



ROBERT H. SMITH
SCHOOL OF BUSINESS

To: Incoming MBA Students, 2017
Full-Time Program (0101 and 0201)

From: Professor Rebecca Hann
Faculty Coordinator for *BUSM 602: Introduction to Financial Accounting*

Re: Pre-term Course from Harvard Business School Publishing

Date: May 31, 2017

BUSM 602, Introduction to Financial Accounting, is one of the Core courses that you will take in Fall 2017. This course is designed to help you become an informed user of financial statements. Given the duration of the term, we will be moving at a fairly rapid pace. The course will begin with a brief overview of the fundamentals of accounting (key accounting concepts, the accounting process, and the principal financial statements) and then move on to study in greater depth the various elements of financial statements. At the end of the course, I expect you will have a good understanding of a company's financial statements—be familiar with the process of preparing the statements as well as the ability to interpret and analyze financial data for economic decision making.

To do well in the course, you need to have a solid understanding of the fundamental elements of accounting; the remainder of the course will otherwise prove to be difficult. To help you better prepare for the course, **you are required to take an on-line web-based course** from Harvard Business School Publishing titled *Financial Accounting: An Introductory Online Course (FA)*. This requirement is intended to ensure that all students have a common understanding of financial accounting basics. It also allows us to cover more advanced and interesting topics during the semester. **Your performance in FA accounts for 10% of your grade for BUSM 602. Please read the following information carefully and pay special attention to the deadline for completing Final Exam 1.**

What is FA?

FA is designed as an interactive learning experience to help students understand (i) basic financial accounting terms and concepts, (ii) the principal financial statements—balance sheet, income statement, statement of cash flows—that firms use to describe their business, (iii) the approach used to construct the financial statements, and (iv) some simple ratios that capture key elements of firm performance.

To make the material realistic and engaging, it is presented in the context of a new business, Global Grocer, a retailer specializing in gourmet foods and condiments, unusual spices and specialty kitchen implements from all over the world. The course describes the key business activities for Global Grocer, including its set-up and subsequent operation, and shows students how Global Grocer's business activities are recorded and captured in its financial statements using a combination of voice, graphics and text. Students are encouraged to apply their learning throughout the course using the many practice problems included.

The course includes a comprehensive glossary and help section. There are three comprehensive tests: a pre-assessment test (with 50 multiple-choice questions) and two post-assessment tests (Final Exam 1 and Final Exam 2, each with 40 multiple-choice questions). During each test, you can go back to the chapters to

review the course materials – the program will remember your location in the test when you are ready to continue.

FA requires approximately 20 hours to complete for students with limited accounting experience. However, the course is likely to take longer for students with no prior exposure to accounting. Some students may need to go over the course more than once before attempting the post-assessment test. **Do not underestimate the time and effort needed to complete the course. You are urged to register for FA and begin studying the course material as soon as possible.** Do not attempt to digest all of the information in one or two sittings, but rather, break it up into smaller pieces. The table of contents for the course is attached on the last page.

Requirements and Grading Scheme:

- You are urged to register for FA and begin studying the course material *as soon as possible*.
- **The first post-assessment test, Final Exam 1, is *required*. You must complete Final Exam 1 by Sunday, August 13 at 6pm.** Your test score (including performance on each problem in the exam) will be reported directly to your faculty instructor on the due date. If you only take Final Exam 1, this will be your *final FA score*. **You will have only one chance to take Final Exam 1.**
- **The second post-assessment test, Final Exam 2, is *optional*. If you complete Final Exam 2 by August 13, I will choose the *higher* of the two scores as the final FA score.** While you can still attempt Final Exam 2 after August 13 as an exercise, your score will *only* count for the course grade if you complete the exam by August 13. Like Final Exam 1, you will only have one chance to take Final Exam 2.
- Your performance on the post-assessment test accounts for **10% of your grade** for BUSM 602. For example, if your FA final score is 70%, you will get 7 points for the course (out of a maximum of 10 points).
- If you have significant experience with the course material, it may be possible for you to successfully take Final Exam 1 without going through the various lessons in detail. Since you have only one chance to take exam, you should test your mastery by first taking the pre-assessment test. **Take the pre-test only if you have significant prior experience with the course material.** If you score 75% or more on the pre-test, you can consider yourself to have passed the pre-test. In such an event, you could consider taking Final Exam 1 without going through the various lessons in detail.
- You will be taking FA under the University of Maryland's *Code of Academic Integrity* (see <http://www.shc.umd.edu/code.html> for details). **Any violation of this code, such as receiving help from another individual in taking a Test, will result in an automatic "XF" on your transcript with the notation "failure due to academic dishonesty".**

Financial Accounting: An Introductory Online Course

Table of Contents

Pretest

1. Welcome to Financial Accounting

2. Terms and Concepts

Overview of Financial Reports: Balance Sheet/Income Statement/ Statement of Cash Flows
Introduction to Concepts: Entity/Money Measurement/Going Concern/ Consistency/Materiality
Quality Attributes: Relevance and Reliability
Accrual Accounting: Accrual vs. Cash-basis
GAAP

3. The Balance Sheet

Assets, Liabilities, Owner's Equity, and the Accounting Equation
Concepts: Dual Aspect/Historical Cost
Recording Transactions
Ratios: Current Ratio/Total Debt to Equity Ratio

4. Income Statement

Link to Balance Sheet: Retained Earnings/Dividends
Concepts: Realization/Matching/Conservatism
Recording Transactions: Cash and Credit Sales/Expenses: Cost of Goods Sold; Salaries; Rent and Utilities; Depreciation and Amortization; Interest and Taxes
Ratios: Gross Margin Percentage/Return on Sales Percentage

5. Accounting Records

Double-entry Accounting
Journal Entries and the Ledger: Debits and Credits/T-Accounts
Adjusting and Closing Entries
Preparing the Balance Sheet and Income Statement

6. The Statement of Cash Flows

Direct Method vs. Indirect Method
Cash Flows from Operating, Investing, and Financing Activities
Net Income and Operating Cash Flows
Relation to the Balance Sheet
Interpretation
Analysis of Indirect Statement

Final Exam 1 (required to be completed by August 13 at 6pm – see p.2 for details)

Final Exam 2 (optional – see p.2 for details)