (add the following requirement: Assume that net A/R at the end of the previous year was $255,450 and that credit sales for 2002 were $2 million. Calculate the A/R turnover and average collection period ratios and evaluate), BYP9-7

Extra Credit: BYP9-1

Topics/Headings not covered in class, learn on your own (still responsible for):

Chp 9: Types of Receivables, Recognizing Accounts Receivables, Direct Write-Off Method for Uncollectible Accounts

During Class #4: We will review chapter 9 and introduce chapter 10

Assignment for Class #5 – HW #4 (week of Feb. 2):

Read: Chapter 10 (399-410, 412-top of 15, 418-24) and handout

Do: E10-2, P10-2A, P10-7A, P10-9A (and determine the “weakness” of this problem), BYP10-7
Also Due: Project Assignments 5, 6, 9, 10 (40 points)

Extra Credit: P10-3A

Topics/Headings not covered in class, learn on your own (still responsible for):

   Chp 10: Retirement of Plant Assets, Franchises and Licenses

During Class #5: We will review chapter 10 and introduce chapters 14, 15 and Appendix C (pgs. C1-7 in back of text)

Assignment for Class #6 – HW #5 (week of Feb. 9):

Read: Chapter 14 (559-middle of 582), chapter 15 (601-top of 610, 613-23), Appendix C (pgs. C1-C7 in back of text)

Do:      E14-8, P14-6A, BYP14-7, E15-2, E15-6, E15-13, BYP15-7, BEC-2, 15 (BEC’s are in Appdx C)

Extra Credit: None

Topics/Headings not covered in class, learn on your own (still responsible for):

   Chp 14: Characteristics of a Corporation (all sub-headings), Forming a Corporation, Ownership Rights of Stockholders, Issuing Common Stock for Services or Non-cash Assets, Liquidation Preference, Convertible Preferred Stock

During Class #6: We will review chapters 14 and 15 and introduce chapters 16 and 18 and apply present value concepts

Assignment for Class #7 – HW #6 (week of Feb. 16):

(Note: We have or will need to worked out arrangements for Monday night’s class, since it is President’s Day, a Pepperdine University holiday)

Read: Chapter 16 (639-top of page 652, bottom of page 656-662) and the Appendix, 18 (715-34, 48-52)

Do:      BE16-10, E16-7 (make amortization table also), P16-7A (make amortization table and verify the proceeds of $2,655,888 using present value analysis), E18-3, E18-6, BYP18-2, BYP18-8

Extra Credit: P16-6A, P18-9A

Topics/Headings not covered in class, learn on your own (still responsible for):

   Chp 16: Issuing Procedures
   Chp 18: Significant Noncash Activities
During Class #7: We will review chapters 16 and 18 and introduce chapter 19

**Assignment for Class #8 – HW #7 (week of Feb 23):**

*Mid-term #2 (chapters 6, 9, 10, 14, 15) during the first part of class*

**Read:** Chapter 19 (responsible for all ratios except payout ratio and times interest earned) and handout articles

**Do:** E19-4, E19-5, P19-3, P19-5, BYP19-7

**Extra Credit:** None

**Topics/Headings not covered in class, learn on your own (still responsible for):**

Chp 19: Atypical Data; Diversification of Firms

During Class #8: We will review chapter 19 and introduce chapter 20

**Assignment for Class #9 – HW #8 (week of Mar. 1):**

**Read:** Chapter 20

**Do:** P20-1A, P20-5A, BYP20-6

**Also Due:** Project Assignments 8, 11, 12, 14 (40 points)

**Extra Credit:** None

**Topics/Headings not covered in class, learn on your own (still responsible for):**

Chp 20: Ethical Standards for Managerial Accountants, Management Functions, Service Industry Trends, Technological Change

During Class #9: We will review chapter 20 and introduce chapters 21 and 22

**Assignment for Class #10 – HW #9 (week of Mar. 8):**

**Read:** Chapters 21 and 22 and Appendix (925-28) and handout on ABC

**Do:** E21-3, P21-4A, BYP21-6, E22-4, P22-7A

**Extra Credit:** P21-5A
Topics/Headings not covered in class, learn on your own (still responsible for):

Chp 21: All topics will be covered in class
Chp 22: Just scan Assignment of Manufacturing Costs – Journal Entries, Contemporary Developments (Just-in-Time Processing)

During Class #10: We will review chapters 21 and 22 and introduce chapter 23 and part of 24

Assignment for Class #11 – HW #10 (week of Mar. 15):

Mid-term #3 (chapters 16, 18, 19) during the first part of class

Read: Chapter 23 (945-top of 950, 953-end), 24 (981-87)
Extra Credit: None

Topics/Headings not covered in class, learn on your own (still responsible for):

Chp 23: All topics will be covered in class

During Class #11: We will review chapter 23 and introduce chapters 24 and 25

Assignment for Class #12 – HW #11 (week of Mar. 22):

Read: Chapters 24 (981-998), 25
Do: P24-2A, P24-3A, P24-4A, BYP24-6 (may do in class), E25-6
Extra Credit: P24-6A, BYP25-5

Topics/Headings not covered in class, learn on your own (still responsible for):

Chp 24: The Benefits of Budgeting, Essentials of Effective Budgeting, Direct Labor Budget, Mfg. O/H Budget, Selling and Administrative Expense Budget, Budgeted B/S

During Class #12: We will review chapters 24 and 25 and introduce chapters 26 and 27

Assignment for Class 13 – HW #12 (week of Mar. 29):

Financial Analysis Project Presentations!!

Read: Chapters 26 (1063-middle of page 1076, bottom of 1080-top of 1082), 27
Do: E26-6, E27-2, E27-5, P27-4A
Extra Credit: BYP27-2

Topics/Headings not covered in class, learn on your own (still responsible for):

Chp 26: Distinguishing Between Standards and Budgets
Chp 27: All topics will be covered in class

During Class #13: If we have time, we will review chapters 26 and 27.

Assignment for Class 14 – HW #13 (week of Apr. 5):

We will finish up reviewing chapters 26 and 27 and review for the final exam.

NOTE: This is Thanksgiving week, so there is no class on Thursday. Thursday’s class can come to Monday or Tuesday’s class – or we will discuss alternative arrangements.

Class 15 (week of Apr. 12): Final Exam – Chps 20-27
### Background of the Professor

- **Current Home**
  Simi Valley

- **Previous Homes**
  Melbourne, Australia  Springfield, MA  
  Philadelphia, PA  London, England  
  Honolulu, HI  Fresno, CA  
  Bakersfield, CA  Nazareth, PA

- **Colleges Attended**
  UMass, Amherst  Ph.D. in Accounting  
  Wharton School  MBA in Finance  
  Cal State, Fresno  BS in Accounting

- **Previous Work Experience**
  Accounting Professor  1984-1997  
  Lehigh University, Bethlehem, PA  
  Faculty Fellow  1996-1997  
  Financial Accounting Standards Board  
  Senior Accountant  1975-1977  
  Touche Ross, Fresno, CA  
  In-Charge Accountant  1974-1975  
  Ernst & Ernst, Honolulu, HI

- **Research Interests**
  Financial Reporting, Mergers and Acquisitions  
  Personal Financial Planning from Biblical Perspective

- **Family**
  Lorna (wife) - works as a hospice nurse  
  Kyle (21), Kent (18), Krista (16)

- **Outside Interests**
  Flying, Traveling, Volleyball, Guitar

- **Teaching Philosophy**
  I strive for excellence in teaching;

  **Learning** is the paramount goal:  
  more important than teaching, **far more** important than grades.

  I am responsible for teaching but **we** are responsible for learning.

  The **big picture** is more important than the details, but the details are important.

  After each class, you should be able to communicate the **big picture** to someone who is relatively bright but never had an accounting course.

  This course will likely be very good if **we** all meet Pepperdine’s high performance standards, but I desire that it be more than just very good.

  This course can be outstanding if **we** commit ourselves to excellence each time we come to class.
Conduct

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

- **Dismissal** – separation of the student from the University on a permanent basis.
- **Suspension** – separation of the student from the University for a specified length of time.
- **Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.”

Policy on Disabilities

**Assistance for Students with Disabilities**

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to equal opportunity officer, Dr. Calvin H. Bowers, (310) 456-4208. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)”

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GSBM Catalog, pgs. 192-193.

GSBM Catalog, pg. 31.