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Lucent Loses Its Luster: Accounting for Investments Turned Bad

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ABSTRACT: This case provides a rich environment in which students can explore the challenges of applying Statement of Financial Accounting Standards No.115, *Accounting for Certain Investments in Debt and Equity Investments,* and Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income.* By focusing on the stock performance of two technology firms, Lucent Technologies and Microsoft, the case exposes students to issues of determining when a stock price decline is other than temporary, the effects of timing on accounting reporting decisions, and the role of the auditor in determining fair financial reporting. The case provides a qualitative and quantitative application of the two standards that is more complex and less structured than that provided by an intermediate financial accounting text. The case also demonstrates that comprehensive income, unlike net income, is relatively stable and difficult to manipulate.

INTRODUCTION

On a chilly Monday morning in late February, Greg Braddock sipped coffee from a paper cup and stared at his laptop computer screen. Greg was in the coffee room of his client, Selden Systems, which was being used by his audit team from Peabody and Grimes, PC. Because Selden was a publicly traded company that had a December 31, 2000 year-end, its financial statements needed to be filed with the Securities and Exchange Commission (SEC) by March 15, just 17 days after today's date of February 26. Greg was in his third year with the firm and had just been promoted to senior. This morning he was reviewing the work of his staff auditor, Marlys Jensen.

Marlys had prepared a schedule supporting the presentation of Selden's marketable securities. Her working papers, labeled as A-2 and A-2a, are displayed in Exhibit 1. Additional relevant information from Selden's preliminary financial statements is included in Exhibit 2.

Greg's attention was particularly drawn to the nearly 80 percent decline in accumulated other comprehensive income (AOCI) in stockholders' equity. The account had gone from nearly $1 million on January 1 to just $212,110.63 at December 31. Since Selden had no foreign subsidiaries and no defined benefit pension plan, Greg knew AOCI must be related to available-for-sale securities; this was confirmed by a quick look at working paper A-2 (Exhibit 1). Clearly, the market value of the investment portfolio had dropped significantly with the biggest declines attributable to Lucent Technologies and Microsoft. As he was reflecting on the numbers, Marlys walked in, dropped her computer case and headed for the coffee machine.

"Hi, Marlys! I was looking at your analysis of the securities portfolio. I knew that the market was down and that the market downturn had hit the technology sector pretty hard, but, wow! I had no idea that Lucent had gone down so much during the last year. Microsoft really took a hit as well."

Teresa P. Gordon is a Professor and Marcia S. Niles is an Associate Professor, both at the University of Idaho.

Editor's note: This paper was accepted by Thomas P. Howard, former editor.

EXHIBIT 1
Marlys' Working Papers

Page A-2
Date Prepared *2/11/01*
Prepared by *MEJ*
Reviewed by_____

Selden Systems
for the year ended 12/31/00
Analysis of Marketable Securities

From Stock Register	Acquired	Number of Shares	Purchase Price per Share	Historical Cost	Valuation at 12/31/00	Valuation at 12/31/99	Valuation at 12/31/98
Caterpillar	4/18/1997	2,000	$ 42.9375	$ 85,875.00	*	$ 94,125.00	$ 92,000.00
Coca-Cola	4/4/1997	2,000	$ 57.3750	114,750.00	&	116,500.00	134,000.00
Lucent Technologies	1/24/1997	8,000	$ 14.3125	114,500.00	$108,000.00	600,000.00	439,750.40
Minnesota Mining	7/11/1997	2,000	$103.5630	207,126.00	241,000.00	195,750.00	142,250.00
Microsoft	10/18/1996	8,000	$ 17.3906	139,124.80	347,000.00	934,000.00	554,750.40
PepsiCo	1/21/2000	3,000	$ 37.0000	111,000.00	148,687.50	%	%
Pfizer	9/15/2000	2,000	$ 35.6875	71,375.00	70,375.00	#	#
Total Fair Value					$915,062.50	$1,940,375.00	$1,362,750.80
Total Historical cost at 12/31/98 and 12/31/99				$ 661,375.80			
Total Historical cost at 12/31/00				643,125.80			

* Sold 2,000 shares at $37.1875 on 1/21/00 for a total of $74,375.
& Sold 2,000 shares at $61.0625 on 9/15/00 for a total of $122,125.
% Purchased 1/21/00, 3,000 shares @ $37 for a total of $111,000.
# Purchased 9/15/00, 2,000 shares @ 35.6875 for a total of $71,375.

(continued on next page)

EXHIBIT 1 (continued)

Page A-2a
Date Prepared 2/11/01
Prepared by *MEJ*
Reviewed by_____

Selden Systems
for the year ended 12/31/00
Schedule of Closing Market Prices for Marketable Securities Portfolio

Closing Stock Prices

Company	Symbol	12/31/1997	12/31/1998	12/31/1999	12/31/2000	2/23/2001
Caterpillar	CAT	$ 48.5000	$ 46.0000	$ 47.0625	$ 47.3125	$ 40.0900
Coca-Cola	KO	$ 66.6875	$ 67.0000	$ 58.2500	$ 60.9375	$ 52.0000
Lucent Technologies	LU	$ 19.9688	$ 54.9688	$ 75.0000	$ 13.5000	$ 12.4000
Minnesota Mining	MMM	$ 82.0625	$ 71.1250	$ 97.8750	$120.5000	$110.4000
Microsoft	MSFT	$ 32.3125	$ 69.3438	$116.7500	$ 43.3750	$ 56.7500
PepsiCo	PEP	$ 36.2500	$ 40.8750	$ 35.2500	$ 49.5625	$ 46.3800
Pfizer	PFE	$ 24.8542	$ 41.6667	$ 32.4375	$ 35.1875	$ 35.1875

EXHIBIT 2
Selected Financial Statement Information for Selden Systems from Selden's Audited 12/31/99 Financial Statements and Unaudited 12/31/00 Financial Statements

Balance Sheet (partial)

	as of December 31, 2000	1999
Investments (at fair value)	$ 915,062.50	$ 1,940,375.00
Accumulated other comprehensive income[a]	$ 212,110.63	$ 997,619.38

Income Statement (partial)

	for year ending 12/31/2000	12/31/1999
Realized loss from sale of investments	$ 4,125.00	$ 0
Net income	$2,500,000.00	$2,600,000.00

Statement of Cash Flows (partial)

	for year ending 12/31/2000	12/31/1999
Financing Activities		
Purchase of investments in marketable securities	$ (182,375.00)	$ 0
Sale of investments in marketable securities	$ 196,500.00	$ 0

[a] Accumulated other comprehensive income (AOCI) is presented in the balance sheet net of applicable income taxes using 22 percent capital gains rate. The only comprehensive income item included in AOCI is the holding gains and losses on available-for-sale investments in marketable securities.

"Yeah, Selden is lucky. If its year-end were later, it would be even worse," responded Marlys.

"What do you mean?" asked Greg.

"Well, on January 1, 2000, Lucent's stock price was $75. On December 31, 2000, the price was $13.50. Last Friday (February 23), it closed at $12.40," said Marlys. "Of course, the loss would have been partially offset by Microsoft, which seems to be recovering. Its stock is up 30 percent from around $43 to over $56 since the beginning of this year."

"Is some of this million-dollar decline in the portfolio caused by the sale of Caterpillar and Coca-Cola?" asked Greg.

"Um," said Marlys. "I don't think so. They essentially took the proceeds and reinvested the money from Coca-Cola into Pepsico and from Caterpillar into Pfizer. So the decline in value is market-related."

Greg returned to his work, but the size of the marketable securities adjustment continued to nag him. He visited a financial information web page and verified Marlys' statement about the Lucent and Microsoft stocks, logged onto LexisNexis™, read several articles, and made some notes as to ongoing problems at Lucent and Microsoft (Exhibits 3 and 4). The news wasn't encouraging: the price of the Lucent stock had declined in value by 82 percent in 2000 alone. Microsoft was hardly better with a 63 percent decline. He inserted the CD-ROM containing FASB pronouncements and reviewed SFAS No. 115 (FASB 1993). What he learned there increased his distress.

EXHIBIT 3
Greg's Research on Lucent

Background

Lucent Technologies was spun off from AT&T on September 30, 1996, creating the 35th largest U.S. Corporation with 125,000 employees and over $20 billion in revenues. Lucent had been making telephones for over 100 years and its stock seemed charmed during the first three years of its existence (Elstrom and Reinhardt 1999). Its growth was fueled and sometimes harmed by the acquisition of more than 30 companies by the end of 2000 (McKay 2001b). In 1998, its stock price nearly tripled while the S&P 500 index less than doubled (Lynn 2001).

The Bell Labs division was, perhaps, the crown jewel in the Lucent constellation. Serving as the research and development arm, Bell Labs over the years, been credited with inventions including transistors, lasers, and cell phones. Having the premier telecommunications think tank, Lucent should have dominated competitors. However, it often failed to move inventions out of the lab and into the hands of customers efficiently (McKay 2001c).

By early 1999, there were concerns that some of Lucent's major customers were reducing capital expenditures. In addition, the telecommunication industry was entering a period of dramatic change: wireless equipment proliferated and potentially faster, cheaper Internet communication developed. Consequently, many of Lucent's acquisitions were intended to position Lucent in high-speed optical networking and other leading-edge technology in competition with the likes of Cisco Systems and 3Com Corporation. Nevertheless, Lucent was a late entry into the market for optical gear and switches for Internet-based networks due to the misjudgment of customer demand for its existing equipment. In an effort to make up for less modern technology, Lucent began offering customers big discounts and low-cost financing for their purchases (Rosenbush 2000b).

2000

The general downturn in the technology sector in 2000 seemed to hit Lucent especially hard, prompting a series of profit warnings. Lucent's management was losing credibility with analysts because of its failure to meet even lowered sales and earnings targets (Rosenbush 2000a). On October 23, Chairman and CEO Richard McGinn was fired. His replacement, Henry Schacht, was Lucent's first CEO following the spin-off from AT&T (Rosenbush 2000b). According to Schacht, a single-minded pursuit of revenue growth with insufficient attention on value creation was the major cause of Lucent's problems (Waters 2000b). Three days after Schacht came on board, Lucent announced that 69,000 employees would not be getting a performance bonus. On November 21, 2000, Lucent disclosed a $125 million overstatement of sales for the previous quarter and its stock plunged 15 percent (Waters 2000a).

In December, Lucent announced more accounting irregularities: it had been recording equipment sales before the equipment was delivered to customers and shipping unordered equipment that was subsequently returned (Waters 2000b). The total reduction in revenue for the quarter ended in September turned out to be $679 million. The final shock came when, on December 21, Lucent announced that it expected a significant loss in its fiscal first quarter. The stock price hit a 3-1/2 year low (Lynn 2001).

2001

In January, Lucent told shareholders that its decision to lay off up to 16,000 employees was necessary for the company's future recovery (McKay 2001a). The company also pledged to cut annual operating costs by $2 billion. The market reacted favorably (McKay 2001b). The price of Lucent stock dropped again in early February over news of a fraud investigation (Ayers 2001; Romero 2001). On February 23, Lucent announced it had obtained a $6.5 billion financing package that would solve its immediate liquidity problems (Valdmanis 2001).

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Elstrom, P., and A. Reinhardt. 1999. Lucent's ascent. *BusinessWeek* 3615 (February 8): 111ff.

Lynn, K. 2001. Lucent shareholders see the upside to layoffs. *Record* (New Jersey) (January 25).

McKay, M. 2001a. Lucent Technologies to cut 16,000 workers, slash costs. *Record* (New Jersey) (January 25).

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(continued on next page)

EXHIBIT 3 (continued)

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Rosenbush, S. 2000a. How Lucent lost its luster. *BusinessWeek* 3693 (August 7): 34ff.

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Valdmanis, T. 2001. Lucent looks to get $6.5 credit line: Telecom supplier in late negotiations with a group of financiers. *USA Today* (February 23): 2B.

Waters, R. 2000a. Lucent hit by fears of accounts shortfall. *Financial Times* (London) (November 22): Front page of Companies & Markets.

———. 2000b. The big explosion of the revenue growth factor: Richard Waters on what went wrong at Lucent Technologies. *Financial Times* (London) (December 22): 26.

EXHIBIT 4
Greg's Research on Microsoft

Background

During the early 1990s, Microsoft became the giant of the computer software industry as its evolving Windows operating systems became the industry standard. In fact, its market presence was so dominating that in 1998 an anti-trust suit was filed by the Justice Department with 20 states joining. The suits related to the promotion of its popular browser, Internet Explorer. Since this browser was installed on all Windows computers, competitors argued that it created an unfair advantage for Microsoft. During the next several years, the cases were litigated actively. The ongoing suits introduced continuing uncertainty about the eventual outcomes and the effect they would have on Microsoft's future, but Microsoft's stock price continued to rise (Lohr 1998).

2000

By April 2000, Microsoft's shares were battered, not only as part of the overall bear market, but also due to uncertainties surrounding the anti-trust litigation. Shares fell to $89.0625 on April 7, down 25 percent from the December 27 high of $119.125. Some analysts believed that Microsoft was behind in Internet development (Fuerbringer 2000).

By April 13, 2000, based on lowered revenue estimates due to reduced purchases of software, shares were trading at $79.375. This represented an additional reduction of 7 percent from the December figure (Lohr 2000). In June, the Justice Department proposed the division of Microsoft into two parts—one for Windows, one for everything else (Gilpin 2000). Microsoft appealed. Prices of Microsoft stock slipped to $51.75 a share on October 19, even though Microsoft reported higher than expected earnings (Markoff 2001). In December 2000, with the appeal of the anti-trust suit still pending, Microsoft announced it would expand from the PC world and build an Internet operating system (Markoff 2000).

2001

As 2001 began, the anti-trust suit and related uncertainties continued, but the share price increased to $68.38 a share. In February 2001, Microsoft and the government agreed on rules for the appeal of the court's decision to split Microsoft in two parts (Brinkley 2001).

REFERENCES

Brinkley, J. 2001. U.S. and Microsoft agree on procedure for appeal. *New York Times* (February 2): C4.

Fuerbringer, J. 2000. Of two minds on Microsoft: Wall Street after the ruling; the bears are pulling ahead. *New York Times* (April 9): 3, p. 6.

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Markoff, J. 2000. Microsoft handily beats estimates, aided by Windows. *New York Times* (October 19): C4.

———. 2001. Technology & media: For Microsoft, a shift toward new vistas. *New York Times* (December 18): C25.

He telephoned the manager on the Selden job, Katherine Caldwell. She shared his concerns and said she'd set up a meeting with the senior manager and the partner.

"What I need you to do, Greg, is document your understanding of the situation and work up a preliminary position statement. Don't talk to the client personnel yet. We want to make sure that our ducks are all in a row before they get alarmed—you know how excitable their CFO is. We need to get moving on this since we're only two weeks away from our printing deadline."

Greg gathered the information he had located, and tried to outline the memo he needed to write. Different ideas about how the Lucent and Microsoft stocks should be valued and presented in the financial statements swirled in his head.

DISCUSSION

1. Reconstruct the journal entries that were recorded during the year related to Selden's investments in available-for-sale securities. Using T-accounts or appropriate schedules, verify that the results of your entries tie to the figures from Selden's financial statements (Exhibit 2). Include any adjusting entries made for year-end 2000.
2. What is the definition of comprehensive income? What is the purpose of the statement of comprehensive income?
3. Assuming that Lucent continues to be classified as available-for-sale and valued at its historical cost adjusted to market value, the holding loss will be reported on Selden's Statement of Comprehensive Income. Using the information provided in Exhibits 1 and 2, prepare a draft of Selden's comparative Statement of Comprehensive Income with columns for 2000 and 1999. Assume Selden follows Format B from SFAS No. 130 (FASB 1997) and includes the reclassification adjustment on the face of its Statement of Comprehensive Income. Selden has no foreign subsidiaries and no defined benefit pension plan. In other words, the unrealized gain or loss on available-for-sale securities is the only type of other comprehensive income on its books.
4. Lucent and Microsoft have, in the past, been included in Selden's portfolio of available-for-sale securities.
   a. What accounting alternatives are available now that the market values of these shares have declined significantly?
   b. Prepare Selden's Statement of Comprehensive Income based on your preferred alternative. What quantitative effect would your alternative have on the income statement and the balance sheet?
5. Selden's CFO has asked whether the Lucent and Microsoft shares should be transferred to the trading securities classification as of 12/31/00 since the company will probably sell them within the next 12 months. What would you advise?
6. As a member of Greg's firm, which of the alternatives would you recommend? Prepare a draft of Greg's memo to his supervisor with all appropriate references to the professional literature and any other necessary support.
7. Do some online investigation as to what has happened at Lucent Technologies and Microsoft since the audit report for Selden was issued on March 15, 2001. Would the decision you made earlier change with additional information available to you? Explain.

CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

This case provides a rich environment in which students can explore challenges related to applying Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Investments* (FASB 1993) and SFAS No. 130, *Reporting Comprehensive Income* (FASB 1997). Under SFAS No. 115, available-for-sale securities are adjusted to fair market value via an allowance account, with an adjustment to accumulated other comprehensive income (AOCI). The case requires students to calculate the allowance and provide a statement of comprehensive income.

The case setting is more complex than presented in intermediate accounting texts. The case also presents a potential solution from two perspectives—that of Selden's management and of the auditor. Through the alternatives explored, students will discover that management's accounting choices with respect to investments can potentially be used for earnings management, but that these same techniques would produce no change in comprehensive income.

The case's decision issues deal with the question of when a decline in the market value of an investment in equity securities becomes "other than temporary" and, if deemed so, the effect of such a decline on the financial statements, including the statement of comprehensive income. Placing the student in the positions of both management and auditor provides a discussion vehicle for a number of accounting and auditing issues. The instructor may explore the audit and financial markets implications of the accounting judgments developed in the case as well as the possibility that an appropriate judgment at one point in time may not be appropriate at a later date. Given the case facts, it is possible, perhaps even likely, that management and auditor will disagree on their preferred presentation. While client pressure to report as management wishes can be raised, this case does not cover the issue in depth.

The time frame of the case covers the year 2000 to March 2001. One of the discussion questions asks students to update the case by researching what has happened to Lucent and Microsoft from that time to the present. This possibility keeps the material current and allows for discussion of recent changes in the environment.

The case has been used several times for both undergraduate intermediate accounting and master's level courses at two universities with AACSB-accredited accounting programs. It is also appropriate for an auditing class. It involves about three to five hours of out-of-class preparation, which should include reviewing the relevant FASB pronouncements and performing Internet research on Lucent and Microsoft. It also adapts itself to building familiarity with the FASB's (2003) Financial Accounting Research System (FARS) used in the computerized certified public accounting (CPA) exam. Since there are some reasonably complex calculations and judgments to make, the case works well as a team project. Class time for discussion can range from one to three hours. The related Teaching Notes are organized around the seven discussion questions. Both qualitative and quantitative responses are provided.

Implementation Guidance

We recommend that students be asked to read the case and prepare answers to the first three questions prior to the first class period in which the case is discussed. All other assignments can be due in a later class. An alternative would be to work the solutions to Questions 1–3 in class together and have students complete the remaining questions for the next class period.

Question 1 is a straightforward problem on accounting for available-for-sale investments with built-in check figures. It will review and reinforce the basic accounting involved in the case. We suggest spending a few minutes reviewing the journal entries at the beginning of the class. The answer to Question 2 can be found with little effort if students have access to FARS. An in-depth discussion of the history and background of comprehensive income is probably most appropriate for courses in accounting theory, but the Teaching Notes include an outline of the development of the concept that can be used for an overview.

Preparation of a statement of comprehensive income (Question 3) will be the biggest challenge for students and will require the most class discussion. Preparing this statement in class gives students the opportunity to correct their work before attempting to prepare the statement of comprehensive income for the various alternatives considered in the later questions.

Either having students prepare Questions 1–3 ahead of class or working them in class has two advantages. In addition to reviewing the basic accounting procedures, students will understand the facts provided in the case. This preparation is particularly important if the case is used as written and students have not yet covered accounting for deferred taxes. Going over the solution to Question 3 gives instructors an opportunity to discuss comprehensive income more thoroughly since this may be the first time students have ever prepared a statement of comprehensive income. By addressing misconceptions and erroneous computations during class, the student submissions received later should be greatly improved.

We recommend including deferred taxes in the case even if students have not yet covered that topic and will be told to ignore taxes for purposes of exam questions. The tax computations are straightforward and add realism to the case. In addition, students will be better prepared for in-depth financial statement analysis, which will otherwise be confusing given the lack of expected correspondence between the allowance account and the related balance in accumulated other comprehensive income. However, if the instructor prefers to ignore deferred taxes, a simple change in Exhibit 2 is all that is needed.

Balance sheet as of December 31	**1999**	**2000**
Change AOCI as presented (after tax) from	$997,619.38	$212,110.63
To Accumulated Other Comprehensive Income	$1,278,999.20	$271,936.70

If an instructor prefers to concentrate on the research, business writing, and policy issues (Questions 4 through 7), the solutions to Question 1 and/or 3 could be distributed to the class prior to assigning the remaining questions. If this is done, students could be directed to omit preparation of the statement of comprehensive income and simply justify their preferred alternative in response to Question 4b.

Student Feedback and Learning

Several configurations of the case have been used over several years at two public institutions with AACSB-accredited accounting programs. A version of the case was used during two semesters of intermediate accounting taught by the same professor. A total of 68 students completed the case with most choosing to work in teams of two or three students. Informal student feedback indicated that students found the case timely and interesting. The average grade assigned to the projects was 84 percent the first semester and 76 percent the second semester. In both semesters, the grade achieved on the case was positively correlated with examination scores, explaining about 10 percent of the variation. This exam tested the chapters on investments and leases. It is the opinion of the instructor that students did much better on the investment questions (which included preparation of a statement of comprehensive income as an extra credit assignment worth up to 5 points) during these two semesters compared with semesters before and after. However, the difference for the overall exam scores (between semesters when the case was used and when it was not used) was not significant.

The same instructor used a variation of the case with graduate students and the case solutions were, not surprisingly, superior in quality to those prepared by the undergraduate students. Discussion was lively. The case was used as an opportunity to explore events study methodology by comparing dates of significant announcements of problems at Lucent with the stock price reactions.

TABLE 1
Results of Debriefing Questionnaire

	University 1	University 2	Weighted Average
Sample size	19	13	
1. I enjoyed the case.	2.61	2.08	2.39
2. The case required me to use critical-thinking skills.	1.8	1.54	1.69
3. The case included too much financial data.	3.67	3.31	3.52
4. The case questions were too difficult to answer.	3.62	3.23	3.46
5. The case increased my understanding of the statement of comprehensive income.	1.9	2.08	1.97
6. The case increased my understanding of the accounting for marketable securities.	1.85	1.38	1.66
7. The case increased my knowledge of the issues related to reporting for impairment of assets and marketable securities.	2.0	1.92	1.97
8. The case increased my appreciation of the judgments involved in preparing financial statements.	2.29	2.38	2.33
9. The case enhanced my ability to do accounting research.	1.95	1.8	1.89

Questions were anchored so that 1 = strongly agree and 5 = strongly disagree.

To provide more formal validation of the case's usefulness, two professors at AACSB-accredited accounting programs administered a debriefing questionnaire after using the current version of the case. The names of the universities, classes, and professors are available from the authors. At the first university, it was tested in a mixed graduate/undergraduate accounting class. At the second, it was tested in a graduate accounting class. After the case was used, each instructor administered the questionnaire presented in the Appendix. Using a five-point Likert-type scale anchored with 1 = strongly agree and 5 = strongly disagree, students indicated that they found the case interesting (2.39) and that it increased their knowledge of the statement of comprehensive income (1.97), accounting for marketable securities (1.66), and impairment of assets (1.97). Students agreed that the case required them to use critical thinking skills (1.69) and enhanced their ability to do accounting research (1.89). Complete statistics are included in Table 1 and the instrument itself is included in the Appendix.

APPENDIX
STUDENT QUESTIONNAIRE
LUCENT LOSES ITS LUSTER

Course: Today's Date:

Your Student Status:

Master's in Accounting Accounting undergraduate: ______

Other graduate student ______ Other undergraduate student: ______

For each of the following, place one "X" on each line. SA is strongly agree, A is agree, NAD is neither agree nor disagree, D is disagree, and SD is strongly disagree.

	SA	A	NAD	D	SD
1. I enjoyed the case.					
2. The case required me to use critical-thinking skills.					
3. The case included too much financial data.					
4. The case questions were too difficult to answer.					
5. The case increased my understanding of the statement of comprehensive income.					
6. The case increased my understanding of the accounting for marketable securities.					
7. The case increased my knowledge of the issues related to reporting for impairment of assets and marketable securities.					
8. The case increased my appreciation of the judgments involved in preparing financial statements.					
9. The case enhanced my ability to do accounting research.					

I estimate that I spent ____________ hours and/or ________ minutes preparing this case.

Additional Comments:

TEACHING NOTES

Teaching Notes are available through the American Accounting Association's new electronic publications system at http://aaahq.org/ic/browse.htm. Full members can use their personalized usernames and passwords for entry into the system where the Teaching Notes can be reviewed and printed.

If you are a full member of AAA and have any trouble accessing this material please contact the AAA headquarters office at office@aaahq.org or (941) 921-7747.

REFERENCES

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