

University of Sao Paulo
EAC0227 - Accounting Institutions and Regulation (PD 303)
Course Syllabus – 2nd semester 2014¹
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COURSE OBJECTIVES

The objectives of this course are to help you grasp the fundamental principles of financial reporting and acquire the skills of applying these principles to solve real-world financial reporting problems. Our central topics are the measurement and reporting of a firm's investing and financing activities. We will study the existing standards, evaluate the resulting disclosures and explore the challenges faced in those reporting areas. We will also discuss the influencing factors of financial reporting quality, including legislation, standard setting, and internal and external monitors.

Upon completing of this course you should be able to:

1. Elaborate key objectives of financial reporting and the desired characteristics of financial disclosures.
2. Search, interpret and apply relevant standards when facing a reporting issue.
3. Characterize and account for investing and financing activities according to current GAAP standards.
4. Evaluate a firm's financial reporting environment.
5. Effectively work and communicate in a team environment similar to the professional accounting environment.
6. Make sound ethical decisions.

COURSE DESIGN

Accounting GAAPs (IFRS, BR GAAP, US GAAP) provides accountants considerable reporting discretion. From asset valuation to accrual estimation, accountants exercise professional judgment on every aspect of financial reporting. Moreover, in today's fast changing business world, existing reporting rules are incapable of addressing every contingency. Often, auditors or financial statement preparers face situations in which there are no rules to follow or seemingly conflicting rules that could apply. The only thing they can rely on to navigate through these uncharted waters is their understanding of the basic principles: What are the key objectives of financial reporting? What are the desired qualities of financial disclosures? While the comprehension of reporting principles is of first-order importance, that does not mean it is acceptable to downplay technical skills. Rather mastery of technical accounting skills including working knowledge of current rules is akin to a physician who knows basic human anatomy. ACCY 303 is designed to help you grasp the reporting principles and at the same time acquire both technical and analytical skills to solve both existing and emerging reporting problems.

We treat each accounting topic as a context where you deepen your understanding of the principles and get hands-on experience with implementing and evaluating of accounting rules. For each accounting topic, you will go through the following stages:

- a. Understanding existing standards. This is mostly achieved by self-study of textbook chapters and participation in class discussions.
- b. Implementing existing standards. You will get ample practice on implementation through in-class and online exercise question sets.
- c. Evaluating existing standards. In-class discussions will focus on the discretion current GAAP allows, the shortcomings of the existing standards and potential alternative reporting standards.

¹ This document is based on ACCY 303 Course Syllabus from University of Illinois at Urbana-Champaign, conducted by Prof. Dr. Laura Lee.

- d. Understanding the prevailing challenges in the reporting area. You will analyze a recent restatement representative of the common issues in the reporting area.
- e. Solving a reporting problem. Experienced auditors or managers will present an issue of the accounting subject at hand and ask you to provide reporting and disclosure solutions. In order to solve the problem, you need to search the relevant accounting literature, cite existing rules to support your arguments, and make professional decisions based upon fundamental reporting principles. You will receive feedbacks from industry professionals and get updates on the development in the accounting area.

The key to achieving the learning objectives of ACCY 303 is preparation before class. Each class's content is designed based upon the assumption that you have completed the preparation, which could take the form of reading textbook chapters, completing exercise and problem sets, or finishing group case reports and getting ready for in-class presentations. How much you learn from class greatly depends on your pre-class preparation. Before each class, you should know the main contents of the coming class and have questions ready on materials with which you have difficulties.

COURSE REQUISITES

None

COURSE RESOURCES:

1. **TEXTBOOK:**

Intermediate Accounting: Reporting and Analysis by Wahlen, Jones and Pagach.
Same text used in EAC 0225(ACCY 301).

2. **WEBSITE:** You also will be responsible for checking the course website via moodle. Class news and other communication will be located at the website.

3. **IFRS (CPC):** IFRS (CPC) codification is the official source of authoritative for companies operating in Brazil. It is critical that you learn how to use the Codification for more efficient and better understanding of authoritative accounting literature. You get free access to IFRS/CPC codification through the following websites: www.ifrs.org and www.cpc.org.br.

ASSIGNMENTS, EXAMS AND EVALUATIONS

Assignments and Exams	Percentage
Individual Exercise Sets	10%
Group Cases and Mini Cases	30%
Mid-Term Exam	15%
Final Exam	15%
Peer Evaluation	7%
Self Evaluation	3%
Instructor Evaluation of Participation	20%
Total Available Points	100%

1. **Individual Exercise Sets**

The goal of the individual exercise and problem sets is to ensure your understanding of existing standards and to provide opportunities to refine your technical accounting skills. Exercise sets are for practice purpose -- you can check your answers while taking them and you can retake the exercises before their due dates. As long as your last take is no less than 90% correct, you will earn full credits. Individual problem sets are for evaluation purposes -- you can only take each once with no assistance and feedbacks will be given after the due date.

2. **Group Cases**

Your analysis will focus on the underlying accounting problem and its economic impact on the firm. You will also be asked to reflect on the existing standards and propose potential standard improvements. For each assigned case, you will submit a written report (70%) and give an in-class presentation (30%). In-class presentations should be no longer than 20 minutes, with every group member's participation.

3. **Group Mini Cases**

A group mini case asks you to face a reporting issue that has not been discussed in class. In order to solve it, you will need to make professional judgments based on reporting principles, make reporting and disclosure recommendations, and cite existing literature to support your positions.

4. **Midterm Exam**

The midterm exam will be given in class and will include a mixture of short answer questions, cases, essays, and journal entries. The exam is closed-book and closed-note.

5. **Final Exam**

The *comprehensive* final exam will be given at the scheduled time during final exam week. The final exam will include a mixture of short answer questions, cases, essays, and journal entries. The exam is closed-book and closed-note.

6. **Instructor evaluation of in-class participation**

I expect you to treat this class as you would any professional responsibility. For example, I expect you to be on time and prepared to discuss all materials relevant to the topic of the day. I strongly believe that learning is an active process. Most of you eventually will become managers in organizations. Across all types of organizations and functional areas, most managers' interactions with others are verbal, and as such thoughtful listening, questioning, and discussion skills are crucial. For this reason, the development of your ability to explain, discuss and debate different problems may be the most important skills advanced in this course. While I recognize that those who are shy or reluctant to participate in class discussions will be penalized in this portion of their grade, it's a reality that such characteristics are often penalized in the workplace. Hence, your participation is evaluated on a daily basis and figures prominently in your overall grade. I use the following guidelines when computing your participation score.

In each session that we engage in class discussion, I will assess your participation based on a scale of 1 to 4 (with 4 being the best and 1 being the worst). Below is a description of the factors that I will consider in assessing your participation. Some characteristics of effective class participation include:

- Are the points that are made substantive and relevant to the discussion in terms of increasing everyone's understanding, or are they merely regurgitation of facts? Do the comments provide useful insights?
- Do the comments take into consideration the ideas offered by others earlier in the class, or are the points isolated and disjointed? The best contributions tend to be those which reflect not only excellent preparation but also good listening, interpretative and integrative skills.
- Do the comments show evidence of a thorough reading and analysis of the required readings/cases and of prior class information?
- Does the person distinguish among different kinds of data (facts vs. opinions vs. assumptions) and provide reasonable substantiation of arguments?
- Do the comments take the discussion into a new and relevant direction, without a disregard for the current flow of the discussion?
- Is there a willingness to test new ideas or share uncertainties, or are all comments "cautious" or "safe" (sharing uncertainties about an issue can be valuable and can in fact lead the discussion in interesting directions)?
- Is the person willing to interact with classmates by asking questions or challenging conclusions in a courteous manner?

You're not required to contribute to each and every class session. You *are* required to make good contributions in multiple class sessions in order to earn a B for your class participation grade; you'll need to make good contributions consistently over the semester in order to earn an A. Some of the best contributors in the past have been those who participated in only some sessions, but their contributions were truly insightful and persuasive --- the issue is one of quality, not quantity.

Because so much of the learning in this class takes place through discussion and debate, attendance is necessary to your success --- it's impossible either to contribute or to benefit from others if you're not in class. However, perfect but passive attendance is not sufficient for your success and it will not ensure you a passing (C) participation grade. In short, don't confuse participation with attendance.

So that I'll be able to effectively evaluate your participation, I'll make a tremendous effort to learn your. If you find I don't know your name after several class periods, that's an indication that you should increase your contribution to discussions. In addition, you may occasionally be asked to lead discussions or present solutions to different activities. You'll receive an assessment of your participation around the midterm exam so you can gauge your performance in this area to date.

8. Peer evaluation of in-group participation:

As students, you may spend a lot of time studying alone; you will spend much of your professional career working in teams. It is critical you learn to be a positive and responsible force to a team. Group assignments account for significant portion of the total points in this class. To help evaluate each individual's contribution to his/her team, you will be asked to complete a peer evaluation form at the end of the semester. The criteria your peers will use to evaluate you is as follows:

- Outstanding Contributor A±: This person is thoroughly prepared for our group work. Ideas offered are usually substantive, provide good insights and sometimes also provide direction for our group. If this person were not a member of our group, the quality of our work would be diminished significantly.
- Good Contributor B±: This person is generally well prepared for our group work. Ideas offered are usually substantive, generally provide useful insights, and occasionally offer a new direction for our group to consider. If this person were not a member of our group, the quality of our work would be diminished.
- Marginal Contributor C±: This person's preparation for our group work is minimal. Ideas offered are occasionally substantive, but seldom provide clear insights or offer new directions for our group to consider. If this person were not a member of our group, the quality of our work would be diminished only slightly if at all.
- Non-participant (D): This person has attended our group meetings, but has contributed little or nothing to date.

If this person were not a member of our group, the quality of our work would be unchanged.

- Disruptive Contributor (F): This person's preparation for our group work is inadequate. Ideas offered are rarely substantive; provide few, if any, insights; and never offer a constructive direction for our group to consider. Contributions are generally obscure, confused, and indicate a lack of familiarity with the facts of the case under discussion. If this person were not a member of our group, valuable time would be saved.

CLASS SCHEDULE

Changes in class content and/or scheduling may be made as the course progresses and will be announced in class and/or on the course web page.

11	Class No	Topic	Class Contents	Study Materials: Chapters/Standards	Assignments Due	
Aug	4	1	Introduction/ Syllabus	Course Presentation and Student Research		
	11	2	Conceptual Framework	Revisiting Conceptual Framework	Ch1 and Ch2 - IFRS Framework	
	18	3	Standard Setting	Standard Setting: Bigger than Enron - Regulation in Accounting	Ch1 and Ch2 - IFRS Framework	Quiz Ch 1 and Ch 2
	25	4	Standard Setting	Case 1: Comment Letter - Groups 1, 2 and 3		Case 1
Sep	1	5	Standard Setting	Case 1: Comment Letter - Groups 4 and 5		Case 1
	8	Holiday - No Class				
	15	6	Fair Value and Financial Inst	Exercises and In class Discussions	Ch13 and Ch 14 - IFRS 13	Quiz Ch 13 and 14
	22	7	Fair Value and Financial Inst	Case 2: Timber Co - All Groups		Case 2
	29	8	Mid Term	In Class Close-book Exam		Exam
Oct	6	9	Equity	Exercises and In class Discussions	Ch 15 and Ch 16 - IFRS 9/IAS 32	Quiz Ch 15 and Ch 16
	13	10	Equity	Case 3: Occupy Mall Street - All Groups		Case 3
	20	11	Leases	Exercises and In class Discussions	Ch20 - IAS 17	Quiz Ch 20
	27	Holiday - No Class				
Nov	3	12	Leases	Case 4: Lessee - All Groups		Case 4
	10	13	Various	Case 5: Restatement - Groups 1,2 and 3		Case 5
	17	14	Various	Case 5: Restatement - Groups 4 and 5		Case 5
	24	15	Various	Revision and Closing		
Dez	1	16	Final Exam	In Class Close-book Exam		Exam
	8	17	Re-Exam	In Class Close-book Exam		Exam

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