Instructor: Rajib Doogar     Office: 225 E David Kinley Hall
Phone: 217.244.8083      E-mail: doogar@uiuc.edu
Office hours: M W: 10:00-11:30 and by appointment.
Course Home Page: www.cba.uiuc.edu/doogar/Accy493/493.htm

TA: Keejae Hong     Office: 235 S Armory
Phone: 217.265.8198      E-mail: kphong@uiuc.edu
Office hours: Thursday 3:00-5:00 and by appointment.

Class meeting times:     Section D1:     M W 8:00-9:50     317 DKH

Text and readings:     The (required) Readings and Case Packet is available from TIS College Bookstore 707 S. Sixth Street. There is no assigned text but the following optional readings may be helpful (and interesting):

Course Objectives:
This course examines financial reporting by business entities. Accounting reports are useful for (among other things) determining how stakeholders share in the economic surplus generated by a firm and as part of a complex mosaic of information used in lending and investment decisions. Consequently, financial reports and accounting policy choices are influenced by the economic self interests of managers and owners as well as key decision-makers’ need for reliable and relevant information. This course is organized around some recurrent themes of the craft: How are transactions to be classified? How should values be measured? How should they best be disclosed or communicated? We use these questions to better understand the basics of US GAAP for some important classes of transactions and for key elements of the financial statements.

Expectations
I expect you to prepare the assigned readings for the day and to work through the homework problems before you come to class. If the assigned reading is a case, you should read the case several times and do any preliminary calculations that you think may be informative. No late work will be accepted under any circumstances. No make-up work will be assigned.

My goal is to help you learn! Please e-mail me as soon as you detect a problem with your progress.

Homework
All homework must be turned in on the date/time announced. Missing class is not an acceptable excuse for not turning in homework on time. Bring two copies of homework solutions to class: you will be asked to turn in one copy at the beginning of class. The other copy will be very useful to you during the class discussion.
Quizzes
There will be up to five random quizzes administered in class. Missed quizzes can be made up solely at the discretion of the instructor.

Class Participation
Class participation points are awarded based on some combination of
1) preparedness with facts and numbers,
2) ability to make or ask pertinent comments/questions,
3) your impact on other people’s thinking, and,
4) my subjective assessment of your overall contribution to the learning environment over the course of the semester.

To be an effective contributor, thoroughly prepare the material for each day before coming to class. Be prepared to offer your opinions with reason and to help each other (and me) learn. Do not hesitate to explore differences in understanding in a constructive way: complicated ideas are often best learned by talking things over.

Group Presentation and Final Project
Teams of up to four students will analyze and prepare a report on a pre-assigned case and present and defend their analysis in class.

Exams
There will be one mid-term and one final exam for the course. The mid-term will be an in-class exam while the final will be administered at the time and place announced in the University Examination calendar. Both exams will be closed book, closed notes with no text-storing calculators allowed.

Grading

<table>
<thead>
<tr>
<th>Item</th>
<th>Points</th>
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<tbody>
<tr>
<td>Homework (10 out of 11 @ 10 points each)</td>
<td>100</td>
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<tr>
<td>Quizzes</td>
<td>50</td>
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<tr>
<td>Class Participation</td>
<td>25</td>
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<tr>
<td>Group Presentation and Final Project</td>
<td>75</td>
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<tr>
<td>Midterm and Final Exams (125 points each)</td>
<td>250</td>
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<tr>
<td>Total</td>
<td>500</td>
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Your final grade will be based on the sum of the points earned on these components applied to a final grade scale.

Other
My policy is to address issues before they become problems. Consequently I encourage students to provide me with feedback about all aspects of the course and my interactions with you. **It is best to contact me by e-mail.** However you are welcome to stop by during office hours or by appointment as well.
### University of Illinois at Urbana-Champaign
#### Accountancy 493D – Financial Reporting
#### Spring 2003

<table>
<thead>
<tr>
<th>Class Meeting</th>
<th>Readings</th>
<th>Homework</th>
<th>Practice</th>
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</thead>
<tbody>
<tr>
<td>Day 2: Mon 1/27</td>
<td>Strategic Aspects of Financial Reporting: The Role of Asymmetric Information</td>
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<tr>
<td>Day 3: Wed 1/29</td>
<td>Choice of Organizational Form and Implications for Accounting</td>
<td>AA:E14-1,4,5</td>
<td>AA:E14-2,6</td>
</tr>
<tr>
<td>Day 4: Mon 2/3</td>
<td>Globalization and Choice of Organizational Scope &amp; Location</td>
<td>AA:E10-3,4</td>
<td>AA:E10-8</td>
</tr>
<tr>
<td>Day 5: Wed 2/5</td>
<td>Strategic Investments: Alliances and Equity Investments</td>
<td>AA:E6-9,12</td>
<td>AA:E6-10</td>
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<tr>
<td>Day 6: Mon 2/10</td>
<td>Mergers and Acquisitions: Economic and Strategic Considerations</td>
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<td>Day 7: Wed 2/12</td>
<td>Mergers and Acquisitions: Accounting for Business Combinations I</td>
<td>AA:E2-2,4,6</td>
<td>AA:E2-7</td>
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<tr>
<td>Day 8: Mon 2/17</td>
<td>Mergers and Acquisitions: Accounting for Business Combinations II</td>
<td>AA:E3-5,6,7</td>
<td>AA:E3-3,8</td>
</tr>
<tr>
<td>Day 10: Mon 2/24</td>
<td>Topics in Reporting: Segmental Reporting</td>
<td>AA:E12-5,10</td>
<td>AA:E12-6,9</td>
</tr>
<tr>
<td>Day 11: Wed 2/26</td>
<td>Reorganization: Divestiture, Restructuring and Bankruptcy</td>
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<td>Day 12: Mon 3/3</td>
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<td><strong>Midterm Exam</strong></td>
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<tr>
<td>Day 14: Mon 3/10</td>
<td>Debt &amp; Convertibles</td>
<td>IM:E13-4,8,9</td>
<td>IM:E13-16,14</td>
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<tr>
<td>Day 17: Wed 3/19</td>
<td>Dividends</td>
<td>E16-11,12</td>
<td>E16-13</td>
</tr>
</tbody>
</table>

**Spring Break: No classes 3/22-3/29, 2003**

| Day 18: Mon 3/31 | Compensation                                                               |                  |                |
| Day 19: Wed 4/2  | Compensation continued                                                     |                  |                |
| Day 20: Mon 4/7  | Leases                                                                    |                  |                |
| Day 24: Mon 4/21 | Quality of Earnings                                                       |                  |                |
| Day 25: Wed 4/23 | Review                                                                    |                  |                |
| Day 26: Mon 4/28 | **Project Review: Making Effective Business Presentations**               | **Reports Due**  |                |
| Day 27: Wed 4/30 | Presentations II Final Project                                             |                  |                |
| Day 28: Mon 5/5  | Presentations II Final Project                                             | **Reports Due**  |                |
| Day 29: Wed 5/7  | Presentations II Final Project                                             | **Reports Due**  |                |

**Final Exam: Date and Place as per University Examination Calendar**
Tentative Class Schedule and Readings List

* Changes in content and/or scheduling may be made as the course progresses. These changes will be announced in class or communicated via e-mail. You are responsible for making yourself aware of these changes.

Note: RC indicates that the reading appears in the “Readings and Cases” readings packet.

Module 1: Introduction and Overview

Day 1 Course Introduction: Financial Reporting Fundamentals
HBS 9-100-010 Perspective, Institutions and Basic Issues [RC #1]
HBS 9-195-160 Financial Reporting Fundamentals [RC #3]

Day 2 Strategic Aspects of Financial Reporting: The Role of Asymmetric Information
HBS 9-190-188 Financial Reporting Strategy and Analysis under Asymmetric Info [RC #4]
HBS 9-193-045 Diversity in Accounting Principles: a Problem, a Strategic Imperative or a Strategic Opportunity? [RC #5]
HBS 9-101-072 Accounting for the Intel Pentium Chip Flaw. [RC #6]

Module 2: Organizational Form and Scope

Day 3 Choice of Organizational Form
“Corporate Form of Organization” Nikolai and Bazley, Intermediate Accounting, pp. 642-7. [RC #7]
“Partnerships: Characteristics, Formation and Accounting for Activities” Fischer et. al., Advanced Accounting, Ch. 14 pp. 1-16, 28-35. [RC #8]

Day 4 Globalization and the Scale and Scope of Organization
HBS 9-194-055 Measuring Foreign Activites [RC #9]
“Foreign Currency Transactions”, Fischer et. al., Advanced Accounting, Ch 10 pp.1-33 [RC #10]

Day 5 Strategic Alliances and Equity Investments
“Strategic Alliances: Teaming and Allying for Advantage” Pitts and Lei, Strategic Management, pp. 264-93. [RC #11]
“Equity Method for Unconsolidated Investments” Fischer et. al., Advanced Accounting, Ch. 6 pp. 23-31, 44-46. [RC #13]
Day 6 Mergers and Acquisitions: Economic and Strategic Considerations
“Business Combinations: America’s Most Popular Business Activity, Accounting’s Biggest Controversy” Fischer et. al., Advanced Accounting, Ch. 1 pp. 1-39 [RC #14]

Day 7/8 Mergers and Acquisitions: The details
“Consolidated Statements: Date of Acquisition” Fischer et. al., Advanced Accounting, Ch. 2 pp. 1-51. [RC #18]
“Consolidated Statements: Subsequent to Acquisition” Fischer et. al. Advanced Accounting, Ch. 3 pp. 1-26, 34-53 and 59-66. [RC #19]

Optional Readings

Day 9 Topics in Reporting: Foreign Currency Translation and Segmental Reporting
“Translation of Foreign Financial Statements” Fischer et. al., Advanced Accounting, Ch. 11 pp. 1-22, 38-41 and 45-54. [RC #21]

Day 10 Reorganization: Divestiture, Restructuring and Bankruptcy
“Disclosures About Segments of an Enterprise” Fischer et. al., Advanced Accounting, Ch. 12 p. 1-32. [RC #23]

Day 11 Reorganization: Divestiture, Restructuring and Bankruptcy
“Control, Governance and Financial Architecture” Brealy and Myers Principles of Corporate Finance, Ch. 34, pp. 963-986 [RC#25]
“Debt Restructuring, Corporate Reorganizations, and Liquidations” Fischer et. al. Advanced Accounting, Ch. 21 pp. 1-24. [RC #26]
HBS 9-196-135 Restructuring in the 1990s [RC #27]
Day 12

Module 3: Financing Business Activities

Day 13 Capital Structure
“An Overview of Corporate Financing” Brealy and Myers, Principles of Corporate Finance, Ch 14 pp. 377-395. [RC#29]
“Does Debt Policy Matter?” Brealy and Myers, Principles of Corporate Finance, Ch 17 pp. 465-483. [RC#30]
“How Much Should a Firm Borrow?” Brealy and Myers, Principles of Corporate Finance, Ch 18 pp. 489-515. [RC#31]

Day 14 Debt & Convertibles
“Using Present Value Formulas to Value Bonds” Brealy and Myers, Principles of Corporate Finance, Ch 5 pp. 47-49. [RC#32]
“Valuing Debt” Brealy and Myers, Principles of Corporate Finance, Ch 24 pp. 667-678. [RC #33]
“Warrants and Convertibles” Brealy and Myers, Principles of Corporate Finance, Ch 23 pp. 643-657. [RC #34]
Optional Reading

Day 15 Equity: Common, Preferred, Convertible & EPS
“Common Stock: Characteristics, Valuation, and Issuance” Moyer et. al., Contemporary Financial Management, pp. 239-61. [RC #36]
“Preferred Stock” Moyer et. al., Contemporary Financial Management, pp. 223-26. [RC #37]
“The Importance of Courting the Individual Investor” Vogelheim et al., Business Horizons, Jan.-Feb. 2001: 69-76. [RC #38]
“Preferred Stock Characteristics” Nikolai and Bazley, Intermediate Accounting, Ch 15 pp. 666-73. [RC #40]
“Earnings per Share” Nikolai and Bazley, Intermediate Accounting, Ch. 16, pp. 698-710. [RC #41]

Day 16 Stock Repurchases
“The Dividend Controversy” Brealy and Myers, Principles of Corporate Finance, Ch 16 pp. 433-455. [RC #42]
“Treasury Stock” Nikolai and Bazley, Intermediate Accounting, pp. 673-80. [RC #43]
Optional Reading
Day 17 Dividends
“Dividends” Nikolai and Bazley, Intermediate Accounting, pp. 711-20. [RC #44]
“Speaking of Dividends: Dividends vs. Buybacks” Lazo, Barron’s, September 6, 1999: 39. [RC #45]

Spring Break: March 22-March 29, 2003

Module 4: Compensation & Pensions

Day 18/19 Performance Evaluation and Employee Compensation
“Options” Moyer et. al., Contemporary Financial Management, pp. 679-93. [RC #46]
HBS 9-102-039 Accounting for Employee Stock Options [RC #47]
HBS 9-100-031 The Boeing Company’s Accounting for Executive Stock Compensation [RC #48]
Trends in Compensation: WSJ Quarterly Review

Day 20/21 Financing with Leases [W Apr. 10, M Apr. 15]
“Lease Financing” Moyer et. al., Contemporary Financial Management, pp. 659-671. [RC #49].
HBS 9-100-003 Lease Accounting and Analysis [RC #50]
Optional Reading

Day 22/23 Post-employment Benefits
“Accounting for Postemployment Benefits” Nikolai and Bazley, Intermediate Accounting, pp. 878-924. [RC #52]

Day 24 Quality of Earnings, Earnings Management
HBS 9-178-126 Quality of Earnings [RC #54]
HBS 9-101-091 GE 2000 Quality of Earnings [RC #55]
Levitt speech, Schipper presentation, GE press coverage linked to Course website

Day 25 Review

Day 26 Project Review
HBS 9-391-011 Making Effective Business Presentations [RC #56]