University of Missouri - St. Louis
College of Business Administration
Financial Accounting and Reporting IV (BA4402)
Spring Semester 2016-2017 Academic Year
Tuesday 6:55 – 9:35 SSB 336

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Office Hours: Tuesday 9:35 p.m. – 10:30 p.m.
MYGATEWAY mygateway.umsl.edu (ACCT 4402)

Course Objectives
Welcome to Financial Accounting and Reporting IV. Financial Accounting and Reporting IV (ACCT4402) is the fourth course in a four-course sequence in financial reporting. Financial reporting is the vehicle by which companies formally communicate their financial position and results of operations to capital market participants. It is an interesting and important role for the efficient functioning of capital markets. This course consists of an in-depth examination of the accounting for and financial reporting of business combinations. The primary goals of this course are: (1) to develop competency in accounting for business combinations; and (2) to develop your ability to understand the logic of the Generally Accepted Accounting Principles related to business combinations so that you can assess the relative merit of competing accounting methods and theories. Following a comprehensive examination of M&A related topics, we will examine financial statement ramifications of foreign currency, segment reporting, and interim reporting.

Course Prerequisites
The prerequisites for this course are BA3402 (Financial Accounting and Reporting II) and MT1030 (College Algebra). If you do not meet these prerequisites, please see an advisor immediately. If you fail to attend to this, you will be dropped from the course by the Dean's office when they complete their prerequisite audit procedures. By that time, it will be too late to register for another class. Thus, if you want the opportunity to choose another class, you must take action immediately.

Required Course Materials:
Textbook:
Hoyle, Schaeffer, and Douplnik, Advanced Accounting, 13th Edition (McGraw-Hill Irwin)

Class Format:
I will conduct the class using an active discussion format. Each class period, we will begin with a quick synthesis of the pre-class materials followed by an application of the key concepts. I intend for the class to be professional yet comfortable. Accordingly, please feel free to ask questions when something is unclear. You add value to the class when you ask questions, answer questions, provide opinions, provide your anecdotal observations and experiences, provide knowing nods or looks of bewilderment, and even when you make jokes (tasteful only). Accordingly, please ask questions when a concept is unclear or provide additional insight when
you are able to do so. Occasionally, I will ask students to answer certain questions. Do not be afraid of giving a "wrong" answer. I am more interested in your thought process than in the answer. In my opinion, this is very interesting material. It is also some of the most difficult material. Please work hard and stay up with the progress of the class. I will work very hard to help.

**Exams and Grading**
There will be a total of 400 points available in the course. The points can be earned as follows:

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<th>Points</th>
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<tr>
<td>Exam 1</td>
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<td>Exam 2</td>
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<td>Exam 3</td>
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<td>Course Project</td>
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<td>Attendance, participation, and professionalism</td>
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<table>
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<tr>
<th>Grading Scale</th>
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<td>A 93% +</td>
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<td>A- 90%</td>
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<td>B+ 87%</td>
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<td>D 63%</td>
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Final grade distributions usually fall within or very close to these cutoffs in this course. I will assess the final point distributions. If the distribution dictates, I may adjust these cutoffs downward. However, the cutoffs will not be adjusted upward. I should add that the grades have usually distributed nicely such that downward adjustments have not been necessary.

**Exams**
There will be three exams during the semester. The exams are worth 100 points each. Each exam will include multiple choice questions, short answer questions, and/or problems. Exam dates and times are shown on the class calendar.

**Homework**
You will have to work very hard in this course because the concepts and mechanics are complex and require a deep understanding to master. Please plan on at least three hours of work outside of class for every hour in class. If you are not working hard on the problems in this course, the material will quickly overwhelm you. Thus, I strongly encourage you to work extra hard from the start. In addition, I encourage you to work together on the homework problems. One can learn a lot from a colleague that has just learned a concept, and conversely one can deepen and solidify knowledge by explaining difficult concepts to others. (Please note that the course project is to be completed individually). The homework problems shown on the syllabus are kept to a minimum. You will have to complete all of these problems to understand the concepts that we study and to perform at a high level on the exams. Please complete the problems using EXCEL and/or WORD, print your work, and bring them to class with you.

**Course Project**
A course project will be assigned later in the course. The project will be worth 50 points. The project should be completely your own work.

Attendance and Class Participation
You will be given the opportunity to earn up to 50 points based on attendance, class participation, and professionalism. Attendance is the minimum requirement for participation. The professionalism component of the participation points are available based on overall profession conduct. Professional conduct includes arriving promptly, being prepared for class, being organized, being respectful to everyone, and acting with integrity at all times. Students sometimes lose professionalism points for behaviors such as not notifying me about missed classes, repeatedly missing class, repeatedly arriving late and/or leaving early, exhibiting consistently poor effort, preparing unsightly deliverable products, exhibiting disrupting behaviors in class meetings, being rude or disrespectful towards colleagues and/or professors, or committing an act of academic dishonesty. The participation points are earned by special contributions to the in-class discussions and the in-group case work. Diligent work on the pre-class assignments will be necessary in order to earn points for high quality participation both in the full class discussions and in work with the groups.

A Strategy for Succeeding in this Course
Preparing for each class is a several step process. The first step is to complete the assigned reading. This will provide you with an overview of the material. The second step is to study the lecture that I have placed on MYGATEWAY as if you were viewing it in the live classroom. In other words, take notes and replay any passages that are not entirely clear. Once you have studied the assigned lectures, reprint blank copies of cases that were worked and work them without access to the lecture. If you struggle you can go back to that point in the lecture to obtain guidance. Finally, attempt all of the assigned homework problems. The material in this course is challenging. If you follow these steps, you will likely succeed.

Withdrawing from the Class
The material is difficult in this course. Succeeding in this course requires a lot of work outside of the class. Each semester, some students will drop the class. First, let me emphasize that you do not have to apologize to me for making this decision! There is no shame in it.

Relevant Drop Dates:
February 13: Deadline to drop without receiving a grade
March 3: Deadline to drop without instructor approval (Grade on transcript “EX”)
April 17: Last day to drop a class (receive grade of “EX” or “withdrew while failing”)

Late Assignments
Any assignment submitted later than the due date and time is considered late. This policy is established and enforced to be completely fair to all students that submitted the assignment on time. Late assignments will be accepted up to one week late and graded as follows:
First late assignment: 50% of the points earned
Second late assignment: 20% of the points earned
Requests For Regrading
Requests for regrading items may be submitted no earlier than the day following the date the exam is handed back and no later than one week from this date. These requests must be submitted in writing (you can use e-mail). A regrade request requires only a brief note identifying the item in question and the reason why you believe you deserve more credit. I will not accept any requests later than a week following the assignment, exam, or project in question.

Student Honor Code:
Academic institutions strongly endorse values that all students should feel compelled to live by including honesty, responsibility, and ethical behavior. In this course, all examinations and written projects are expressly intended to represent each student’s own work. Students caught cheating will be promptly reported to University officials and face serious consequences. All reported incidents of academic misconduct will be considered with care and kept completely confidential.

I would like to add a thought on dishonesty and cheating. Integrity is one of the most wonderful, valuable, and important attributes of a person. Integrity is especially valuable for accountants and business professionals because of our stewardship responsibilities. On the exam days, you are really taking two exams. The first exam tests your mastery of the course material. The second exam tests your integrity. I hope that you flunk neither. However, if you are going to flunk one of those tests, flunk the one over the material!

Course Calendar
[Note: The Assignments shown are pre-class assignments]

Week 1:
January 17

Accounting for Equity Investments (Chapter 1)
Passive Interest or Significant Influence (The Equity Method)
- Print ADV 1 (class materials)
- Read pages 1-18
- Study PANOPTO Video: Active Interest Investments: An Introduction
- Study PANOPTO Video: Applying the Equity Method of Accounting for Significant Influence Investments
- Applying the Equity Method: Accounting for subsidiary income and dividends
  - Problems 1, 3, 4, 6
- Applying the Equity Method with excess basis:
  - Problems 7, 13, 14, 15, 16

Significant Influence (The Equity Method) with unrealized profits from intercompany inventory transactions
Week #2:  
January 24

Accounting for Business Combinations (Chapter 2)

The Acquisition Method Applied at the Date of Acquisition
(Only one entity exists post-combination)
- Print ADV 2
- Read pages 39-54
- Study PANOPTO video: “Business Combinations: Time of the Combination (one post-combination entity)”
- Recording a merger (one-post combination entity) in the acquirer’s general journal: Problem 22, 25, and 30

Accounting for Business Combinations:
The Acquisition Method applied at the date of the acquisition (two post-combination entities exist)
- Read pages 54 - 67
- Study PANOPTO video: “Business Combinations: Time of Combination (Two post-combination entities)
- Preparing a consolidation worksheet: Problem 28
- Study PANOPTO video: “Business Combinations: Time of Combination (bargain purchase)
- Study PANOPTO video: “Accounting for Contingent Consideration in Business Combinations”
- Contingent Consideration: Problem 9

Week #3
January 31

Consolidation Subsequent to Date of Acquisition (Chapter 3)

Consolidation Subsequent to Date of Acquisition: Basic Consolidation Procedures
- Print ADV 3
- Read pages 89-102
- Study PANOPTO video: “Consolidation: Basic”
- Determining consolidated financial statement amounts: Problems 5, 10, 11, 12
- Preparing consolidated financial statements (via the consolidation worksheet and consolidation / elimination entries): Problems 26 and 27

Consolidations Subsequent to Date of Acquisition: Parent uses the Initial Value Method or Partial Equity Method in its internal records
- Read pages 102-113
- Study PANOPTO video: “Consolidation: Parent Did Not Apply Full Equity Method”
- What to do when the parent is not applying the Equity Method in their internal accounting records: Problem 15
EXTRA CREDIT OPPORTUNITY BEFORE CLASS: UMSL is hosting Randall Stephenson, the Chairman of the Board of AT&T, in the MSC Century Rooms for a talk from 4:00 – 5:00 on February 7. It should be quite good. You can earn 10 extra credit points for attending. A sign-out sheet will be available at the back of the room after the event. I hope you can make it. He is an interesting leader.

Week #4
February 7

Consolidated Financial Statements with Non-Controlling Interests (Chapter 4)

Consolidated Financial Statements with Non-Controlling Interests
- Print ADV 4
- Read pages 155-175 and 185-189
- Study PANOTPO video: “Consolidation: Non-controlling interest”
- Non-controlling interest – general: Question 1 and Problem 5
- Consolidated financial statement amounts when non-controlling interests exist: Problems 2, 7, 8
- Completing a consolidation worksheet when non-controlling interests exist: Problem 37(a)

Consolidated Financial Statements with Non-Controlling Interests
- Consolidated financial statement amounts when non-controlling interests exist: Problems 14, 15, 16
- Completing a consolidation worksheet when non-controlling interests exist: Problem 40

Note: February 13 is the last day to drop a class without receiving a grade. From February 13 until March 3, students dropping a class will receive a grade of “EX”.

Week #5
February 14

EXAM #1 (I apologize that this falls on Valentine’s Day / Tell Cupid that Valentine’s Day has been rescheduled to Wednesday this year)

Week #6
February 21

Consolidated Financial Statements: Intercompany Inventory Profit (Chapter 5)

Consolidated Financial Statements: Intercompany Inventory Profit Transactions
- Print ADV 5
- Read pages 211-232
- Study PANOPTO video: “Consolidation: Intercompany Inventory Profits_Palm/Storm”
- Calculating consolidated revenues, cost of sales, and other consolidated amounts when intercompany inventory sales have occurred: Problems 5 and 6
- Impact of unearned intercompany profits on the allocation of net income to the non-controlling interests: Problems 7, 18 (a, b, c, d), 19
- Preparing consolidated financial statements when intercompany inventory sales have occurred: Problem 31
- Work the Palm / Storm case in our class materials (without reference to the video / go back and view only if you get stuck)

Consolidated Financial Statements with Intercompany Inventory Profits: Complex Scenarios
- Attempt the Pierson / Steele case in our class materials

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**Week #7**

**February 28**

**Consolidated Financial Statements: Intercompany Profit Transactions: Inventory, land and depreciable assets (Chapter 5)**

Intercompany Profit Transactions (Inventory, Land, and Depreciable Assets)
- Read pages 232-244
- Study PANOPTO video: “Unrealized intercompany gains/losses – land”
- Study PANOPTO video: “Unrealized intercompany gains/losses – PP&E”
- Preparing consolidated financial statements when intercompany inventory sales, land sales, and depreciable asset sales have occurred: Problem 35 and 36

- Consolidation with intercompany profit transactions (inventory, land (non-depreciable assets), PP&E and other depreciable assets)

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*March 3 is the last day to drop a course with an automatic excused grade “EX”. After this date, you must have 60% of the points to receive the “EX”.*

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**Week #8**

**March 7**

**Topic: Special Topics: Push Down Accounting and Goodwill Impairment**

ADV6_SPEC A: Push-Down Accounting and Goodwill Impairment
Print ADV6_Spec A
Read pages 72-74
Study PANOPTO video: “Push-Down Accounting”
Push-Down Accounting: Problem 37 in chapter 2 and problem 35 and 38 in chapter 3
Read pages 115-121
Study PANOPTO video: “Recording Goodwill Impairment”
Study PANOPTO video: “Goodwill Impairment: Determining the Amount of Goodwill Impairment”
Goodwill impairment: Problems 4 and 7 in Chapter 3

Consolidated Financial Statements: Mid-year Acquisitions

ADV6_SPEC B: Consolidated Financial Statements: Other Issues
(1) Mid-year Acquisitions
  - Print ADV 6_Spec B
  - Mid-Year Acquisitions: Read pages 175-177
  - Study PANOPTO video: “Mid-Year Acquisitions”
  - Mid-Year Acquisitions: Problems 9, 35, and 42 from Chapter 4

Week #9
March 14
Consolidated Financial Statements: Step Acquisitions and Sales of Ownership Interests

ADV6_SPEC B: Consolidated Financial Statements: Step Acquisitions and Sales of Ownership Interests
[Note: This material is from Chapter 4]

(2) Step Acquisitions
  - Read pages 177-182
  - Study PANOPTO video: “Step Acquisition”
  - Complete Problems 11 and 31 from Chapter 4

(3) Sales of Ownership Interests
  - Read pages 183-185
  - Study PANOPTO video: “Sales of Ownership Interests”
  - Complete Problem 32 from Chapter 4

Week #10
March 21

Exam #2

March 28
SPRING BREAK
Week #11
April 4

Consolidated Financial Statements: Variable Interest Entities and Consolidated Statement of Cash Flows

[Note: This material is from Chapter 6]

ADV6C_SPEC_C:
(1) Variable Interest Entities:
   - Print ADV 6_Spec C
   - Read pages 651-272
   - Study PANOPTO video: “Variable Interest Entities”
   - Study PANOPTO video: “Consolidating Variable Interest Entities”
   - Complete Chapter 6 problem 26

(2) Consolidated Statement of Cash Flows:
   - Read pages 281-286
   - Study PANOPTO video: “Preparing the Consolidated Statement of Cash Flows”
   - Complete chapter 6 problems 7, 8, and 47

Consolidated Financial Statements: Consolidated Earnings per Share
[Note: This material is from Chapter 6]

ADV6C_SPEC_C:
(3) Consolidated Earnings Per Share:
   - Read pages 286-288
   - Study PANOPTO video: “Earnings per Share for a Consolidated Entity”
   - Complete Chapter 6 problems 9 and 48

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Week #12
April 11

Income Tax Accounting for a Business Combination (Chapter 7)

Income Tax Accounting for a Business Combination
   - Print ADV 7
   - Read pages 333-349
   - Study PANOPTO video: “Income Tax Accounting for Consolidated Groups: An Introduction”
   - Problems Chapter 7 problems 4, 5, 7, 11, 12, 19, 21

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Note: April 17 is the last day to drop a course
Week #13
April 18

Segment Reporting and Interim Reporting (Chapter 8)

Segment Reporting
- Print ADV 8
- Read pages 363-379
- Study PANOPTO video: “Segment Reporting”
- Complete Chapter 8 problem 37

Interim Financial Reporting
- Read pages 379-390
- Study PANOPTO video: “Interim Financial Reporting”
- Complete Chapter 8 problem 39

Week #14
April 25

Translation of Foreign Currency Financial Statements

(1) General
- Print ADV 10
- Read Chapter 10
- Study PANOPTO video: “Foreign Currency Financial Statements: Introduction to Remeasurement or Translation”

(2) Translation of Foreign Currency Financial Statements
- Study PANOPTO video: “Translation of Foreign Currency Financial Statements”

Translation and Remeasurement Exercises
- Answer Chapter 10 question 8
- Complete Chapter 10 problems 1, 3, 5, 6, 33 (Chapter 10)

(3) Remeasurement of Foreign Currency Financial Statements
- Study PANOPTO video: “Remeasurement of Foreign Currency Financial Statements”
- Study PANOPTO video: “Foreign Currency Transactions”

Translation and Remeasurement Exercises
- Answer Chapter 10 question 11
- Complete Chapter 10 problems 7, 34a (Chapter 10)

Week #15
May 2
SEC Reporting
Financial Reporting and the Securities Exchange Commission

- Print ADV 12
- Read Chapter 12

In-class: SEC Reporting: Express Scripts as a case

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Week #16
May 9 (7:45 – 9:45 p.m.)

Exam #3

- Segment reporting
- Interim reporting
- Foreign currency financial statements
- Foreign currency transactions
- SEC Reporting