

Advanced Accounting

ACCT 460/660

Winter quarter, 2014
taught by Dr. David Albrecht

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This course is but one of many courses in financial accounting. You started with Principles, where you learned the basic “what” of financial reporting: *what* is an asset, liability, revenue, or expense, *what* is the format of an income statement or balance sheet, *what* is Cost of Goods Sold Expense or LIFO or FIFO. Then came Intermediate, where you learned the “how to” of financial reporting: *how to* compute operating income and gain/loss from disposal in the section for Income from Discontinued Operations, *how to* compute EPS, *how to* disclose information on pensions according to Generally Accepted Accounting Principles.

Now you are taking Advanced Accounting. What makes this course advanced? There are two reasons.





Luca Pacioli, father of accounting.
Is he also the father of the hoodie?

The first reason this course advanced is the most difficult **how to** remains: the accounting for business combinations. This accounting topic takes several weeks, perhaps months, to learn due to its complexity. The concepts involved require a deeper level of thought to comprehend. The judgment required to make optimal decisions is more advanced.

The second reason is that the *raison d'être* of financial reporting must still be considered. **Why** is a specific form and frequency of financial reporting required in the United States? No course of study can be complete without considering **why** it is undertaken in the first place.

What Advanced Accounting is all about

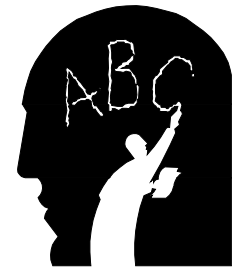
This course is mostly about the reporting for consolidations for a complex corporate structure.

In intermediate accounting, you learned the accounting for a single company. But usually a large company is a combination of several companies. For example, a parent company may have several subsidiaries, each of which is a separate accounting entity. These subsidiaries might be wholly owned (100%) or majority owned (>50%, <100%). In addition, some investments in other corporations might be for 20-30% ownership.

The parent company must present its financial statements as if the large collection is just one company. This means that the financial statements of each subsidiary must be added into (or combined) the parent's financials. It is quite an involved and time-consuming process.

Approach to the course

Knowledge of generally accepted accounting principles is the foundation of this course. Application of the rules and uses of accounting information cannot be understood until you have mastered the knowledge.



*"One should be able to
do what one knows"*
Milt Hakel

Accounting can be taught from two distinct approaches: learner centered or content/teacher centered. In a learner centered approach, students learn by *doing*. Content is only important to the extent that students can do something with it after the course is over. In the content/teacher centered approach, students must learn what the professor knows—factual knowledge, concepts and applications.

The content/teacher centered approach is the traditional approach used in most college classrooms. In this approach the professor lectures (or at least is clearly in charge), the students learn to know what the professor wants them to, and there are tests of factual knowledge where students must show what they know. Frequently, discussion and homework are included as part



From teacher-centered
to learner-centered.

of the course grade. Professors are rated as good if they are organized, good speakers and friendly, and are rated as excellent if they are mesmerizing. Students are supposed to remember the knowledge through subsequent courses and into the real world, where they eventually will have to apply what is remembered. The conclusion from more than one thousand research studies is clear. Most knowledge that the professor wants students to know (i.e., memorize) will soon be forgotten.

The learner centered approach is in use when the course is structured to allow the student opportunities to apply (in realistic simulations) what is learned.

It has frequently been said that students learn best by doing. It's true. If a teacher is able to show a student what is possible to do with the knowledge and concepts that have been taught, then that student is changed for a life-time. Without being able to do something with knowledge and concepts, the knowledge and concepts soon will be completely forgotten.

How can students be shown how to do things with what they have learned? First, students must be given a realistic context in which to operate. The realistic context should simulate the after-school world as much as possible. Second, in this realistic context, professors show students how to do things with what they have learned, and give them enough guidance and practice so they can learn how to do these things. When the student starts applying knowledge, a statement like “Oh that’s how it works. I see now,” is frequently heard. Class time is enhanced when students get an opportunity *to do* something during each class. This approach is called learning by doing.



Learning by doing is a moo-ving experience.

I use the learner centered approach. Don’t get me wrong, learning what to know is still a major part of the course, but it isn’t the entirety.

Sometimes opportunities to learn by doing will take place in working a problem, either as homework or work in class. There also will be a major project where the focus will be you putting your knowledge to play in a simulated but realistic business setting. This will help you learn how to do it, and at the same time you’ll learn the knowledge better.

What each class is like

I intend for each class period to be so valuable to your learning that you will regret ever missing any class. You should never skip class. Ever. However, you should especially never skip two classes in a row, for to do so will put you so far behind it will cause you to flunk all test questions on that major topic or chapter. It is my intention that when leaving each class, you will feel pleased for having been there. Feeling good.



I Get it!

A comment frequently heard from my students is that I keep students engaged in active learning more so than in any other class they ever have taken. I intend for much learning to take place. How does this happen? Listening to me, responding to me, working problems by yourself, working problems with others, and working problems with the entire class. It most definitely helps if you’re not too tired, because class time is very involved and active.

I am excellent at what professors call *working the classroom*. I walk around the classroom, constantly providing feedback and assessing how well you are learning each sub

topic being covered. I call on individual students throughout class. Since I've been checking on students throughout the class, I pretty much know what to ask to get a student to show what he/she has learned, or to lead a student to finally "get" a topic.

Class time will help you to form contacts with the other students so that you will feel comfortable in working with them outside of class.

For class to be effective, you must come prepared for class. I can't help you mold your clay if you don't bring it. Both before and after class, your learning process continues away of class as you talk about accounting and business with your class mates.



I never bring a calculator to class. I rely on all students to compute the numbers for examples and homework. I'll lay out a problem in class, and students work it, step-by-step with me in the lead. Or, it might be that I'll stop and let everyone in the class do a problem on his/her own. I encourage students to work together in class, check answers with neighbors, and help others until everyone has it figured out. I think students should be able to talk with each other during class.

Come prepared to get involved.

I rely on students to present problem solutions on the board and to walk the class through the solution.

Periodically, I'll bring to class financial statements from real companies. If for a few companies in the same industry, we should be able to see which one is doing the best job in one respect or another. If for one company over time, we should be able to figure out the company's true performance.

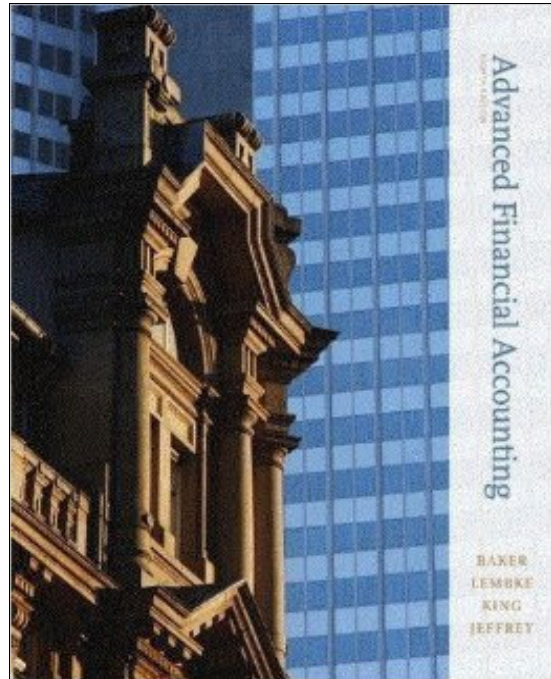
Required Text:

Advanced Financial Accounting. Any of the following editions:

The 10th edition (Christensen, Cotrell, Baker) can be ordered at Amazon for \$175 new, \$130 used.

The 9th edition (Baker, Christensen, Cotrell) can be ordered at Amazon for \$77 new, \$48 used.

The 8th edition (Baker, Lembke, King) can be ordered online for \$25.50 new, \$1 used.



Grading

Letter grades will be assigned according to relative class standing. In other words, students that score better on tests and projects will receive better grades. Rest assured that the goal is a fair assessment of student knowledge and understanding. ***When all is said and done, grade assignments remain the result of the professor's professional judgment.***

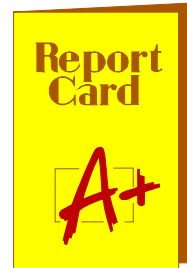
The grade of "A" requires excellent performance on tests and projects. Exam scores are perfect or nearly perfect. Students know everything about every topic. "B" means very good. Often, students really know their stuff, but consistently make small errors. Students know a lot about almost every topic. "C" stands for competent. Students sometimes really know their stuff, and other times make errors because they are only familiar with the material. Students know a lot about some topics, but are lost on other topics. Students who don't get it very well receive a "D." A grade of "F" is for those who don't get it at all.

I don't assign grades based on a set percentage. However, to get a grade of A, a student probably is scoring somewhere between 100 and the low 90s on tests. To get a B or B+, a student probably is scoring somewhere between the low 90s and the mid 80s. To get a C, a student is probably scoring in the low 80s to the low 70s. I don't give many grades of D or D+. The grade of F sometimes starts in the mid-60s.

I really expect students to do a very good job.

Your course grade will be assigned on the professor's subjective evaluation of your tests and papers. The course grade will integrate these items:

Exams	80-100%
Homework notebook	0%
Projects & other	0-20%
	<hr/>
	100%



How to study for this course

I have written an article that could help you study for any college course, especially accounting courses. I recommend you download it and read it.

<http://profalbrecht.wordpress.com/2008/12/30/ace-your-accounting-classes-12-hints-to-maximize-your-potential/>

Attendance policy

You should attend every class. "... Attendance is important and students should ... maintain regular attendance if they are to attain maximum success in the pursuit of their studies [USC Upstate Course Catalog]." For this course, attendance is not part of the course grade.

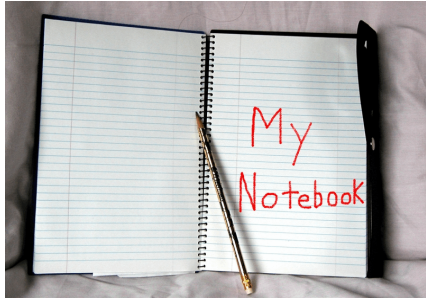
However, I realize that interviews, work and family commitments sometimes get in the way. If you miss a class, please make arrangements with another student for a copy of their notes. Finally, if you need to miss a class, **send me an e-mail letting me know of your absence.** You will lose the good will of the professor if you skip a class and don't send an e-mail.

Assignments

Will be announced on a daily basis. I'll make announcements far enough in advance for you to have adequate time to work the problems.



Homework



Completion of homework problems is a nongraded requirement of the class. Homework problems are assigned for most of the class periods. You will not have to hand in your HW solutions on a daily basis for grading throughout the term. However, you will be expected to be current for discussion purposes. If the class does not stay current on the HW assignments, then daily quizzes will be given. My solutions to the HW problems are posted on the course web page. Many homework problems are worked interactively in class.

In addition, you must maintain a notebook or collection of your hand-written attempts to do the homework problems. This notebook should contain a table of contents listing all homework problems worked. By the date of the final exam for this course, you must turn in your notebook/collection for inspection by Dr. Albrecht. If your notebook does not contain your hand-written solutions for at least 80% of all problems assigned, then your course grade is docked one letter.

> 80%

Class discussion

Everyone is expected to speak up in class. If I do not get adequate participation from each student, I will establish standards and a process to measure your participation.

BYOD

I encourage students to bring a digital device to class, whether it be a computer or tablet. You should be using it for learning purposes. It is my intention to keep you so engaged that you won't have much of a desire or opportunity to goof off.



E-mail



All students are required to regularly check their e-mail, whether it be La Sierra or a private e-mail. ***I will send e-mail to your La Sierra account or your other e-mail account.*** Check your e-mail often, because I'm going to send out notes, assignments, etc., by e-mail. I assume that by 24 hours after I send out an e-mail, everyone has read it.

Academic honesty



La Sierra University views academic honesty as a cornerstone for institutional integrity. As such the University expects high standards of integrity from all members. Students who commit any offense against academic integrity and honesty may receive from an instructor a failing grade in an assignment or a failing grade in a course, without possibility of withdrawal. The nature of the offense may dictate probation, suspension, dismissal, or permanent expulsion as determined by the Dean and/or the Academic Integrity Committee.

It is the responsibility of the students to avoid both dishonest practices and the appearance of dishonesty. Students should make the necessary effort to ensure that their work is not used by other students. They have the responsibility to protect the integrity of their academic work by doing all they can to stop the dishonest practices of others.



Accommodations for disability

LSU is committed to ensuring equal educational opportunities to students who have a documented disability and are entitled to reasonable accommodations in accordance with the American Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973.

The Director of the Office of Disability Services (ODS), located in Room 100 of the Learning Support & Testing Center (lower level of La Sierra Hall), is available to meet with

students regarding documentation guidelines for qualifying disabling conditions. The director of the ODS evaluates the documentation, works with the student to determine appropriate accommodations, and then makes arrangements for those approved accommodations. The type of accommodations provided depends on the nature of the functional limitation that the student is presented with as a result of the disability and could include services such as extended time on tests, testing in a distraction reduced environment, note takers, books on tape/CD, e-texts, assistive technology, etc. Students suspecting any kind of undiagnosed disability may contact the ODS to discuss concerns, documentation guidelines, and referrals for testing and/or assessment. For more information, please contact the Director of the Office of Disability Services at 951-785-2412 or ability@lasierra.edu.

A student needing accommodations should contact the ODS as early in the quarter as possible by calling 951-785-2412 or stopping by the ODS. The instructor will arrange accommodations with the student AFTER the student has worked with the ODS and proper documentation is established.

I am committed to going the extra mile in making reasonable accommodations for a student's disability.

Topical content in ACCT 460

Consolidations

- Intercompany acquisitions & investments in other entities
- Cost method and equity method
- Reporting entity and consolidated statements
- Consolidation of wholly owned subsidiaries
- Consolidated of less than wholly owned subsidiaries
- Intercompany transfers—assets and inventory and debt
- Consolidated statement of cash flows
- Foreign currency translations

Regulatory issues

- SEC reporting

Partnerships

- Formation, operation, changes in membership, liquidation