



Corporate Financial Accounting
15.501/15.516
Fall 2011

Professor : Nemit Shroff
Office location : E62-679
Office hours : Wednesday from 4:00 PM – 5:00 PM or by appointment
Email : shroff@mit.edu
Phone : (617) 324-0805
Class time : Section A 15.501A/15.516A MW 1:00-2:30
: Section B 15.501B/15.516B MW 2.30-4:00
Classroom : 1-190
Teaching Assistants : Brian Akins (akins@mit.edu)
: Luo Zuo (luozuo@mit.edu)

Preparation for Class:

You should read the chapters in the text that we are covering prior to the class as well as any related materials posted on Stellar. I will assume you have read the required materials prior to class. Please note, however, that I will not necessarily cover all the material in each chapter during class due to time constraints.

Classroom Approach and Participation:

The best way to learn is through numerous examples. Therefore, we will solve short problems in class and review assignments. Your questions are welcome at any time. I will ask questions and get your input during class and, on occasion, I will “cold call.” I would like you to interact in the class. This helps me understand where you are having difficulty following the material and it also makes the class more interesting for everyone.

TA Sessions:

The TAs, Brian Akins and Luo Zuo, are accounting PhD students and are important members of the teaching team. They are committed to helping you reach the course objectives. They are responsible for grading most of the written assignments and exams. TA office hours are on Mondays from 4:00-6:00 pm at the Sloan conference room (E62-661). If you have conflicts with scheduled office hours, Luo may also be available by appointment.

Office Visits (by appointment):

If you have been attending class and help sessions but are still falling behind, you are encouraged to visit me. These meetings will be much more productive if you come well prepared with specific questions. In addition, be familiar with the definitions and notation

related to a topic even if you are having conceptual difficulties. Most importantly, don't tell me that you understand something when you are still perplexed. In general, I will only answer yes/no type questions over email; for questions requiring a more detailed answer you will need to come see me.

Course Materials:

Required Text: Thomas R. Dyckman, Robert P. Magee, and Glenn M. Pfeiffer, Financial Accounting, 3rd edition, Cambridge Business Publishers, 2011

Supplementary Readings:

Supplementary readings will be assigned as the course proceeds. Most of these readings are academic research papers related to the course topics. Your general goal in reading these papers should be to understand the major questions examined and to comprehend the important findings. I encourage you to *volunteer* to present these papers. The presentations can be done individually or in groups of no more than 2 people. Presentations should be 10-15 minutes in length. Good presentations will definitely increase your class participation mark. The papers will be assigned on a first-come, first-served basis.

We will cover the following papers: Healy (1985, JAE), Burgstahler and Dichev (1997, JAE), Piotroski (2000, JAR), and Graham, Harvey, Rajgopal (2005, JAE). I may assign additional supplementary readings as the course proceeds.

Class Website – Stellar:

Class materials (lecture slides, handouts, problem sets, solutions, etc.) are available online at: <https://stellar.mit.edu/S/course/15/fa11/15.501/>. **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 register and obtain an Athena account). In addition to serving as a repository for class materials, the website also offers a number of useful features, the most notable being the forum board. The forum board will be used to extend discussions outside of class. One advantage to such a forum is that it is likely to be a less threatening place to engage your classmates in discussions of course topics. Announcements will also be posted on the class website, so please visit the site often.

Cross-Registration for Harvard, Wellesley, and MassArt Students:

Due to the overwhelming demand for registration into 15.501/15.516 Corporate Financial Accounting, we now have special steps for cross-registration into this particular class:

1. At the first class, submit your cross-registration form to the class TA who will collect all forms and deliver them back to Sloan Educational Services (SES) immediately after class.
2. Your cross-registration form must indicate which section you prefer to attend (Section A or Section B or no preference) and must include your email address so we can contact you.
3. On Thursday, September 8th, Sloan Educational Services will conduct a lottery for available seats and communicate these results via email to all lottery participants by the end of the day. Higher lottery priority will be given to students who were unsuccessful in

gaining entry into the class in previous terms and to students who are taking the class for the proper letter grade.

4. If you are a student who successfully gained a seat in the class via lottery, you will pick up your signed cross-registration form from the TA at the next class on Monday, September 12th, and bring it 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.
5. After you are registered, you are eligible for an Athena account. An Athena account will provide you with a user name and password that you can use to access the Stellar website. Application information for an Athena account is available at the MIT Student Services Center in 11-120.
6. For your home school-specific instructions, visit the MIT Registrar's website (<http://web.mit.edu/registrar/reg/xreg/index.html>).

Additional Notes:

- You must formally register for courses at both your home school and here at MIT in order to be eligible for cross-registration.
- If you drop a cross-registered class, you must formally drop the class at both schools as well.
- Please keep in mind that MIT's Fall 2011 calendar will not match up with your home institution's academic calendar. Plan your travel accordingly.
- Grades for 15.501/15.516 will likely not be available in time for graduation certification.

Grading Procedures:

Activity	Percent
1. Class Participation	10
2. Problem Sets	10
3. First Exam	25
4. Second Exam	25
5. Final Exam	30

Problem Sets Assignments:

The problem sets (e.g. PS in the course outline below) are to be done individually or in groups of no more than 3 people per group (only one homework assignment should be submitted by each group), and are intended to help you learn and practice the mechanics of the course material. By this, I mean that the work you turn in must be your own, as opposed to copied from another. This does not mean you have to do individual assignments in isolation. I expect that you will need to consult each other in order to understand, or better understand, the material. Seeking and giving such assistance is encouraged.

The problem sets will be posted on the class website at least one class period before the due date listed in the course outline below. Any changes to the listed due dates will be announced in class and posted on the course web page. Problem sets are due at the beginning of the class on the due date. You can turn in the problem sets in class or drop them at the Accounting Suite

E62-655. Do not use the class website to turn in your assignments. Assignments either turned in late or through the website will not be accepted.

Exams:

Exams are cumulative. Unless I announce otherwise, all exams will be given in class on the dates highlighted on the course outline. I will announce the date for the final exam on the class website and in class as soon as it is determined by the MIT Office of the Registrar. Please pay careful attention to exam dates. There are no make-ups for any exam. An unexcused absence for any exam without prior approval and supporting documentation will result in a grade of zero. I have the final authority to determine if your absence is justified. Medical emergencies, family emergencies and religious holidays are the only valid reasons that will be accepted for missing and rescheduling an exam. Note that this is an individual determination based on the facts and circumstances of each case.

Exam Tip: Class attendance and understanding of the homework problems are the most important and easiest ways to master the material and prepare for the exams.

Re-Grading Policy:

If you believe an error has been made in grading your 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 exam to which it pertains to the TA. All re-grade requests must occur within three (3) calendar days of the day graded material is returned to the class. Please note that we reserve the right to re-grade the entire contents of any submitted exam or problem set.

Conduct :

Professional conduct is built upon the idea of mutual respect. Such conduct entails (but is not necessarily limited to):

1. Attending the class - Classes are required for a reason, and each class benefits from the attendance and contributions of all students. You should display a legible name card at all times.
2. Arriving on time - Late arrivals are disruptive to both lectures and class discussion, and show disrespect to those who are on time.
3. Minimizing disruptions - All cell phones and pagers should be turned off during class. You should avoid engaging in side conversations after class has begun.
4. Focusing on the class - While you may take notes on laptops, do not use laptop computers or hand-held devices for other tasks while in class. Activities such as net surfing and answering email are very impolite and disruptive to the class.
5. Being prepared for class - You should be ready to discuss any assigned readings and to answer any questions for each day's class, including any questions about the cases.

Tentative Course Outline:

Session	Date	Topic ¹	Reading	Paper Presentations	Comments
1	Sept 7	Overview of Course	Ch 1		
2	Sept 12	Balance Sheet & Transactions	Ch 2		
3	Sept 14	Income Statement & Transactions	Ch 2		
4	Sept 19	Ratio Analysis	Ch 2 & Ch 5		
	Sept 21	Student Holiday			
5	Sept 26	T-accounts & Journal Entries	Ch 2		
6	Sept 28	Adjusting Entries & Closing Entries	Ch 3	Graham, Harvey, Rajgopal (2005, JAE)	PS 1 due
7	Oct 3	Revenue Recognition I	Ch 6		
8	Oct 5	Revenue Recognition II	Ch 6		
	Oct 10	Columbus Day			
9	Oct 12	Review class			PS 2 due
	Oct 17	First Exam			In-class
10	Oct 19	Inventory I	Ch 7		
11	Oct 24	Inventory II	Ch 7	Healy (1985, JAE)	
12	Oct 26	Long Term Assets I	Ch 8		
13	Oct 31	Long Term Assets II	Ch 8		
14	Nov 2	Time Value of Money	Appendix A		PS 3 due
15	Nov 7	Long Term Debt I	Ch 9		
16	Nov 9	Long Term Debt II	Ch 10		
17	Nov 14	Stockholders' Equity	Ch 11	Burgstahler & Dichev (1997, JAE)	
18	Nov 16	Review class			PS 4 due
	Nov 21	Second Exam			In-class
	Nov 23	No Class - Thanksgiving			
19	Nov 28	Statement of Cash Flows I	Ch 4		
20	Nov 30	Statement of Cash Flows II	Ch 4		
21	Dec 5	Financial Statement Analysis ²			
22	Dec 7	Financial Statement Analysis ²		Piotroski (2000, JAR)	PS 5 due
23	Dec 12	Marketable Securities	Ch 12		
24	Dec 14	Review class			
	Dec 20	Final Exam (9 AM – Noon)			E51-345

Note:

1. Topics covered may change as the course proceeds
2. Topics related to financial statement analysis will be covered throughout the course

MIT SLOAN ACADEMIC STANDARDS

As a member of the MIT Sloan academic community, the highest standards of academic behavior are expected of you. It is your responsibility to make yourself aware of the standards and adhere to them. These standards are discussed below, specifically regarding plagiarism, individual work, and team work.

This discussion of academic honesty is not exhaustive, and there may be areas that remain unclear to you. If you are unsure whether some particular course of action is proper, it is your responsibility to consult with your professor and/or teaching assistant for clarification.

When students are found to have violated academic standards, disciplinary action will result. Possible consequences include grade reduction, an F grade, a transcript notation, delay of graduation, or expulsion from MIT Sloan.

Plagiarism:

Plagiarism occurs when you use another's intellectual property (words or ideas) and do not acknowledge that you have done so. Plagiarism is a very serious offense. If it is found that you have plagiarized -- deliberately or inadvertently -- you will face serious consequences, as indicated above.

The best way to avoid plagiarism is to cite your sources - both within the body of your assignment and in a bibliography of sources you used at the end of your document.

Internet Research

Materials gathered through research via the Internet must be cited in the same manner as more traditionally published material. Lack of such citation constitutes plagiarism.

These definitions were drawn from the MIT Libraries website. For more information please visit: <http://libguides.mit.edu/content.php?pid=37801>

Individual Assignments:

When you are asked to do *individual* work, you are expected to adhere to the following standards:

- Do not copy all or part of another student's work (with or without "permission").
- Do not allow another student to copy your work.
- Do not ask another person to write all or part of an assignment for you.
- Do not work together with another student in order to answer a question, or solve a problem, or write a computer program jointly.
- Do not consult or submit work (in whole or in part) that has been completed by other students in this or previous years for the same or substantially the same assignment.

- Do not use print or internet materials directly related to a case/problem set unless explicitly authorized by the instructor.
- Do not use print or internet materials without explicit quotation and/or citation.
- Do not submit the same, or similar, piece of work for two or more subjects without the explicit approval of the two or more instructors involved.

Please note that many classes will require a combination of team work and individual work. *Be sure that you follow all the guidelines for individual work when a faculty member identifies an assignment as an individual one.*

Team Assignments:

When you are asked to *work in teams*, there is a broad spectrum of faculty expectations. Three general types of appropriate collaboration on team assignments are described below. The instructor will indicate in the syllabus what his/her expectations are. If there is any uncertainty, it is the student's responsibility to clarify with the professor or TA the type of team work that is expected.

Type 1 collaboration: the professor states that collaboration is allowed, but the final product must be individual. An example of this might be a problem set.

- You are allowed to discuss the assignment with other team members and work through the problems together.
- What you turn in, however, must be your own product, written in your own handwriting, or in a computer file of which you are the sole author.
- Copying another's work or electronic file is not acceptable.

Type 2 collaboration: the professor states that collaboration is encouraged but that each person's contribution to the deliverable does not have to be substantial (taking a "divide and conquer" approach). An example of this might be a brief progress report.

- Each team member is encouraged to contribute substantially to the team assignment, however, the team may choose to assign one or more team members to prepare and submit the deliverable on behalf of the team.
- Regardless of how work is shared or responsibilities are divided among individual team members, each member of the team will be held accountable for the academic integrity of the entire assignment. If, for example, one member of the team submits plagiarized work on behalf of the team, the entire team will be subject to sanctions as appropriate.
- The team may not collaborate with other students outside of the team unless the professor explicitly permits such collaboration.

Type 3 collaboration: the professor states that collaboration is expected and that each team member must contribute substantially to the deliverable.

- Each team member must make a substantial contribution to the assignment. It is not, for example, acceptable to divide the assignments amongst the team members, though

the team may divide the work of any one assignment to complete it as they deem appropriate.

- The team may not collaborate with other students outside of the team unless the professor explicitly permits such collaboration.

To repeat, if there is any question about the rules for a particular assignment the student should check with the faculty member.

PERSONAL CONDUCT

MIT Sloan's Professional Standards provide a guideline for professional behavior by students, and faculty inside the classroom. The MIT Sloan School is committed to creating an environment in which every individual can work and study in a culture of mutual respect. When making individual decisions we must keep in mind the interests of the many other stakeholders.

Consistent with the general goal of mutual respect, faculty, students, and staff are reminded to demonstrate:

- **On-time arrival to classes and presentations, with uninterrupted attendance for the duration.**
For example, those who arrive on time to an event or class and stay until it ends show courtesy to both the speaker and the audience, and avoid disrupting the session for others.
- **On-time initiation and termination of classes and presentations.**
For example, there is a 10-minute transition time period allocated between MIT Sloan class sessions. A class session or any other public meeting is expected to formally end 5 minutes before its scheduled ending time, and the following class session or meeting is expected to begin 5 minutes after its scheduled starting time. Students and faculty who observe this practice allow classrooms to be cleared in a reasonable way, facilitate traffic flow between rooms, and minimize disruptions to MIT Sloan's tightly-scheduled facilities.
- **Maintenance of a professional atmosphere. This includes, but is not limited to:**
 - ⇒ **Using respectful comments and humor**
Be aware that once you matriculate at MIT Sloan, you'll be representing the MIT Sloan School and MIT for the rest of your life. Make a positive impact as an individual and School representative by extending respect to your MIT Sloan community colleagues and all other guests and strangers. For example, minimize misunderstanding by communicating thoughtfully and using humor carefully in a context of mutual respect with new acquaintances and strangers—and in the context of your preexisting relationships with your friends. Those who use the 'Golden Rule' (e.g., treating others as they would like to be treated themselves) as a starting point in their interactions with others will always have solid friendships and business relationships at hand.

⇒ **Utilizing computers and technology suitably (e.g., silencing wireless devices, no web-browsing or emailing)**

For example, those who switch off their cell phones before the start of class respect our academic environment by allowing uninterrupted learning to proceed. Similarly, those who turn off laptop computers before a class or meeting avoid ‘multitasking’ activities such as internet browsing and emailing that are unwelcome and distracting to their neighbors. Unless specifically permitted by a faculty member, an event organizer, or a presenter, laptops should remain closed during MIT Sloan class sessions, presentations, and meetings.

⇒ **Refraining from distracting or disrespectful activities (e.g., avoiding side conversations and games)**

As with the improper use of cell phones and laptops, side conversations and game playing during meetings, events, and classes are distracting and discourteous to colleagues, guests, and presenters, reflect poorly on the MIT Sloan School—and should be avoided.

- **Courtesy towards all guests, hosts and participants in the classroom.**

MBA community members are expected to maintain decorum in interactions with members and guests of the MIT Sloan community. Such behavior should: 1)—reflect MIT Sloan Professional Standards, and; 2)—be consistent with the North American business practices. Appropriate, courteous behavior enhances MIT Sloan’s reputation and encourages others to participate in our activities, hire our students, and contribute to our School. In MIT Sloan’s environment, MBA students are expected to observe the proper dress, decorum, and etiquette that is appropriate to MIT Sloan Professional Standards and North American business customs for each setting they are in. For example, unless otherwise specified, business casual attire is the norm for the classroom.

- **Observance of the most conservative standards when one is unsure about which norms apply.**

For example, if you are unsure whether a faculty member allows the use of laptop computers in class, assume that laptops are not permitted unless/until you learn otherwise. And if you are unsure if your comments will be offensive to someone, particularly from another culture, refrain from sharing them.

These points offer specific illustrative examples to encourage broader reflection of each individual’s impact on the MIT Sloan community. For more guidance on these standards, please contact the MBA Student Affairs Office in E52-101 (253-6816), or the Values @ MIT Sloan Committee.

Upholding these expectations and the standards upon which they are based is a shared right and responsibility for all faculty, students and staff at the MIT Sloan School. As a learning and professional community, we seek and deserve no less.