

**ADV CORP FIN REPORTING
MAC 626-76 (3028)
Summer 2020, ONLINE DISTANCE EDUC
June 4, 2020-July 2, 2020**

I. Professor

Instructor	Carolyn M. Callahan, MACC, PhD
Contact information	Email: carolyn.callahan@louisville.edu Office: Harry Frazier Hall, Business School Mobile Phone: 901 896 7177, text
Virtual Office hours	Tuesday and Thursday 7:00PM-8:00pm and by Virtual Appointment, student request

II. Course Information

Class time / Room	Thursday 6:00PM - 7:00PM Interactive Lecture
Required text	<p>We will use Chapters 1, 2, 3, 5, and 6 in a custom e-book from McGraw: *Advanced Accounting, 14th Edition, by Joe Ben Hoyle and Thomas Schaefer and Timothy Douppnik Copyright: 2021 AND CONNECT: A highly reliable, easy-to-use homework and learning management solution that embeds learning science and award-winning adaptive tools to improve student results. *Hereafter text book is referenced as HSD.</p> <p>I have obtained the right to use the McGraw specialized e-book (at no additional cost to UofL or students) with CONNECT, which may have been used in your undergrad courses.</p> <p>Also, all UofL lecture notes and formal instructor provided handouts will be posted to Blackboard weekly with a short email summary of the class coverage for your convenience. Students in the class can use the code below to register for the e-book and gain access to CONNECT. You will be able to use the eBook after registering at Connect, but if you would like a book hard copy you would need to order and will likely pay \$60.00 within CONNECT.</p> <p>Please use this URL for the e-Book:</p> <p>https://connect.mheducation.com/class/c-callahan-mac-626-76-3028</p> <p>and insert this code :</p> <p>code: QZ0I-45MR-MJRC-73N6-J1YG</p>

Course description	Advanced corporate accounting will cover a selected group of advanced financial accounting and SEC compliance topics. More than 70 percent of the course is devoted to the related topics of investments in equity securities, business combinations, and the preparation of consolidated financial statements. We also cover managerial incentives that may distort financial reporting and consider the auditing implications of equity investment. The applied skills acquired in this course will be very helpful in preparation for CPA and CFA exam. Thus, our course scope is aligned with auditing profession as well as corporate financial reporting.
Overview	Investment in another business entity, generally entails consolidation and the equity method of accounting which is guided by FASB and SEC compliance. Under the equity method , the parent's financial statements include a line for the investment in the subsidiary that is equal to the owned share of the subsidiary's net assets, sometimes described as a "one-line consolidation". Under the full consolidation method , the parent and subsidiary are presented on a single set of combined financial statements. The consolidated method is more complicated because it requires journal entries to eliminate the subsidiary's equity, eliminate any intercompany transactions, and record any minority interest in the subsidiary. Notions of "profitability" can change accordingly. The method required is based on the concept of "control" or the parent's ownership of and degree of influence over the subsidiary. This can result in perverse managerial incentives that may distort financial reporting, challenging for auditors and investors assessment .
Prerequisites	Appropriate standing in the Masters of Accountancy program.
Learning Objectives	As required by business executives, upon completion of the course, the graduate student will be able to: <ul style="list-style-type: none"> • Understand the SEC documents required for firm combinations and the difference between Regulation S-K, focused on qualitative descriptions while the related Regulation S-X focuses on the financial statements. Students will be able to research and report on the concept of "profitability", given Regulation S-X integrated financial disclosure requirements. • Develop a strong conceptual overview of corporate investment accounting that include cost versus fair value methods, control concepts and the disclosure difficulties therein. • Identify and distinguish the perverse managerial incentives for auditors in evaluating accounting for a FIN 46 variable interest entity (VIE), an entity in which the investor firm holds a controlling interest that is not based on the majority of voting rights. • Understand and demonstrate the accounting technique associated with the equity method in the parent's financial statements. • Understand and demonstrate the accounting techniques associated with the consolidation method and when the parent and subsidiary are presented on a single set of combined financial statements.
Final drop date	See: http://louisville.edu/calendars/academic/

Expectations of outside time required for class	To be successful you should allow 3 hours (at a minimum) for reading assignments, reviewing the guided lecture notes for each weekly class session. Assignments may take another hour or so, depending upon your facility with basic accounting techniques and the technology applicable to completing the weekly assignments. While interactive class discussions are acceptable, it is expected each student will do their own individual weekly assignments. The goal is to get beyond mere accounting or finance calculations and to develop executive skills that demonstrate sophisticated knowledge of business combinations techniques and associated SEC Compliance.
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III. Evaluation			
Grades will be based on the <u>percentage</u> of total points earned during the course, as follows and will be rounded up and aligned with relative peer performance:			
Grading scale	A+ = 97 to 100 B+ = 87 to < 90 Below 70 = F	A = 93 to < 97 B = 83 to < 87	A- = 90 to < 93 B - = 80 to < 83
Comment	There are no exams in this course. The assignments each week are designed to give students a richer understanding of the importance SEC Compliance and advanced accounting techniques for business entities with separable subsidiary or investment units.		Given the brevity of this course and the completion requirement for your degree, no late assignments will be accepted unless there is a valid university excused absence. In case of such absence, please document your absence. Also do notify the instructor ASAP in writing (email) or have a designated person send an email for you: carolyn.callahan@louisville.edu
Grading scheme	<i>Grading component</i>		<i>Weighted percentage points</i>
	Weekly Assigned Exercise		30%
	Weekly Assigned Essay Paragraph		30%
	Final Comprehensive Open Notes and Book Problem (Due 9:00p on July 2)		40%

V. Additional Work Details	
Assignments	Please see the class schedule below for reading assignment(s) that need to be completed before each session.
Participation	Active weekly online participation by the students are a critical component of this class .
Blackboard	In addition to Blackboard Collaborate (interactive), Panopto recording and Zoom/Microsoft Team meetings, email announcement will be used to communicate schedule changes. Please check your email and frequently for any updates. While our course is distant education, over the five weeks that we will be in session, please reserve one (1) hour at our standard virtual meeting time on Thursdays at 6:00PM for technical instructional examples provided by the instructor.

V1. Student Responsibilities / College and University Issues	
University of Louisville student conduct and responsibilities	This course will abide by University of Louisville student conduct and responsibilities with regards to ethics and related issues: http://louisville.edu/dos/students/policies-procedures/student-handbook.html#codeofstudentconduct
College of Business student conduct and responsibilities	This course will abide by College of Business student conduct and responsibilities with regards to ethics and related issues: http://business.louisville.edu/students/college-of-business-academic-dishonesty-policy
Religious holiday conflict policy	http://louisville.edu/diversity/resources/work-restricted-holy-day-policies-calendar.html
University policy on equal access	http://louisville.edu/disability/policies-procedures
Severe weather	In case of severe weather classes may be cancelled up to a certain time of day. Please check the U of L website or call the University Information Center (852-5555). You can sign up for UofL Alerts at http://louisville.edu/alerts if you wish to receive text messages regarding cancelled or delayed classes.
Classroom policy	Cell phones may be used to connect to Collaborate Ultra, the virtual classroom on BB.

MODULE	TOPIC	LECTURES/READINGS	ASSIGNMENT
		Instructor presents lecture and technical examples on Thursday at 6:00pm for one hour. Hoyle Schaefer and Douplik textbook denoted (HSD)	Each weekly assignment is assigned one week in advance of the due date and worth 20 points (100 points (course total). All assignments are due at 9pm on date Indicated, generally W night before the hour long class on Thursday.
0-Pre-work due June 3	Getting Started	See welcome e-mail for instructional activities for the pre-work and Blackboard Module: Pre-Work	Welcome to the Class: Objective is to get set up and familiar with structure and software so that there is "smooth sailing" over the five week period of this class and to complete the jump start pre-work. Pre-work due by June 3 at 9:00pm with in class discussion first day (see below)
1-June 4	SEC Regulation and Documents Business Models & Organizational Structure: Why do firms acquire/ divide subsidiary, business unit, operating segment The Berkshire Hathaway Model Warren Buffett	Instructor Lecture#1: SEC Regulation Read Types of Business Models https://smallbusiness.chron.com/difference-between-subsidiary-business-unit-25192.html Lecture#2: Overview of Investment Accounting	Discussion of Pre-Work Assignment 1 (a, b) below. Due June 3 at 9:00pm a. Download annual combined firm data 10-k (financial statements from Edgar to an Excel Spreadsheet for YUM BRANDS INC CIK: 0001041061Yum (has several major segments), annual period ending 2019, calculate 3 profitability ratios over a three year period then adjust the ratios by excluding the impact of the major segment/s. b. Based on your analysis in (a), prepare a one (1) paragraph double spaced in Word that considers: Given your exclusion decision, is Yum Brands "profitable" and why/why not? Does consolidation/aggregation" of segments or subsidiaries matter for "users" of Yum financial statements? CPA Case Skill: Think critically about "combination" profitability and the use of the profitability metric. HINT: Consider Yum's Segments impact: Taco Bell, KFC, and Pizza Hut https://www.sec.gov/cgi-bin/viewer?action=view&cik=1041061&accession_number=0001041061-20-000015&xbrl_type=v#
2-June 11	Introduction and Overview: General Firm Investments- From Trading Securities to Doing a Deal	Review Lecture#2: Investment Accounting Read e-book HSD Chapter 1 pgs. 1-16 (on pg. 16 stop after Chg. In Equity Method; then scan chapter 1 summary on pg.25.	Assignment 2 due June 10, at 9:00pm Equity Method in action: GO TO CONNECT: HSD TEXTBOOK- Complete the Coca-Cola Company Research and Discussion Case on page 36-37 (Chapter 1, 5 Questions). You will need to access Coca-Cola's 2018 annual report/10k from Edgar or other sources. Turn in a Word File with your answers via email to the instructor with an identifying subject line.

4-June 18	Scope of the Equity Method Significant Influence Spotting Creative Accounting on the Balance Sheet (off Balance sheet Acctg and inflation of Assets)	Review Equity Method Lecture #3: VIEs and Consolidation of Financial Information	Assignment 3 due June 17 Review Power Point Lecture #3. Review short VIE video (Control and Auditing Perspective): https://www.youtube.com/watch?v=-6DTANavN5U Read Hoyle Schaefer and Douppnik (HSD) Chapter 6 pages 263-271 . Scan chapter 6 summary on pg.299. Read CPA Journal article: https://www.cpajournal.com/2018/08/15/common-control-entities-and-consolidation-of-variable-interest-entities/ In CONNECT Complete HSD Chapter 6 problem 26 on page 309.
3-June 25	Variable interest entity(VIE) and Voting Interest business structure(Control Issue): <i>Off-Balance Sheet Financing Issue</i>	Lecture #4: Consolidation of Financial Information (Post-Acquisition) FIN 46 A variable interest entity (VIE) .	Assignment 4 due June 24 Read: Hoyle Schaefer and Douppnik (HSD) Chapter 2 pgs. 39-top of pg. 60. Read: https://www.cpajournal.com/2018/08/15/common-control-entities-and-consolidation-of-variable-interest-entities/ a. Write one paragraph Essay Why Did the FASB Embark on a Project to Improve VIE Financial Reporting? What Are the Major Changes in This Update? b. In CONNECT Complete HSD Chapter 2 problem 26 on page 81. Expect instructor to engage class in discussion on July 2nd of Exhibit 2.6 on page 57 as we prepare for fifth and final assignment.
5-July 2	Consolidated Financial Statements Intercompany transactions (end of year 1 post acquisition) and other minor matters	Lecture #5 Review: Consolidation of Financial Information (post acquisition) Read HSD Chapter 3 pg. 91-116. And Chapter 5 Pages 234-241. Focus: Catch up Equity Adjustments	Assignment 5 due July 3 at 9:00pm Intercompany debt. Eliminates any loans made from one entity to another within the group, since these only result in offsetting notes payable and notes receivable, as well as offsetting interest expense and interest income. Intercompany revenue and expenses. Eliminates the sale of goods or services from one entity to another within the group. This means that the related revenues, cost of goods sold, and profits are all eliminated. All recognized sales must be to external entities. Problem and essay: CONNECT: Consider two firms and two sets of books As well as a catch adjustment for the equity method. Use the Excel sheet and complete HSD problem 29 on page 142. Discuss the notion of double counting. What is the role of the firm's auditors (WORD File)?



Dr. Callahan wants you to feel free to call or contact her for clarifications when needed.