School of Management

ACCT 332
Sections 3 and 4
Intermediate Financial Accounting II
Spring 2011
TR, 3:00-4:15 pm, Robinson B 201
T, 4:30-7:10, Shenandoah Hall 107

Instructor: Mikhail Pevzner, PhD
Office: 108 Enterprise Hall
Phone: 703-993-1755
Email: mpevzner@gmu.edu (for course material questions, please post to the Blackboard Discussion Board)
Office Hours: TR, 1:30-2:30 pm, or by appointment.

Web Address: http://courses.gmu.edu. The course Blackboard website will have slides for each chapter and other materials I will provide. It is your responsibility to download and, if you wish, print these materials before class. Please also note that any questions related to the course material must be submitted to the Blackboard Discussion Board.

Course Objectives: Upon completing this course, students should:
A. Be competent in the material covered by the course.
B. Be knowledgeable about global business and trade as it applies to International Financial Reporting Standards.
C. Be capable of recording, analyzing, interpreting and communicating financial and non-financial information for users of such information in accordance with applicable professional authoritative literature.
D. Possess the research skills to access, understand and apply relevant professional authoritative literature.

Prerequisites: ACCT 331 with a grade of “C” or better

Required Materials:
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- Instructor Power Point Presentation Slides and Other Notes
- McGraw Hill Connect Accounting accompanying Spiceland et al. textbook.

- The Connect Accounting sites are as follows:

  **Section 003**

  [http://connect.mcgraw-hill.com/class/m_pevzner_section_3](http://connect.mcgraw-hill.com/class/m_pevzner_section_3)

- **Section 004**

  [http://connect.mcgraw-hill.com/class/m_pevzner_section_4](http://connect.mcgraw-hill.com/class/m_pevzner_section_4)

Please note that the assigned required homework problems and exercises are listed on Connect Accounting sites only and are not included in this syllabus. This is done because homework assignments are subject to change.

**How will this class be taught:**
I place a large amount of emphasis on in-class practice. So, in general, we will first have a lecture on the topic and then will do in-class practice problems. Most of the in-class practice problems were created by me, but some are from the textbook. The solutions to these most important problems are posted on Blackboard. As I discuss below, if we have any extra time, we will work on some easy exercises from the book. Those are listed in the schedule and you should not submit them to me.

**How should I study for 332 to be successful:**
- Number one predictor of your ultimate success is the amount of time you will spend on solving problems and whether you ultimately understand well how to do them. Your grade will be completely driven by your ability to solve long essay-type problems on the exams and tests.
- **Therefore you should plan to spend at least 9-10 hours per week on this class alone outside classroom time.** This is an average statistic, and for many students this number is actually likely to be higher.¹ You need to plan your workload accordingly and balance your work and learning schedule. **Number one probable predictor of failure in this class is excessive class load (too many difficult classes) and excessive work activities combined.**
- This class goes very fast and if you do not keep up, you will feel overwhelmed. This is why it is so important to have a manageable schedule this semester if you want to do well.

¹ This especially should concern students who had a time break after taking Acct 331, who have repeated any of the accounting classes in the past (especially 301, 331 or 332), and who have difficulties with command of English.
This is the learning process you ideally follow to be successful:

- Read the chapter before coming to lecture
- Do not miss class and stay engaged. Take notes and write on PowerPoint slides. This is what they are for. **Please do not be afraid to ask questions. If you do not understand something, raise your hand!! Please, do not be embarrassed to ask questions.**
- After class, review your notes and re-read the chapter. If something is not clear, please send me an email or visit me in my office.
- **Re-work in-class practice problems and supplemental in-class problems independently without looking at the solution. Then compare your answers to the solution and study any mistakes you made. Then set them aside and repeat doing the problem without looking after a break. Then compare to the solution again for any errors. Repeat this process until you are reasonably sure that you understand what you are doing.**
- Then work on the homework. Do a problem, study your errors. Do it again until you give a reasonably error-free answer.
- **DO NOT CRAM. ALL OF THE RELEVANT MATERIAL MUST BE STUDIED AT LEAST 10 DAYS BEFORE THE EXAM DATE. THE WEEK BEFORE THE EXAM MUST BE SPENT ON THE REVIEW AND REPEATED PRACTICE OF THE AREAS IN WHICH YOU ARE STILL RUSTY.**

Communication between instructor and students:
I will be in contact with you regularly via email and/or Blackboard announcements about administrative issues, related to the course. It is your responsibility to read your email/Blackboard announcements regularly and stay informed of all the class developments. **Please make sure that your email mail-boxes are functioning to avoid missing important announcements.**

Blackboard Discussion Board for Questions
Because many of you will have similar questions on homework and other related matters, **all questions related to the course material must be submitted to the course Blackboard Discussion Board. The answers will be posted there. If you post a question on the discussion board, please also notify me via email.**

Calculator:
Only non-programmable calculators are allowed on the exams. I recommend buying a cheap non-programmable calculator in the school bookstore. They run for about $4 a piece. You are allowed to use a financial calculator in class. However, you have to make sure that you know how to operate it properly, especially if you choose to use it instead of present value tables from the book. I will provide no guidance as to the usage of financial calculators. **Responsibility for correct calculator use is entirely your own.**
Final grades shall be determined by a ranking of all students who complete the course. Letter grade shall be assigned based upon the total points earned throughout the course. After each examination, a grade to date will be communicated to the class.

Midterm and Final Exams:

- There will be a common midterm exam and a comprehensive common final examination during the semester. Both exams are common for all sections of Acct 332 (i.e. commonly administered and commonly graded by all faculty members teaching the course). The midterm exam will be on Saturday, March 26th, 10:30-1:15 pm. The final will be on May 11th, 2011, 7:30 am-10:15 am.

Should any changes occur, you will be notified via email.

You are expected to be present for all examinations. If a last minute emergency arises that will prevent you from taking an examination, get in touch with me as soon as possible (e.g., call and leave an appropriate message on my voice mail). Be prepared to provide acceptable, official documentation supporting your case. An unapproved absence will result in a grade of zero on the exam.

If you have a justifiable conflict with taking the exams on scheduled dates, please contact me in advance to schedule a make-up exam. Mid-term exam must be taken within reasonable time limit (usually no more than a week after the scheduled date). Final exam must be taken within 3 days of the scheduled time. By justifiable conflict, I mean a religious obligation, illness, etc. Note that it is a student’s responsibility to make required arrangements for alternative exam dates in advance. An example of un-justifiable conflict is wanting to go on break early, etc.

Tests:

There will be three full class period tests in addition to Mid-term and Final examinations. Each test will be worth 25 points. I will count the best two scores towards your final grade. The tests have smaller coverage than mid-term and final exams and are designed to ensure that you are on track with your studies.

NOTE TO STUDENTS WHO NEED TO TAKE TESTS/EXAMS IN THE OFFICE OF STUDENTS WITH DISABILITIES:
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You must make arrangements with me in advance if you need special accommodations with the ODS office, such as alternative quiz/exam time.

Case:
Each student must submit one written case. The case is due on or before March 1st, 2011 in the beginning of class. The case should be word-processed and written in memo form as if it were to be presented to the partner in charge of an audit client and should represent a staff accountant’s opinion as to the appropriate treatment of an accounting problem. You must submit both a paper copy to the instructor and an electronic copy to SAFEASSIGN (available through Blackboard).

Reference should be made to the appropriate accounting literature and indicate the alternatives available to account for the problem, the advantages and disadvantages of each alternative and reasons for the recommended treatment.

Grades will be based upon both the answer and rationale for selecting the alternative. The form of the memo will also be evaluated; this includes proper style, grammar, spelling, and so forth. The case will be worth 50 points and, as a guideline, should probably be no more than 3 single-spaced pages in length. No late cases will be accepted.

Sources to answer case question(s)

- FASB Codification System:
  You may log in at http://aaahq.org/ascLogin.cfm using the following:
  
  Username – AAA52638
  Password – Srgwie

- Accounting Research Manager (must be accessed through SOM computer or proxy server): http://www.accountingresearchmanager.com

- FASB website: http://www.fasb.org

- IASB website: http://www.iasb.org

- SEC website: http://www.sec.gov

Homework Problems:
For each of 9 chapters you will be assigned at least one homework worth 5 points. For some chapters, which are considered more difficult or important, you are assigned two homeworks. You can accumulate up to 50 points on homework (even though the total cumulative points exceed this number). Homework deadlines are as follows: March 25th, 2011 (11:59 pm) for pre-midterm assignments, and Tuesday, May 10th, 2011 (11:59 pm) for post-midterm assignments. You cannot submit the
homework after the deadline. You can consult with others or work in groups on homework; however, the actual submission of answers must be your own work. **Note that even though the homework deadlines are sometimes substantially later than the classes covering their respective topics, you must do homework earlier to be successful in the course. We assign the deadlines to be later in order to accommodate your busy schedules, but it is your responsibility to be on track with your studies.**

Supplemental in-class problems:
On the time-permitting basis, we will work on some additional textbook exercises in class. Those do not need to be turned in, and are solely meant to provide you with additional practice time. I list those problems in the schedule. Please note that we will do those problems only if there is additional time available. Otherwise, you are welcome to work on those at your leisure.

Withdrawal Policy:
If you desire to withdraw from the course, you must submit a drop form to Student Services **on or before April 1st, 2011.**

Accommodations for Students with Disabilities:
The Disability Resource Center (located in 234 Student Union Building I) provides a wide variety of academic support services to all currently enrolled GMU students who have an type of mental or physical disability or either a temporary or permanent nature. These services include assistance with course accommodations, adaptive equipment, individualized exam administration, taped textbooks, wheelchair repair, library needs, registration, handicapped parking, accessible housing and transportation, as well as many other needs. If you feel that you may need assistance of this nature, call the Center at (703) 993-2474. **In addition, you should notify me about any special needs as soon as possible.**

Honor Code:
All work on tests and examinations is expected to be completed on your own. You may work with other students while doing homework and in learning the material. On the case assignment, you may discuss the case questions with other students, **but the actual write up and analysis must be your own work.** You are also expected to understand and follow the GMU Honor Code. **Suspected Violations of the Honor Code will result in the immediate referral to the Honor Code Committee.**

Note to students:
I reserve the right to change the provisions of the syllabus, as the semester progresses. If any changes are made, students will be notified.
<table>
<thead>
<tr>
<th>Week #</th>
<th>Class</th>
<th>Topic</th>
<th>Supplemental in-class exercises (NOT HOMEWORK; GO TO CONNECT FOR HOMEWORK PROBLEMS) /Other Important Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jan 25\textsuperscript{th}, 27\textsuperscript{th}</td>
<td>Current Liabilities (chapter 13)</td>
<td>E13-5,6,12,19</td>
</tr>
<tr>
<td>2</td>
<td>Feb 1st, Feb 3\textsuperscript{rd}</td>
<td>Bonds (chapter 14 and part of chapter 12 related to debt investments)</td>
<td>E14-3,4,18,21,22</td>
</tr>
<tr>
<td>3</td>
<td>Feb 8\textsuperscript{th}, 10\textsuperscript{th}</td>
<td>Bonds, Leases (chapter 15\textsuperscript{th})</td>
<td>E15-2,3,4,5, supplemental problem on operating leases</td>
</tr>
<tr>
<td>4</td>
<td>Feb 15\textsuperscript{th}, 17\textsuperscript{st}</td>
<td>Test 1 (Current Liabilities and Bonds) Leases (chapter 15)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>February 22\textsuperscript{nd},24\textsuperscript{rd}</td>
<td>Leases</td>
<td>Last day to drop the class- February 25\textsuperscript{th}, 2011</td>
</tr>
<tr>
<td>6</td>
<td>March 1st, March 3\textsuperscript{rd}</td>
<td>Leases, Deferred taxes</td>
<td>E16-1,2,3,22</td>
</tr>
<tr>
<td>7</td>
<td>March 8\textsuperscript{th}, 10\textsuperscript{th}</td>
<td>Deferred taxes</td>
<td>Case is due March 1\textsuperscript{st} in the beginning of class. Spring break, March 14\textsuperscript{th}-20th</td>
</tr>
<tr>
<td>8</td>
<td>March 22\textsuperscript{nd}, 24\textsuperscript{rd}</td>
<td>Test 2 (Leases and deferred taxes); Review for the midterm</td>
<td></td>
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<tr>
<td>9</td>
<td>Saturday, March 26\textsuperscript{th}</td>
<td>Midterm examination</td>
<td></td>
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<tr>
<td>10</td>
<td>March 29th, 31\textsuperscript{st}</td>
<td>Pensions (chapter 17)</td>
<td>E17-4,5,6,7,8</td>
</tr>
<tr>
<td>11</td>
<td>April 5\textsuperscript{th}, 7\textsuperscript{th}</td>
<td>Pensions, Equity (chapter 18)</td>
<td>E18-12,13,19,23</td>
</tr>
<tr>
<td>12</td>
<td>April 12\textsuperscript{nd}, 14\textsuperscript{th}</td>
<td>Equity, Share-based payments/EPS (chapter 19)</td>
<td>E19-5,6,14,15</td>
</tr>
<tr>
<td>13</td>
<td>April 19\textsuperscript{th}, 21\textsuperscript{st}</td>
<td>Share-based payments/EPS</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>April 26\textsuperscript{th}, 28\textsuperscript{th}</td>
<td>Test 3 (Pensions, Equity,</td>
<td>Since you can count first two</td>
</tr>
</tbody>
</table>
TENTATIVE-SUBJECT TO CHANGE

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share-based payments) Statement of Cash Flows (chapter 21)</td>
<td>tests for your test grade (Test 3 will only count if its score is higher than one of the other scores), and if class-time is constrained, Test 3 may need to be held on Saturday, April 30th.</td>
<td></td>
</tr>
<tr>
<td>May 3rd, 5th</td>
<td>Statement of Cash Flows/Accounting Errors and Changes (chapter 20th)</td>
<td>E20-17,18,23 (no supplemental exercises on Statement of Cash Flows)</td>
</tr>
<tr>
<td>May 11, 2011, 7:30am-10:15 am</td>
<td>Final Examination</td>
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Appendix A:

Mapping of the Undergraduate Program Learning Goals into Course Objectives:

Course Objectives: Upon completing this course, students should:

A. Be competent in the material covered by the course.
B. Be knowledgeable about global business and trade as it applies to International Financial Reporting Standards.
C. Be capable of recording, analyzing, interpreting and communicating financial and non-financial information for users of such information in accordance with applicable professional authoritative literature.
D. Possess the research skills to access, understand and apply relevant professional authoritative literature.

Learning goals for the Undergraduate Programs

<table>
<thead>
<tr>
<th>Learning goals for the Undergraduate Programs</th>
<th>Acct 332 Course Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our students will be competent in their discipline.</td>
<td>A</td>
</tr>
<tr>
<td>2. Our students will be competent with technology.</td>
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<tr>
<td>3. Our students will be effective communicators.</td>
<td>C,D</td>
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<tr>
<td>4. Our students will have an interdisciplinary perspective.</td>
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<tr>
<td>5. Our students will be knowledgeable about global business and trade.</td>
<td>B</td>
</tr>
<tr>
<td>6. Our students will be ethically aware (or ethical decision makers).</td>
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<td>7. Our students will be effective team</td>
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TENTATIVE-SUBJECT TO CHANGE

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<thead>
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<tbody>
<tr>
<td>8.</td>
<td>Our students will be accepting of diversity.</td>
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<tr>
<td>9.</td>
<td>Our students will be critical thinkers. A,B,C,D</td>
</tr>
</tbody>
</table>

Appendix B:

Acct 332: Detailed Content Outline

Note to students: This outline is a list of topics and concepts which we will be covering in each chapter. This outline should serve as your study guide of topic coverage for quizzes and exams.

Current Liabilities-Chapter 13

- Accounts payable, short-term notes payable, commercial paper
- Accruals (interest payable, salaries accruals, vacation pay, bonuses, other payroll related liabilities)
- Advances from customers
- Collections from third parties
- Current vs. non-current classification
- Obligations expected to be re-financed
- Loss contingencies
- Warranties and guarantees
- Subsequent events
- Relevant differences between IFRS and US GAAP

Bonds and Long-Term Notes-Chapter 14 (part of Investments from Chapter 12)

- Effective interest amortization method. Amortization table. Interest expense journal entries.
- Straight line amortization method. Interest expense journal entries.
- Investments in the other companies bonds and notes
  - Investments held to maturity
    - Accounting at initial purchase
    - Amortization of interest
    - Recording of periodic interest revenue
    - Accounting at the sale of the securities
- Mark-to-market and fair value accounting for bond investments for both bond issuer and holder
- Early retirement of debt
- Debt issue costs
- Installment Notes
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- Notes issued for assets or services
- Convertible bonds
  - Issuance
  - Exercise of the conversion option
  - Relevant differences between IFRS and US GAAP - convertible debt
- Bonds with detachable warrants
- Troubled debt restructuring
  - Debt settlement
  - Modification of debt terms
- Relevant differences between IFRS and US GAAP

Leases - Chapter 15

- Economic definition of a lease: when to capitalize (passage of substantive economic ownership)
- Advantages of leasing
- Concept of off-balance sheet financing: effects of lease capitalization on firms’ capital structure
- Criteria for lease capitalization. Know what they are and what each means. Be able to apply to determine whether to capitalize or not
- Understand what types of payments are included in the minimal lease payments, and which ones are not (e.g. executory costs)
- Compute present value of minimum lease payments.
- Be able to record lease accounting journal entries from perspective of both lessor and lessee
- Be able to construct lease amortization schedule in Excel and by hand
- Understand how to record depreciation on capitalized lease
- Basic understanding of how to differentiate between current and non-current portion of lease obligation
- Understand operating lease treatment and how to record depreciation on operating leases
- Basic differences in timing expense patterns between capital and operating leases
- Understand the distinctions in lessor accounting for direct financing and sales type leases
- Be able to make journal entries for direct financing type lease
- Understand what is meant by guaranteed and unguaranteed residual values. Understand how to include these in minimal lease payments calculations for lessor and lessee
- Understand how to calculated implied profit on the sales type lease
- Understand how guaranteed/un-guaranteed residual values impact sales-type lease accounting
- Understand the accounting for bargain purchase option
- Understand the accounting for direct lease financing costs
- Understand basic disclosures required for leases
- Relevant differences between IFRS and US GAAP
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Taxes-Chapter 16
- Understand why taxable income is different from GAAP income and how it leads to creation of deferred taxes;
- Permanent differences vs. temporary differences
- Examples of types of transactions resulting in permanent differences
- Examples of types of transactions resulting in temporary differences
- Difference between current tax expense and deferred tax expense
- Be able to create a basic tax differences schedule and to compute deferred and current taxes on the basis of that schedule
- Basic journal entries for deferred taxes in the first and subsequent years
- Know which differences result in deferred tax assets and which result in deferred tax liabilities, and how journal entries will differ
- Deferred tax asset valuation allowance for deferred tax assets and net operating loss carryforwards.
- Revision of future tax rates
- Treatment of net operating losses
- Basic financial statement presentation
- Relevant differences between IFRS and US GAAP

Pensions-Chapter 17
- Understand what is meant by pension fund
- Understand differences between employer accounting for pensions and fund accounting for pensions
- Defined benefit vs. defined contribution plan
- Know what journal entry is made for defined contribution plan
- Understand pension obligation concepts:
  - Projected Benefit Obligation
- Be able to compute PBO from basic examples
- Know how to calculate all the components of pension expense
  - Service Cost
  - Interest Cost
  - Expected Return on Plan Assets
  - Amortization of Prior Service Cost
  - Amortization of Pension Gains/Losses
- Understand how to treat pension plan funding status under SFAS 158
- Relevant differences between IFRS and US GAAP

Chapter 18-Equity
- Basic overview of corporation lingo:
  - Limited Liability
  - Double Taxation
  - Corporate Charter
  - Corporate By-laws
  - Paid-in capital
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- Authorized, issued and outstanding shares
- Par value
- Legal capital
- Understand differences between preferred and common stock
- Be able to record basic stock issuance transactions for cash and other types of consideration
- Understand pre-incorporation subscription agreements and their accounting
- Accounting for share issue costs
- Stock repurchases (treasury stock transactions)-book value and market value methods
- Stock retirements
- Accounting for dividends and retained earnings
  - Cash dividends
  - Stock dividends
  - Retained earnings restrictions
- Stock splits
  - Why firms do them
- Basic understanding for accounting for hybrid securities
- Be able to prepare Statement of Retained Earnings and Statement of Changes in Shareholders’ Equity.
- Relevant differences between IFRS and US GAAP

Chapter 19-Stock Options and EPS
- Reasons for compensating employees with
- Accounting for restricted stock
- Accounting for employee stock options
  - Conceptual understanding of how to value options
  - Be able to make stock option expense journal entries on the basis of stock options valuation information given
  - Understand differences between qualified and non-qualified stock options and implications for deferred tax accounting
  - Conceptually understand implications of contingencies in stock option plans
- Stock appreciation rights
  - Settled with cash
  - Settled with equity
- Earnings Per Share
  - Simple vs. complex capital structure
  - Computing weighted average shares outstanding
  - Computation of basic EPS
    - Effects of stock dividends and stock splits
    - Cumulative dividends on preferred stock
  - Diluted EPS
    - Definition of dilutive securities
    - Impact of convertible bonds
    - Impact of unexercised stock options
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- Treatment of anti-dilutive securities: be able to assess anti-dilutive effects.
  - EPS presentation on the income statement
- Relevant differences between IFRS and US GAAP

Chapter 21-Statement of Cash Flows
- Be able to prepare Statement of Cash Flows using both direct and indirect method
- Be able to calculate Investing and Financing Cash Flows incorporating information on various accounts (e.g. acquisitions and disposals of PPE, non-cash transactions, calculating the effects of bond amortization, bond conversions, etc.)
- Relevant differences between IFRS and US GAAP

Chapter 20-Error Corrections
- Understand treatment of accounting changes due to
  - Principles changes
  - Changes in estimates
  - Changes in reporting entity
- Be able to correct errors in various accounts by restating or by correcting through retained earnings
- Be able to make error corrections while giving consideration to tax effects
- Know about consequences of restatements for firms.
- Relevant differences between IFRS and US GAAP