

**Student Learning Outcomes Committee 2010
Department/Program Assessment Results Report**

Department/Program **School of Accountancy**
Date Submitted **March 26, 2010**

Degree/Program **BSBA**

The purpose of this report is to communicate the assessment activities that have taken place during the last academic year, as well as to convey how the results are being used *to improve student learning at the program level*. The report should be kept as succinct as is possible, while answering the following questions clearly and conscientiously:

I. Working from your assessment report of last year, please discuss some changes made or strategies implemented in response to last year's results.

As noted in the 2008-2009 assessment report (March 27, 2009), the amount of tax coverage in the 6-unit Integrative Accounting Topics I (ACCTG 321) was to be increased from 1 to 3 units thereby removing the coverage of tax in Integrative Accounting Topics II (ACCTG 322). This adjustment of material is intended improve student performance. It was expected that student retention of material would be better served by concentrating it in one class, rather than dividing it between two courses. The implementation of the "new" 321 was completed in the Spring 2010 semester, and new assignments were implemented as discussed below. Course learning outcomes for 321 and 322 had to be revised. This was accomplished and posted on the College of Business assessment webpage.

The 2008-2009 assessment indicated that 99% of the students could identify relevant facts, but only 61% and 64% could achieve a satisfactory score on the analysis and conclusion sections, respectively. To address this, in Spring 2010, a series of nine written and oral communication projects were instituted as part of ACCTG 321. Table 1 presents a list of the projects. Each project is being graded using either the SDSU College of Business Written Rubric or Oral Communications Rubric and feedback is being returned to the student to allow an understanding of what improvements can be made. By providing an incremental approach that focuses on certain dimensions of accounting communications for each project, the students will be provided an opportunity to understand each dimension including basic usage and grammar, issue identification, analysis of tax law, synthesis of conflicting tax law culminating in an overall assessment, first as a group and then individually.

Table 1. Projects Instituted as part of ACCTG 321 in Chronological Order

Type of Project	Student Setting	Brief Description of Project
1. Written Report	Individual	Analyze the California Business & Profession Code and report on the requirements to become a Certified Public Accountant in the State of California.
2. Written Report	Group	Research and provide a description of either (1) a common accounting-related career or (2) a key characteristic of successful accountants.
3. Oral Presentation	Group	Prepare an oral presentation including relates to materials presented in Project #2.
4. Tax Research Memo	Individual	Research a tax issue and prepare a common form tax research memo. Focus of project is on researching tax sources.
5. Tax Research Memo	Individual	Research a tax issue and prepare a common form tax research memo. Focus is on identifying relevant tax issues.
6. Tax Research Memo	Individual	Research a tax issue and prepare a common form tax research memo. Focus is on analyzing provided but

		contradictory sources of tax law.
7. Written Report	Individual	Report on a current tax topic using a professional author's synthesis of that tax topic. Focus is on understanding how the author synthesized existing research and analysis.
8. Tax Research Memo	Group	Research a tax issue and prepare a common form tax research memo. Judged as meet/does not meet expectations.
9. Tax Research Memo	Individual	Research a tax issue and prepare a common form tax research memo. Judged as meet/does not meet expectations.

Final individual memos will be collected and a sample of those who meet the minimum standard to progress in the program will be assessed. We expected that assessment to be completed by July 2010 and reported in the 2010-2011 SOA Assessment Report.

II. Drawing upon the goals and objectives contained in the department/program student learning assessment plan, what was the focus of the department's student learning assessment for the past academic year?

- A. This section should list the student learning goals and objectives that were the focus for the report year (selected from your complete set of goals and objectives).

Goal 1: Gather, consolidate, safeguard, prepare and present accounting information for internal and external users

- *Gather and consolidate accounting data to analyze and provide accounting information for reports and analysis to assist in management decision making.*
- *Identify measure, classify, present and disclose financial information in accordance with professional standards.*

Goal 2: Understand the methods of sharing accounting information within an organization and with external users

- *Demonstrate team and leadership techniques in accounting contexts.*

- B. It would also be helpful to note here the student learning goals and objectives that you intend to assess during the next year.

Long-Term Assessment Plan:

Appendix B contains the multi-year Assessment Plan

In the coming year, we will be assessing:

Goal 1: Gather, consolidate, safeguard, prepare and present accounting information for internal and external users

- *Apply ethical rules, theories and regulatory guidelines to the practice of public, private and tax accounting; understand the need for professional integrity and objectivity.*

Goal 2: Understand the methods of sharing accounting information within an organization and with external users.

- *Present professional oral reports for accounting related topics.*

Assessment Assignment for next year:

There will be an embedded ethics assignment in ACCTG421 and an embedded oral presentation assignment in IDS390W.

III. What information was collected, how much, and by whom?

- A. This section should briefly describe the methodology used to examine the targeted goals and objectives. Please attach relevant scoring rubrics, surveys, or other materials used to examine student learning to the back of the report, as Appendices.

Information for Management Decision Making Assessment:

Students in Accounting 321 were given 2 ½ weeks to complete an embedded assignment (Appendix C). Students appeared to take the assignment seriously. Of the 107 students in the two sections of the class, only 5 students chose not to do the assignment (and received a zero on it). Informal feedback comments from students indicated that they found the assignment very interesting and informative.

Financial Assessment and Team & Leadership Assessment:

During Fall 2009, students in the three Accounting 421 sections were given an embedded team assignment (Appendix E), grading rubric (Appendix F), and Team Contract Agreement (Appendix G) and which reflected team projects as structured in the professional environment. There were 147 who participated in this activity. After the assignment was completed, the team leader prepared an evaluation of each team member, and each team member prepared an evaluation of the team leader (Appendix H). These evaluations were collected on Survey Monkey.

- B. Please note that the expectation here is that programs will make use of *direct* measures of student learning outcomes.

IV. What conclusions were drawn on the basis of the information collected?

- A. This section should briefly describe the results (in summary form) in regard to how well students have met the targeted goals and objectives. For example, what percentage of students met the objectives? Is this a satisfactory level of performance? What areas need improvement?

Information for Management Decision Making Assessment:**1. Analysis of Information.**

Students were asked to rate disclosure prepared by three firms on a Likert scale (1-5) on the following dimensions: (a) Comprehensiveness of the report/information, (b) Reliability of the report/information, (c) Relevance of the report/information, (d) How current is the report/information, and (e) an overall rating of the report/information. This was classified as "ANALYSIS." The grading rubric (Appendix D) evaluated the students as Excellent (4 or 5), Satisfactory (2 or 3), or Below Expectations (0 or 1). Of the 102 students who completed the assignment, 55 (54%) were rated as Excellent, 42 (41%) were rated a Satisfactory, and 5 (5%) were rated as Below Expectations.

The results strongly indicate that virtually all students were able to analyze the information presented by the three firms they chose and correctly rated the reports/information on the five dimensions.

2. Synthesis of Information.

Students also were asked to prepare a one sentence written justification for their overall rating of the report/information. This was classified as "SYNTHESIS." The grading rubric evaluated the students as Excellent (4 or 5), Satisfactory (2 or 3), or Below Expectations (0 or 1). Of the 102 students who completed the assignment, 60 (59%) were rated as Excellent, 38 (37%) were rated a Satisfactory, and 4 (4%) were rated as Below Expectations. Three students didn't follow directions.

The results strongly indicate that virtually all students were able to synthesize the overall rating into a coherent justification for their rating.

3. Application of Information.

For their third task, students were asked to write a maximum two page paper for a 4th firm in the same industry. They were to recommend what topics/features they would include and/or avoid in next year's information for their hypothetical firm.

This was classified as "APPLICATION." The grading rubric evaluated the students as Excellent (4 or 5), Satisfactory (2 or 3), or Below Expectations (0 or 1). Of the 102 students who completed the assignment, 43 (42%) were rated as Excellent, 48 (47%) were rated a Satisfactory, and 11 (11%) were rated as Below Expectations. Two students received a zero as their essay reviewed one of the 3 firms rather than doing the assignment.

Even though less students were able to apply what they had learned and gathered from the three analyzed firms (and other sources), still 89% were able to do a satisfactory or excellent job of application.

Financial Assessment and Team & Leadership Assessment:

Financial Assessment: The rubric for the assignment measured four items: Quality of the Technical Analysis, Accuracy of the Technical Accounting Solution, Report Structure and Flow, and Use of Supporting GAAP/IFRS (Appendix F).

The results in the chart below indicate that the reports prepared by the student teams all met or exceeded expectations. It is apparent that as a team students performed quite well in three of the areas. However, there is a noticeable difference in the "Use of Supporting GAAP/IFRS" category indicating that overall students were not as accomplished in this particular area.

Raw Scores		Quality	Accuracy	Structure	Support
	Mean	4.02	3.65	3.76	3.10
	Median	4.00	4.00	4.00	3.00
4-5	% Exceeds	89.1%	72.8%	73.5%	23.1%
2-3	% Meets	10.9%	27.2%	26.5%	76.9%
0-1	% Below	0.0%	0.0%	0.0%	0.0%

Team and Leadership Assessment: The survey items were measured on five-point Likert scales for both the team and leadership assessments.

The results in the two charts below indicate that the ratings of both groups [1) team members' ratings of their team leader's performance and 2) the team leader's ratings of their team members] mostly exceeded or met expectations. It is interesting however, to note that the team leader's evaluations of the members were lower in almost all categories.

Team Members Evaluating Team Leaders:

Evaluation Categories	Mean (# Responses)	% Exceeds 4-5	% Meets 2-3	% Below 0-1
Project Managements Skills	4.42 (124)	89.5%	10.5%	0.0%
Communication Skills	4.44 (125)	87.2%	10.4%	2.4%
Team-Building Skills	4.31 (125)	83.2%	15.2%	1.6%
Leadership	4.42 (120)	88.3%	10.8%	0.8%
Time Management	4.45 (125)	87.2%	12.8%	0.0%
Academic Mindset	4.47 (125)	92.0%	8.0%	0.0%
Accounting Task Knowledge	4.32 (125)	83.2%	16.8%	1.6%
Overall Performance	4.49 (124)	94.4%	5.6%	0.0%

Team Leaders Evaluating Team Members:

Evaluation Categories	Mean	% Exceeds 4-5	% Meets 2-3	% Below 0-1
IPP Task Accomplishments	4.36	90.9%	7.3%	1.8%

Communication Skills	4.07	72.7%	25.5%	1.7%
Team-Building Skills	4.20	78.2%	21.8%	0.0%
Goal Accomplishment	4.35	85.5%	12.7%	1.8%
Time Management	4.15	72.7%	27.3%	0.0%
Academic Mindset	4.29	81.8%	18.2%	0.0%
Accounting Task Knowledge	4.07	74.5%	20.4%	5.1%
Overall Performance	4.42	87.3%	7.5%	5.2%

- B. Whenever it is possible to do so, please organize and present collected data by way of tables and/or graphs. [Note: the committee expects and welcomes both quantitative and qualitative data, so this suggestion should not be construed as seeking quantitative data only.]

V. How will the information be used to inform decision-making, planning, and improvement?

- A. This section should describe the strategies that will be implemented for program improvement as a result of the conclusions drawn from the assessment activities.

Information for Management Decision Making Assessment:

The results of the assessment indicate that students were able to analyze the data, synthesize it, and then apply the knowledge in a new related situation. Thus, in this area no program improvements are being recommended.

Financial Assessment and Team & Leadership Assessment:

For the financial area, all of the reports met or exceeded expectations. However, the result indicating that students were not as competent in using GAAP/IFRS is being reported to all of the financial accounting instructors for consideration in their development of their course materials.

The assessment of team and leadership skills indicated that program learning outcomes were being met. Thus, no recommendations as to changes are being made at this time.

- B. The program change may pertain to curricular revision, faculty development, student services, resource management, and/or any other activity that connects to student success.

Report completed by: Professor Carol F. Venable

Date: March 26, 2010

Appendix A: BSBA Accounting Goals and Learning Outcomes**MAJOR GOALS AND LEARNING OUTCOMES FOR THE B.S. IN BUSINESS ADMINISTRATION/ACCOUNTING MAJOR PROGRAM****Goal 1: Gather, consolidate, safeguard, prepare and present accounting information for internal and external users**

Learning Outcomes:

- *Identify, measure, classify, present and disclose financial information in accordance with professional standards.*
- *Gather and consolidate accounting data to analyze and provide accounting information for reports and analysis to assist in management decision making.*
- *Evaluate the strengths and weaknesses of a company's business process transaction cycles and make recommendations.*
- *Determine the income tax of taxable entities in order to; assess the effects of personal, investment and business transactions on their tax and after-tax cash flows.*
- *Evaluate and communicate the reliability of organization information by applying professional standards.*

Goal 2: Understand the methods of sharing accounting information within an organization and with external users

Learning Outcomes:

- *a) Present professional oral reports for accounting related topics and b) demonstrate team and leadership techniques in accounting contexts.*
- *Prepare professional written reports for accounting related topics.*
- *Apply ethical rules, and theories and regulatory guidelines to the practice of public, private and tax accounting; understand the need for professional integrity and objectivity.; maintain professional and personal integrity; comply with regulatory guidelines*

Appendix B: Multi-year Assessment Plan**BSBA ACCOUNTING
ASSESSMENT PLAN**

Mission/Vision Statement (abbreviated): To advance the knowledge and practice of accounting in public, private, and governmental organizations by developing students to be lifelong learners and future practitioners and users of accounting information.

Goals & Student Learning Outcomes

- I. Gather, consolidate, safeguard, prepare and present accounting information for internal and external users.**

Student Learning Outcomes:

SLO #1.1: Identify, measure, classify, present and disclose financial information in accordance with professional standards.

SLO #1.2: Gather and consolidate accounting data to analyze and provide accounting information for reports and analysis to assist in management decision making.

SLO #1.3: Evaluate the strengths and weaknesses of a company's business process transaction cycles and make recommendations.

SLO #1.4: Determine the income tax of taxable entities in order to assess the effects of personal, investment and business transactions on their tax and after-tax cash flows.

SLO #1.5: Evaluate and communicate the reliability of organization information by applying professional standards.

- **Content Delivered in: ACCT 321, 322, 421**
- **Assessment Method: Case Analysis**

- II. Understand the methods of sharing accounting information within an organization and with external users.**

Student Learning Outcomes:

SLO #2.11a: Present professional oral reports for accounting related topics, and

SLO #2.11b: Demonstrate team and leadership techniques in accounting contexts.

SLO #2.12: Prepare professional written reports for accounting related topics.

SLO #2.2: Apply ethical rules, theories and regulatory guidelines to the practice of public, private and tax accounting; understand the need for professional integrity and objectivity.

- **Content Delivered in:**
 - Lower Division General Education courses, IDS 390W, and Mgt 350 (for SLO #2.11)
 - Lower Division General Education courses and IDS 390W (for SLO #2.12)
 - BA300, ACCT 321, 322, 421 (for SLO #2.2)

- **Assessment Method:**
 - Presentations in IDS 390W (for SLO #2.11a)
 - Team Assignments in IDS390W or other courses (for SLO #2.11b)
 - Written Papers in IDS 390W or other courses (for SLO #2.12)
 - Ethics Case Analysis in ACCT 421 (for SLO #2.2)

Assessment Timeline

Timeline represents a five year cycle.

GOAL	SLO	1 st Cycle	2 nd Cycle
I	1.5	2006-2007	2011-2012
I	1.3	2007-2008	2011-2012
I	1.4	2008-2009	2012-2013
I	1.2	2009-2010	2013-2014
I	1.1	2009-2010	2013-2014
II	2.11a	2006-2007	2010-2011
II	2.11b	2009-2010	2013-2014
II	2.12	2008-2009	2012-2013
II	2.2	2010-2011	2014-2015

BSBA Accounting Curriculum Map

Course SLO	ACC 321	ACC 322	ACC 421	IDS 390W	RWS 100 and RWS 200	COMM 103	MGT 350	BA 300
1.1	X	X						
1.2			X					
1.3		X						
1.4	X							
1.5			X					
2.11				X		X	X	
2.12				X	X			
2.2	X	X	X					X

Appendix C: Managerial Accounting Case Used for Assessment

Environmental and Social Responsibility Reporting

There currently are no standards for reporting Environmental and Social Responsibility (sometimes referred to as sustainability) information to readers of financial statements. However, many firms prepare a corporate Environmental and/or Social Responsibility report or provide other information concerning their performance in these areas. Suppose that you have just been hired as the Accounting manager in charge of preparing the Environmental/Social Responsibility report for next year for a hypothetical firm. In order to do this, you are to review the corporate Environmental and/or Social Responsibility information for THREE firms in the same industry. You are to choose the three firms in either Group #1, or Group #2, or Group #3, or Group #4, below. Find the most current information available. I have provided you with internet addresses to get you started. Once on the website, it is up to you to find the appropriate information.

ASSIGNMENT TO HAND-IN:

As the Accounting manager in charge of preparing the Environmental/Social Responsibility information for next year for a hypothetical fourth firm in the same industry:

1. Evaluate the available information provided by each of the three firms in your group and complete an evaluation rating form for each of the three firms' information on the five scales listed on the next page.
2. Write a one sentence justification of your overall rating from scale #5 for each of the three firms in your group (This is question #6 on each form).
3. For the hypothetical fourth firm, write a MAXIMUM two page double spaced paper (font size = 12) recommending what topics/features you would include and/or avoid in next year's information for your hypothetical firm in the same industry as the group you chose.

Group #1: (a) MillerCoors.com, (b) Carlsberg.com, (c) AB-InBev.com

Group #2: (a) Nikebiz.com, (b) Adidas-group.com, (c) FILA.com

Group #3: (a) Nestle.com, (b) Cadbury.com. (c) Hersheys.com

Group #4: (a) Starbucks.com, (b) McDonalds.com, (c) Dunkinbrands.com

Please rate EACH of the three firms on the following scales (circle the appropriate number):

Firm Name _____ Date of the firm's report/info _____

Your Name and section (9:00 or 1:00)

1. Comprehensiveness of the report/information:

Not Very Comprehensive-----neither -----Very
Comprehensive

1 2 3 4 5

2. Reliability of the report/information:

Not Very Reliable -----neither -----Very
Reliable

1 2 3 4 5

3. Relevance of the report/information:

Very Irrelevant -----neither -----Very
Relevant

1 2 3 4 5

4. How current is the report/information:

Old information -----neither -----Current
information

1 2 3 4 5

5. Overall rating of the Environmental and/or Social Responsibility report/information:

Very Disappointing -----neither -----
Outstanding

1 2 3 4 5

6. Prepare a one sentence justification for your rating in #5, above.

Appendix D: Managerial Grading Rubric

Grading Rubric - MANAGERIAL ACCOUNTING ASSESSMENT

NAME _____ **Score** _____

	Below Expectations	Satisfactory	Excellent
Analysis: From Questions 1-5	Unable to correctly determine the reliability, relevance, currency, or comprehensiveness of the information for many of the firms.	Able to correctly determine the reliability, relevance, currency, and comprehensiveness of the information for MOST of the firms	Able to correctly determine the reliability, relevance, currency, and comprehensiveness of the information for ALL of the firms
Synthesis: From Question 6	Unable to formulate a coherent synthesis for the overall ratings.	Able to formulate a coherent synthesis for the overall ratings for MOST firms.	Forms a coherent synthesis and justification for ALL the overall ratings.
Application: From two-page essay	Unable to coherently delineate important topics and/or features and apply them to a new situation.	Able to coherently delineate important topics and/or features and apply them to a new situation.	Able to coherently identify AND INTEGRATE topics and/or features and apply them to a new situation. Also, possibly suggests other topics and features which were not in the three firms analyzed.

Appendix E: Financial Assessment Team Assignment

BACKGROUND:

CM Corporation (CMC) was founded in 1998 by Eric Conner and Phil Martin. The company designs, installs, and services security systems for high-tech companies. The founders, who describe themselves as "entrepreneurial geeks," met in a computer lab when they were teenagers and found they had common interests in working on security systems for critical industries. In January 2007, CMC hires you as an accounting intern.

Lately Conner and Martin have been working with "radio frequency identification" (RFID) technology. They have developed a detailed system designed to track inventory items using RFID tags embedded invisibly in products. This technology has numerous inventory applications in multiple industries. One of the most basic applications is tracking manufacturing components; if tagged components "go walking" (if employees attempt to take them), companies can easily track and find them. Conner and Martin have sold their system to several high-tech companies in the area. These companies have a number of government contracts that require extensive security systems to protect sensitive data from infiltration by terrorists and others. To date, CMC's cash flow from sales and services has adequately funded its operations.

CMC anticipates growth potential for its products. As a result, it is planning to go to the market with a new common stock issue at the end of 2008. Many of the issues you will address in this continuing problem involve choices that are affected by getting ready for this anticipated stock issue.

Part I—General Accounting

In anticipation of growing demand for their products and services, Conner and Martin hired two new directors, Suzanne Lopez and Allison Knepp, giving them stock in the company as part of their hiring bonus. The founders, Conner and Martin, along with the two new directors, will be the management "team."

Conner and Martin consider themselves "upper management" and the two new directors "middle management." Conner and Martin have little accounting or business training so they are relying on Lopez and Knepp, both of whom have MBAs, to provide the business background. With the additions to the management team, CMC changed the company name to CM².

Given the lack of any trained accountant on board, an accounting intern can be of great value to CM². To familiarize you with the company's operations, Conner and Martin have provided an unadjusted trial balance from the end of last year (2007) on an Excel spreadsheet. When you look at it, you find that the accounts are not in any particular order, which surprises you.

Instructions

- (a) Download file: **TrialBalance.xls** from course blackboard website. Prepare a trial balance in good form.
- (b) Download the file: **unadjusted trial balance and financial statement mapping.xls**, which has the unadjusted trial balance **without** account names and ending balances. Please populate the trial balance (**trialbal07 WORKSHEET**) with the account names and ending unadjusted balances (that you computed in part a above) at 12-31-07. BE CAREFUL BECAUSE ALL NUMBERS WILL AUTOMATICALLY FEED TO THE FINANCIAL STATEMENTS.

IF YOU MESS IT UP THEN YOU WILL HAVE TO FIX IT. BETER MAKE A BACKUP COPY Make sure all accounts in proper order. This file also contains an accounting "system" comprised of a series of linked spreadsheets. The linkages enable the effects of all accounting entries (journal, adjusting, and closing) to flow through to spreadsheets for the income statement, balance sheet, and statement of cash flows. You notice that for the fiscal year ended December 31, 2007, someone has made all the journal entries but none of the adjusting or closing entries.

The following information is provided for adjustments prior to closing the books. Lopez and Knepp ask you to enter the adjustments into the spreadsheet, in the two columns to the right of the unadjusted trial balance. (CM² uses a perpetual inventory system.)

1. Wages earned by employees during December and to be paid in January are \$33,875; associated payroll taxes on these wages are \$2,710.
 2. On July 1, a client paid CM² \$205,720 in advance for a year of consulting services.
 3. You discover that a product sale was made and recorded in December for \$128,600; the product had not yet been shipped. The cost of the product was \$68,742.
 4. Bad debt expense has been calculated to be \$17,508 but has not yet been recorded.
 5. The Prepaid Expense account has a balance of \$22,774. This balance includes \$11,200 for a two-year insurance policy purchased on January 1, 2007.
 6. Depreciation expense for the year is \$82,620.
 7. Interest expense accrued on its long-term liabilities is \$7,765.
 8. On December 15, CM² declared a dividend of \$110,000, to be paid on January 15, 2008.
 9. Income tax expense is \$201,109.
- (c) After making the adjusting entries in (b), make the appropriate closing entries on the spreadsheet provided.
- (d) Print out all corrected trial balances and financial statements in GOOD FORM. Use Red fonts for adjusting and closing entries.**
- (d) Prepare a memo to management explaining the importance of the adjusting entries made in part (b). As part of this discussion, explain how accrual accounting improves the usefulness of the company's financial statements.

Additional IPP Activity: Extend your accounting knowledge

You know that CM² is going to the market with a stock offering at the end of 2008. You have heard that investors look at certain relationships (or ratios) on the financial statements to understand the financial health of a company in which they plan to invest. You decide to examine several of these ratios to get a feel for how this company is doing. You know the following:

- (1) The relationship of current assets to current liabilities is important to assess the liquidity of the company and its ability to pay its current bills.
- (2) The total debt to total assets relationship describes where the money came from to acquire the assets.

(3) The net income to sales relationship tells how much of each sales dollar ends up as profit.

.Instructions

Calculate these three relationships for CM² for 2007 and the prior year, and write a short assessment of CM²'s financial position and performance.

Part II: Industry Practice Problem #1: Fall 2009

After a long day on the job at CM², you are reflecting on how much you have learned about business decision making through this internship. A good example is CM²'s current plan to raise money through a stock issue rather than a debt issue. You recall from Dr. Dave's (Accounting 421, Intermediate Accounting class) that issuing debt imposes a fixed financial obligation on the company, but does not convey ownership to the debt holders. However, if CM² issues stock, it gives up some ownership and thus some control. You know how protective Conner and Martin are of the company, and you wonder why they chose to issue stock. You decide to ask them the next day.

The next day you ask the management team if you could get some information about the proposed stock issue. You explain that there are trade-offs between issuing stock and issuing debt, and you wonder why they are planning to issue stock. Martin has an immediate response: They do not want to take on any more debt; they would prefer relinquishing some control rather than assuming more obligations. They argue that companies are like people who have ready access to multiple credit cards and use them to live on, effectively taking on more debt than they can easily repay. Having friends in this situation, you understand CM²'s position.

They then ask you to help them evaluate the three options they are considering for raising the necessary money for expansion. Amazingly enough, one of the options is to issue debt—you are glad to see they are at least considering it. The three options are:

1. Issue \$10,000,000 of 10-year bonds with a coupon rate of 6%, interest payable semiannually. (CM² has an "A" bond rating.) Although the current market rate is 6%, based on current economic forecasts, Conner and Martin recognize that market rates might increase to 8% by the time they issue the bonds. Although they do not like the option of added debt, they feel it is a reasonable alternative and should be considered.
2. A second possibility is to issue 2,600,000 shares of common stock to current shareholders and a selected group of new investors (a private issue). The stock would be priced to sell at CM²'s book value per share at the end of 2008.
3. The third option is to proceed with the initial public offering (IPO). Based on current and anticipated economic conditions, the resurgence of the IPO market, and interest in high-tech companies, Conner and Martin think they could get an IPO price of around \$5 per share. At this price, they would need to issue approximately 2,000,000 shares.

The company does have some shares held in treasury but does not want to re-issue these shares at this time. Conner and Martin also plan to continue to pay dividends to current shareholders but at a lower amount, probably \$0.05 per share.

Instructions

- (a) As a fourth alternative, you suggest that the company borrow the money from a financial institution instead of issuing either bonds or stock. Conner and Martin of

course turn the question right back to you, and ask you to summarize the advantages of borrowing in this fashion compared to issuing bonds. Write a memo describing the advantages and disadvantages of each method of financing.

- (b) Which alternative would you recommend to Conner and Martin? Be sure to justify your answer in comparing the merits of raising capital through bonds, loans, and common stock. Include any pros or cons of utilizing treasury stock in raising capital. Be specific in your answer, but remember you are writing to entrepreneurs, not accountants.

Additional IPP Activities: Extend your accounting knowledge

You think that in one of your accounting classes, you covered some other options that companies had to raise money. You remember something about preferred stock, special classes of common stock, and convertible bonds. Prepare a memo suggesting two other ways that CM² could raise \$10,000,000. Be specific, but again, remember you are writing to entrepreneurs, not accountants.

Part III: IPP #1: FALL 2009

When you arrive at CM² for the afternoon, Conner and Martin are arguing with Lopez and Knepp about, of all things, the corporate income taxes. As you walk in, you hear Conner saying, "The corporate rate is always 35%." For some reason, Knepp is talking about something called *SFAS No. 109* (ASC TOPIC 740) that has to do with how taxes are reported in financial statements. This discussion is not entirely clear to you since you have not yet done a rotation in tax yet, however you have taken an amazing tax class with the "INCREDIBLE WILL SNYDER" and "DEBO'S TAX LECTURE RE/ DITE, CITE and ISAM", so you figure you will learn a lot this afternoon. (You had no idea at this point how much you would learn.)

Instructions

Access Supplemental Excel File from the database: **IPP#1SUPPFINANCIALS.xls** with the balance sheet and income statement reflecting forecasts for 2008. Review the income statement and verify that the tax is indeed 35% of income before tax for both 2007 and 2008.

- (a) Since Knepp has raised the issue of *SFAS No. 109*, access the appropriate research database (FASB) and/or FARS database and read the information describing the framework now used in accounting for income taxes. Write a memo that you can take to Conner and Martin describing the change in focus from the income statement to the balance sheet. Describe the concepts of permanent and temporary differences. Give two examples of each and how they reflect the new focus.
- (b) During the meeting in the afternoon, you ask Knepp and Lopez if there were permanent or temporary differences in 2007 and whether they will continue into 2008. They responded that they were not aware of any differences for either 2007 or 2008. However, in 2008 Conner and Martin were given life insurance policies. The insurance premium on these policies amounted to \$80,000 per year. CM² also anticipates investing in local county bonds which should earn about \$7,000 investment income in 2008. Both of these items are reported on the forecasted income statement. In addition, Knepp tells you that depreciation expense recorded for tax will be \$30,000 higher than that recorded for the books.

That is, the book value of the fixed assets for GAAP will be \$90,000 higher compared to their book value reported on the tax return.

Knepp then mentions that CM² will begin offering a six-month warranty on its RFID product. The forecasted income statement includes estimated warranty expense accrual of \$100,000; one-fourth of this amount will be settled in 2008 through actual claims being filed. You remember from DeBo's Accounting class that for tax purposes, only the cash expense incurred in doing the work is deductible.

The forecasted income statement reports a tax expense of \$178,500. Prepare a memo to Conner and Martin in which you explain the adjusting entry to reflect the income tax expense that should be reported.

Additional Activities: Extend your accounting knowledge

Since the discussion about tax expense you had yesterday, Conner and Martin have read about something called "deferred taxes." They ask you just what is involved in the concept of deferred taxes.

- (a) Prepare a memo for Conner and Martin describing when deferred tax assets are recorded and what provisions, if any, have to be accounted for if Conner and Martin believe that the future benefits from the deferred tax asset probably will not be realized. Access the FARS database in order to provide support for your response from the authoritative literature.
- (b) Write a memo to Conner and Martin describing the potential for earnings management that exists when recording valuation allowances for deferred tax assets.
- (c) From what you have read about taxes, you realize that there is substantial judgment in the determination of tax expense for book purposes. Check the FASB Statement 109 for the guidance on taxes; in particular, check for footnote disclosures required.

OVERALL REQUIREMENTS:

1. Organization and clarity of your memorandums are essential in order to receive full credit.
2. Accuracy of mathematical calculations (where indicated) weigh into your final grade too.
3. Professional appearance and style will be evaluated as well.
4. Work independently!! Failure to do so will result in a failing grade. You're not to talk/speak with any other groups except your own groups. If I find that this policy has been violated, I will assign a failing grade to all members of each group. Please do not put me in this situation. ☺ Work in your own groups ONLY.
5. You are to print all final financial statements and trial balances in hardcopy with adjustments in red font and attach as part of your final report. Be sure to label all required parts, so that I can easily follow it. Failure to do this, will result in lost points.
6. You must use and cite (in-text) utilizing the FASB CODIFICATION DATABASE.

GOOD LUCK!!!!

Appendix F: Rubric for Grading the Financial/Teamwork Assignment**ACCT421 FINANCIAL ASSESSMENT**

Category/(weight in %)	Exceeds Expectations (4-5)	Meets Expectations (2-3)	Below Expectations (0-1)	Final Score
Quality of Technical Analysis (20 %) Exceeds:16-20 Meets:11-15 Below: 0-10	Written work has clear structure and technical meaning. The solution(s) flow is/(are) presented logically and all sections are clearly and properly identified. All steps are easily followed and appropriate explanations are provided. Overall, the organization is exemplary and each section of the assignment can stand on its own merits.	Written work is appropriately presented and technical interpretations are included. Although it could benefit from improved structure. All steps are identified, but the conciseness and flow is a bit flawed and unnecessarily choppy. Overall, the organization is satisfactory and each section is fairly self-sustaining. Although greater effort could have resulted in greater congruence of the specific analysis.	Written work is poorly structured and key points and ideas are omitted. A lack of regard for organization and clarity is apparent. Report lacks nexus from section to section and the reader may be left guessing at the applicability of the author's findings and overall conclusions. Overall, the organization is below expectations and the written work is hard to follow. Overall, the report is deficient in one or more ways.	
Accuracy of the technical accounting solution (45%) Exceeds:36-45 Meets:25-35 Below: 0-24	Final solution(s) very closely resemble the official answer. All parts of the solution including preparation of corrected general ledgers, financial statements, company policies and technical memos are comprehensively prepared. All major technical areas are comprehensively addressed and solutions properly reflect current accounting guidance in the prescribed area(s).	Final solution(s) closely resemble the official answer. Most parts of the solution including preparation of corrected general ledgers, financial statements, company policies and technical memos are adequately prepared. All major technical areas are addressed and solutions may reflect only some current accounting guidance in the prescribed area(s).	Final solution(s) weakly resemble the official answer. Very few parts of the solution including preparation of corrected general ledgers, financial statements, company policies and technical memos are adequately prepared. Major technical areas are weakly addressed or entirely omitted. The solutions may fail at applying current accounting guidance in the prescribed area(s).	
Report Structure and Flow (20%) Exceeds:16-20 Meets:11-15 Below: 0-10	Proper grammar as well as sound sentence structure is prominent throughout all sections of the written report. No spelling and word usage errors. Ideas are expressed clearly and appropriate opinions are included without biasing the independence and objectivity of the findings/analyses. Overall, the author(s) are unequivocally meaning what they say and saying what they mean.	Proper grammar as well as sound sentence structure is evident throughout most major sections of the written report. Although some sentence structure problems are apparent. The report may contain several spelling and/or word usage errors. Ideas are expressed clearly and appropriate opinions are <i>generally</i> included with minor occurrences of biasing the independence and objectivity of the findings/analyses. Overall, the author(s) are somewhat meaning what they say and saying what they mean.	Proper grammar as well as sound sentence structure is lacking. Spelling and word usage errors are apparent. Ideas are expressed poorly and appropriate opinions are omitted--when included, they aren't based in facts. Overall, the author(s) are failing to say what they mean and mean what they say.	
Use of supporting GAAP/IFRS (15%) Exceeds:12-15 Meets:8-11 Below: 0-7	Report contains a comprehensive set of established accounting pronouncements found within GAAP. All key areas of supporting GAAP/IFRS are clearly identified, referenced and appended to the final report. Use of the FASB Codification database is comprehensive and illustrated. Contains numerous in-text cites.	Report contains an appropriate set of established accounting pronouncements found within GAAP. Most key areas of supporting GAAP/IFRS are clearly identified, referenced and appended to the final report. Use of the FASB Codification database is appropriate and illustrated. Contains few in-text cites.	Report fails to contain an appropriate set of established accounting pronouncements found within GAAP. Most key areas of supporting GAAP/IFRS are NOT clearly identified, referenced and appended to the final report. Use of the FASB Codification database is insufficient. Contains very few in-text cites.	

Appendix G: Team Contract Agreement

EMPLOYMENT AGREEMENT

We, the members of Group _____, accept the conditions of employment at our company. The specific conditions of employment are recorded in the CODE OF CONDUCT which we have developed and attached.

This Code reflects the minimum level of performance that is expected of any group member. If a group member fails to meet this minimum level, they may be subject to repercussions as follows:

1. 1. The first time a group member fails to meet their responsibilities, the group will meet as a team to give a verbal warning to the neglectful member. This warning will include three components: the section of the Code of Conduct that the person violated, suggestions for improving their performance, and standards to evaluate improved performance in the future (i.e., making the group's expectations explicit). This written warning should be documented on the FORM WARNING #1. This form must be signed by the group members and filed in the permanent employment file with the Human Resources Director (i.e., our professor).
2. 2. The second infraction by a team member should result in a written warning documented on FORM WARNING #2. This should summarize the history of the problem and corrective actions that have been attempted. Again, this form must be filed with the Human Resources Office (i.e. our professor). If desired by any members of the group, the Human Resources Director will be available for mediation among the group members.
3. 3. If the problem persists, the group may move to terminate their group member. To do this, they must complete the official MOVE TO TERMINATE FORM, and schedule a final mediation session. If the result of this session is, in fact, termination, then the delinquent group member will be removed from the group, therefore receiving no points for future group activities.

Signed:

Appendix H: Financial Teamwork/Leadership Surveys**Surveys conducted on Survey Monkey****Scale for Each Survey:****5 = Outstanding, 4 = Above Average, 3 = Average, 2 = Satisfactory, 1 = Unsatisfactory****ITEMS FOR THE TEAM MEMBERS' EVALUATION OF THE TEAM LEADER**

- 1. Rate the team leader's project management skills.**
- 2. Rate the communication skills.**
- 3. Rate the team building skills.**
- 4. Rate the overall leadership traits.**
- 5. Rate the time management skills.**
- 6. Rate the academic mindset.**
- 7. Rate the accounting task knowledge.**
- 8. Rate the overall performance.**

ITEMS FOR THE TEAM LEADER'S EVALUATION OF EACH TEAM MEMBER

- 1. Rate each group member's task accomplishments during this review period.**
- 2. Rate the communication skills.**
- 3. Rate the team building skills.**
- 4. Rate the degree of success in meeting predetermined goals.**
- 5. Rate the time management skills.**
- 6. Rate the level of academic mindset.**
- 7. Rate the accounting task knowledge.**
- 8. Rate the overall performance.**