The case of Human Resources Plus: reporting and analyzing restructuring charges

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ABSTRACT

Regulatory bodies including the SEC have questioned the increasing tendency of companies to report restructuring charges. Since these charges are intended to reflect significant changes in a firm’s operations and strategy, their effects on earnings may be substantial. Using guidance from the recently implemented Financial Accounting Standards Board’s Accounting Standards Codification, this case requires students to determine the appropriate financial reporting for restructuring charges and then utilize fundamental analysis to estimate the effects of this reporting on the intrinsic value of the firm. Since this case requires students to develop, synthesize and apply critical thinking skills that relate to both the accounting and finance disciplines, it is designed to be used in undergraduate or graduate intermediate accounting, financial statement analysis, or accounting theory classes.

Keywords: FASB Codification, fundamental analysis, intrinsic value, restructuring charges, residual income model
CASE MOTIVATION AND OVERVIEW

Restructuring Charges

To facilitate analysis, income statements prescribed by U.S. Generally Accepted Accounting Standards (GAAP) generally separate income into recurring and non-recurring components and companies are valued according to the changes in and the sustainability of earnings, with greater weight given to income that is expected to persist in the future. Prior studies document that when valuing companies, analysts assign greater (lower) weights to the permanent (transitory) components of earnings (Bradshaw and Sloan 2002). One of these non-recurring components that has been the subject of attention of the Securities and Exchange Commission (SEC) is special items, with the most common type being restructuring charges. Using a sample of firms from the Compustat files, Fairfield et al. (2009) document the percentage of firms reporting income decreasing special items steadily increased during the 1984 to 2003 period from 12% to over 45%.

Restructuring charges are reported as a component of income from continuing operations and are generally associated with significant retrenchment strategies which decrease income, such as employee severance packages, asset write-offs, contract (operating) lease buy-outs, etc. Enacted in 2003, SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities (FASB 2003) and now referenced under the Financial Accounting Standards Board’s (FASB) Accounting Standards Codification Topic 420, Exit or Disposal Activities provides guidance on the reporting and disclosure of these charges. In general, companies are required to estimate and report (expense) all prospective restructuring costs along with a corresponding liability in the year of implementation. Actual costs are then written off against the liability in the year the related costs are realized. Since costs are aggregated and reported in the year of implementation, restructuring charges are typically significant in that initial year. For example, IBM recently reported a $1 billion dollar restructuring charge (2nd quarter, 2013), which reduced quarterly earnings per share to $2.91, down 13% from the prior year. The charge involves a targeted reduction in the company’s workforce: (https://www-03.ibm.com/press/us/en/pressrelease/41463.wss).

In light of the intended nonrecurring nature of restructuring costs, their value relevance relative to more permanent recurring expenses should be less. Extant research provides evidence these charges have become a significant earnings management tool, as managers move prior and/or future period recurring operating expenses into the current restructuring commitment period and report them as transitory, thereby increasing future and/or past earnings. In a recent comprehensive study, Cain et al. (2012) use a methodology that separates special items into low and high quality and document that one-third of special items are actually recurring and low-quality special items which subsequently predict restatements. The separate reporting of transitory items is currently under consideration by the joint FASB/IFRS financial statement project group. Currently, U.S. GAAP requires special items to be reported as a component of income from continuing operations, while IFRS does not require separate reporting on the income statement of unusual or infrequent (special) items from operating expenses.

For many students, there may be an assumption that bottom-line net income unequivocally depicts the financial performance of the firm, when in fact net income may be better perceived as a construct whose magnitude is derived largely from accrual estimates made by managers across a wide spectrum of operating activities. While these estimates are intended to foster a more credible and timely earnings measure, their inherent uncertainty (along with the
discretion accorded managers who may have incentives to distort these estimates) can have an adverse effect on earnings quality. In light of their increasing use, the consideration of restructuring charges from both a financial reporting and valuation perspective is an important topic for accounting and finance students to understand and be able to research.

The Financial Accounting Standards Board Accounting Standards Codification

Beginning in 1973, The FASB began promulgating GAAP that became the basis of financial reporting for nongovernmental entities. As these standards and the ability to efficiently access them became more and more complex, FASB embarked on an important four year project to reduce these complexities which culminated in the issuance of FASB Statement No. 168, The Financial Accounting Standards Board Accounting Standards Codification and the Hierarch of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (FASB 2009). As per FASB Statement No. 168 the newly composed FASB Accounting Standards Codification (ASC) became authoritative and replaced the existing hierarchy of statements based reporting format for reporting periods ending after September 15, 2009. In general, the ASC begins with nine general areas, which lead to topics and subtopics followed by sections that lead to numbered paragraphs that provide detailed guidance. This case is unique and adds to the existing body of Codification-related case studies (Alford, DiMattia, Hill and Stevens 2011; Gujarathi 2012; Savage, Cerf, and Barra 2013; McNellis, Premuroso, and Houmes 2015) in that it includes the requirements to critically evaluate how to appropriately report restructurings as well as evaluate how these charges impact the value of the firm.

THE CASE

Case Facts

The following case requires scrutiny from both an accounting and financial statement analysis perspective. Using information from the FASB as provided in the ASC and the supporting literature, students are required to determine the appropriate accounting for costs associated with a service firm’s restructuring initiative. Then, using alternative scenarios pertaining to the appropriateness of these charges, students are required to analyze their valuation impact.

Human Resources Plus (HRP) is a publicly-held employee leasing firm that services small to mid-size companies. Beginning in 1977, as a temporary clerical staffing agency HRP eventually expanded its operations to provide temporary staffing for accounting, finance, law, and marketing functions as well as technology support and consulting, for government and corporate firms. In conjunction with HRP’s expansion, revenues grew at an average annual rate of 18% during the 1977 to 2006 period. In years 1985 and 1999 the company declared 2 for 1 stock splits and by 2006 its end of calendar year market value had grown to reach $62,000,000. In the wake of the 2008 financial crisis, however, the preceding years of stable economic growth were followed by a significant decrease in demand for employees with the unemployment rate reaching a 2009 intrayear high of 10%. Further in the years just prior to this crisis, HRP had begun to experience a general increase in competition as evidenced by decreasing margins and an erosion in its market share. As a consequence of these events and based on a 2008 analysis of its operations, HRP management announces that “to better align its resources with the changing
employee leasing market conditions, HRP expects to cease operations in the northeast and close its sole office there.” In the following year (2009) they further announce that this closure will occur on or around July 1, in 2010. HRP’s fiscal year ends on December 31. As a result of the office closure, HRP states it will terminate 200 employees on or around March 1, 2010 and provide a one-time severance payout of $15,000 per employee. The severance payments will occur within two weeks after the termination date. To provide as much flexibility as possible to their current employees, there is no requirement that the affected employees remain with HRP until the termination date. In other words, employees will receive their severance payments whether or not they remain as an employee of HRP during the December to March period. The company leases the land and building on which the northeast headquarters office is located. The term of the lease is 10 years and as of the fiscal year ending 2010 there are 7 years remaining. Annual lease payments are $100,000, payable each year on January 1. The lease contract includes a termination provision that stipulates in the event of early termination, the lessee shall pay the lessor an amount equal to an additional two years of rent over and above any amount owed for the current year. HRP has 5,000,000 shares of common stock outstanding. The company has no dilutive securities outstanding and 2009 residual earnings per share before restructuring charges are $1.00. The book value per share is $4.00. HRP does not pay dividends.

Case Requirements

Accounting

1. What are the qualitative issues relevant to how HRP’s purported restructuring charges should be reported?
2. Based on the information provided in this case and using the information provided in the FASB Accounting Standards Codification (ASC) including SFAS 146, please provide the appropriate summary journal entries and footnote disclosure and rationales for their use in the appropriate years along with their reporting on the relevant income statement and balance sheet accounts affected. In your explanation please include numbered references from the ASC that identify the relevant general topics, subtopics, sections and paragraphs.
3. Using your detailed information from requirements 1 and 2 compose a brief summary memo that provides succinct recommendations and rationales for these entries.

Valuation Analysis

1. Using the residual income model, assuming a cost of capital (discount rate) of 10%, and assuming residual earnings remain constant, what is your end of year 2009 estimate of the value of the company under each of the following valuation scenarios? For each of these scenarios (a-c) please provide a written explanation of the difference in value.
   (a) The 2009 restructuring charge is treated as a one-time (non-recurring) expense;
   (b) The restructuring charge is ignored;
   (c) Twenty percent of the employee severance packages would have occurred without the restructuring initiative and are in fact recurring operating expenses.
2. What effect will the restructuring costs have on HRP’s current and quick ratios? What effect will it have on return on assets (ROA)?
TEACHING NOTES

Learning Objectives and Implementation Guidance

The case consists of two primary components: an accounting component that requires students to access analyze and apply guidance from the recently developed ASC to report a restructuring and a financial statement analysis component that requires students to analyze and estimate how that restructuring affects the value of the firm. As stated in the Statement of Financial Accounting Concepts No. 8, “financial accounting is not designed to measure directly the value of the firm but the information it provides may be helpful to those who wish to estimate its value” (FASB 2010). It further states that financial reports are a primary source of financial information and financial accounting should provide information that is decision useful to users of these statements. Since this case includes topics typically considered in upper division and graduate level accounting and finance courses, this case synthesizes and links important concepts from both disciplines. Its use may, therefore, be appropriate for auditing, and intermediate level financial reporting accounting classes as well as corporate finance and financial statement analysis courses.

Learning Outcomes

In light of the increased reporting of restructuring charges and the importance of the recent reorganization of accounting standards into a more coherent and easily accessible online format, the utilization and application of the ASC as required in this case is especially relevant for future accounting and finance practitioners. Hence, an important learning outcome of this project is an acquired ability to research, navigate, and apply accounting standards as contained in the ASC. Further, while the pedagogical focus of upper division accounting and finance classes is typically quantitative, developing and improving communication skills is an important and essential competency for both disciplines. Indeed, a substantial portion of the CPA exam includes simulations intended to evaluate candidates’ accounting knowledge in juxtaposition with the ability to effectively communicate that knowledge. The AICPA states that written responses are scored “holistically” and based on organization, development and expression (http://www.aicpa.org/BecomeACPA/CPAEExam/ForCandidates/HowToPrepare/Pages/WrittenCommunication.aspx). An additional important requirement of this case is that students provide coherent written analyses and related rationales for their choices pertaining to the appropriate accounting for and valuation of restructuring charges. Finally, students are required to analyze the value relevance of restructuring charges under various reporting scenarios. In particular, this case helps students to:

1. gain important substantive accounting insights into the ASC and its rationales for appropriate financial reporting;
2. enhance financial statement analysis capabilities by analyzing restructuring charges across differing value relevant scenarios;
3. develop critical thinking skills by organizing analyses of findings to provide coherent rationale for case requirements;
4. enhance and develop important communication skills as they relate to accounting and financial statement analysis;
5. synthesize accounting and finance related valuation analysis topics and concepts that are traditionally taught separately in accounting and finance courses.

Suggested general guidelines for evaluating students’ responses include:

(1) the accuracy of mathematical calculations,
(2) the appropriateness of selected journal entries and corresponding footnote disclosures,
(3) the overall organizational and structural quality of the students’ submissions including acceptable grammar, spelling and sentence structure,
(4) the efficacy of the student’s logical development and coherent presentation of factors affecting
   (a): the choice of accounting (e.g., the appropriateness of the research and citations from the ACS used to support students’ accounting for restructuring) and
   (b): the estimation of intrinsic value (the differing value relevant effects of reported restructurings).

Implementation Guidance

To enhance students’ ability to navigate through the components of the ASC students are provided an in class introduction of the case and its requirements along with an in class instructional tutorial of the ASC including its framework, content, and online availability followed by a discussion of the potential effects of reporting restructurings charges on earnings quality. To access the ASC students are provided a password to access the FASB website: https://asc.fasb.org/. The instructor may want to supplement these remarks with current real life examples of companies reporting restructuring charges including a brief informal discussion of the value relevant ramifications of their use. Prior to its submission, open class discussions should be considered so that students may engage both the instructor and fellow students regarding their thoughts and questions about the case. While the time period accorded to students for the project’s completion will be affected by the instructor’s choice of the case components and requirements, we recommend that students generally complete the project within a three week period.

Although this case is intended to integrate separately taught accounting and finance concepts, this case is flexible in that each (or both) component(s) of the case may be used singularly (or corporately) in upper division accounting or finance classes. Further the case may be administered in two separate stages: a financial reporting stage followed by a valuation analysis stage. Additionally, students may be required to complete the project on their own or in assigned groups according to the particular requirements and learning objectives of the course. In light of its inherent flexibility instructors should use their own discretion in grading the case.

Evidence of Efficacy

This case was tested in an upper division financial statement analysis class. This class may be used by students to count for either upper division accounting or finance credit hours. A set of five subject-oriented questions were administered to each student in the class before the case study was distributed; the same five questions were answered again by students after performing their respective case study. The pre and post question results for each case study were compared to assess the pre and post case difference in students’ knowledge. Results of these tests in Table 1 (Appendix A) show that the mean post-case exam scores are 70 and the
mean pre-case scores are 15. Hence results show a statistically significant improvement (p = <.001) in the post-case student performance results.

In addition to the above documented test question results, students also completed a five-question survey that included qualitative evaluations of the case (Table II Appendix A). These questions are provided in Appendix B. Results show that while students generally found the case to be challenging they also deemed the case to be relevant and useful in gaining a greater understanding of the ASC as it relates to the reporting for restructuring charges.

The survey also included an open ended question at the end of the survey asking the student to provide the instructor with any other written comments or suggestions that they might have with regards to their experience working with each case study. A representative summary of the types of comments received from students are included in Table III (Appendix A).

### Suggested Answers to Case Requirements

**Accounting**

**Requirement 1. What are the qualitative issues relevant to how HRP’s purported restructuring charges should be reported?**

In addition to students’ explanation of and recommendation for HRP’s accounting as provided in detail below under requirement 2, qualitative accounting issues for students’ to consider include that HRP’s costs are properly classified, valued, and reported in the correct accounting period. Since the realization of HRP’s purported restructuring costs occur in future periods, qualitative issues regarding their timing and value as prescribed by the FASB are primary considerations. For example, what potential event(s) are necessary in order for HRP to report restructuring charges and at what present value should the future cash flows related to these charges be reported at. Also students should further consider where and how these costs should be reported; in particular the correct financial statement presentation classifications and corresponding footnote disclosures.

**Requirement 2. Based on the information provided in this case and using the information provided in the ASC including SFAS 146, please provide the appropriate summary journal entries and footnote disclosure and rationales for their use in the appropriate years along with their reporting on the relevant income statement and balance sheet accounts affected.**

Guidance for recognizing restructuring expenses is included under Topic 420, Exit and Disposal Activities. A restructuring charge is defined by FASB ASC 420-10-20 as a “program that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity, or the manner in which the business is conducted”. Further, FASB Concept Statement No. 6 (CON 6) defines a liability as “a probable future sacrifice of economic benefits arising from present obligations …to transfer assets or services to other entities in the future as a result of past transactions or events. ASC 420-10-25-3 states that the future operating losses expected to be incurred in connection with an exit or disposal activity be recognized in the period(s) in which they are incurred.” Consequently, restructuring liabilities (expenses) may be reported ex ante their corresponding cash outflows. The Codification further states, however, that “because future operating losses are the summation of individual items of revenue and expense that result from changes in assets and liabilities, those expected losses, in and of themselves, do not meet the definition of a liability”. Hence HRP’s 2008 good faith analysis and intent to restructure is not in and of itself be a sufficient condition for recognition. In
this regard, ASC 420-10-25-2 further clarifies that a present obligation (liability) exists when a “transaction or event occurs that leaves little or no discretion to avoid the future transfer or use of assets to settle the liability.”

As a result of the office closure, in 2009 HRP states that it will terminate 200 employees in 2010 and provide a one-time severance payout of $15,000 per employee. There is no requirement that the affected employees remain with HRP until the termination date. In order for an arrangement for one-time employee termination benefits to exist, FASB ASC-paragraph 420-10-25-4 requires that:
Management, having authority to approve the action, must commit to a plan of action that:

a. Identifies the number of employees to be terminated, their job classifications or functions and their expected completion date;
b. Establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated and

c. Actions required to complete the plan make it unlikely that significant changes will be made or the plan will be withdrawn.

In addition, FASB ASC paragraph 420-10-25-8 states that “if employees are not required to render service until they are terminated in order to receive the termination benefits, a liability for the termination benefits shall be recognized at the communication date”. (The communication date is the date the termination plan that meets all the criteria of ASC 420-10-25-4 and is communicated to employees). Hence in accordance with ASC 420-10-25-8, a liability would be recognized at the March 2009 communication date and in accordance with ASC 420-10-30-5 be measured at its fair value (the present value of the future cash payments). Since the severance payments occur within ninety days, their fair market value is materially equal to the actual payments ($15,000 x 200 = $3,000,000) and need not be discounted.

Regarding the lease obligation, the Case goes on to explicitly state, that HRP will vacate their offices on or around July 1, 2010. Although the actual notification to cancel will presumably not occur until 2010, HRP’s stated intent to vacate their offices in conjunction with the employee terminations would as per the ASC 420-10-25-2 criteria, seem to meet the necessary condition of a “probable future sacrifice of economic benefits (Concept Statement 9).”

Regarding the lease cost, as per FASB ASC paragraph 420-10-25-11, a liability equal to the cost to terminate the lease contract shall be recorded in accordance with the contract terms. Hence, an additional expense and liability equal to the early lease termination cost $200,000 ($100,000 x 2) would be recorded in 2009. Therefore, the suggested journal entries to record the accrued restructuring charges and related cash payments are:

The journal entry for the end of fiscal year 2009:

Debit Restructuring Expense                                           $3,200,000
Credit Accrued Employee Severance Packages             $3,000,000
Credit Cancellation of Operating Lease               $  200,000

The journal entry for the end of fiscal year 2010:

Debit Accrued Employee Severance Packages        $3,000,000
Debit Cancellation of Operating Lease          $   200,000
Credit Cash Incurred for Restructuring            $3,200,000
Regarding the note disclosure, FASB ASC paragraph 420-10-50-S50 specifies that, “for each major type of cost associated with the activity (for example, one time termination benefits, contract termination costs, and other associated costs), both of the following shall be disclosed:
1. The total amount expected to be incurred in connection with the activity, the amount incurred in the period, and the cumulative amount incurred to date and
2. A reconciliation of the beginning and ending liability balances showing separately the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustments to the liability with an explanation of the reason(s) why. It further states that, “the line item(s) in the income statement or the statement of activities in which the above costs are aggregated should be included.”

Hence the suggested footnote disclosure:
Restructuring Costs: Due to increasing competition, HRP has continued to lose market share in its northeast region. Based on a recent 2008 analysis of its operations, HRP management has announced it will cease operations in the northeast and close its sole office there in 2010. Costs associated with this closure consist of a $200,000 early termination fee associated with the cancellation of the company’s lease on its northeast building headquarters and charges from employee severance packages of $3,000,000.

Summary of Restructuring Costs and Liability:

<table>
<thead>
<tr>
<th>End of Year 2009</th>
<th>End of Year 2010</th>
<th>End of Year 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring</td>
<td>Cash Payments</td>
<td>Liability</td>
</tr>
<tr>
<td>Liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Severance Charges</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Early Termination of Long-Term Lease</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

These total charges are reported on the income statement under Special Items: Restructuring Charges and under the current liabilities section of the balance sheet as Accrued Charges Related to Restructuring.

Requirement 3. Using your detailed information from requirements 1 and 2 compose a brief summary memo that provides succinct recommendations and rationales for these entries. The memo should provide a brief summary of the student’s recommended reporting along with their justifications as per the ASC.

Valuation Analysis

Requirement 1. Using the residual income model and assuming a cost of capital (discount rate) of 10% and residual earnings remain constant, what is your end of year 2009 estimate of the value of the company under each of the following valuation methods:
(a) The 2009 restructuring charge is treated as a one time (non-recurring) expense;
(b) The restructuring charge is ignored;
(c) Twenty percent of the employee severance packages would have occurred without the restructuring initiative and are in fact recurring operating expenses.
The residual income model estimates firm value by adding the present value of a company’s forecasted residual earnings, (i.e., earnings that exceed the company’s cost of capital) to the current year’s book value. That is:

\[ V_0 = BV_0 + \sum_{t+n}^{\infty} \frac{RI_{t+n}}{(1+r)^{t+n}} \]

Where \( V_0 \) equals the end of year 2009 estimated intrinsic value of the firm.
RI_{t+n} equals the residual income for each year over years t + n.
BV_0 equals the beginning of year 2009 book value per share and
(1+r)^{t+n} equals the discount rate r applied over years t + n.

(a) The effect of transitory or one-time earnings changes is merely equal to the value of the change. Hence, HRP’s estimated price per share equals the present value of its residual earnings per share of $1.00 (an annuity in perpetuity) divided by 10% (the firm’s cost of capital) less the one-time restructuring charge per share of $.64. That is:

Restructuring charge per share = $3,200,000 / 5,000,000 shares = $.64 per share. EPS = $1.00 / .1 = $10, $10 - .64 = $9.36 + the beginning of 2009 book value per share of $4.00 = $13.36

(b) If the restructuring charge is ignored and residual earnings per share are estimated to be $1.00 then: price per share: EPS = $1.00 / .1 = $10.00 + the beginning of 2009 book value per share of $4.00 = $14.00

(c) Finally if 20% of the reported restructuring charges were in fact normally recurring operating expenses and should have been reported as such then the recurring employee severance = $3,000,000 x .2 = $600,000; $600,000 / 5,000,000 shares = $.12 per share. Remaining one-time restructuring charge = $3,200,000 - (.2 x $3,000,000) = $2,600,000 / 5,000,000 shares = $.52 per share. Hence, $1.00 - $.12 = $.88; $.88 / .1 = $8.80 per share - $.52 one time remaining restructuring charges = $8.28 per share + the beginning of 2009 book value per share of $4.00 = $12.28.

Please provide a written explanation for the differences in value.

As stated previously, an important goal for analysts is to separate earnings that are expected to persist (recurring earnings) from earnings that are transitory (nonrecurring earnings) with greater valuation weight assigned to recurring earnings. Hence an important consideration when evaluating restructuring charges is their permanency.

Under valuation scenario (a) since the charges are not expected to reoccur, their valuation effect is confined to a one-time only reduction in the share price. Hence, the per share amount of the one-time restructuring charge ($3,200,000 / 5,000,000 shares = $.64) is subtracted from the present value of the recurring earnings per share of $1 discounted at 10%, i.e., $1 / .1 = $10 - $.64 = $9.36 per share. Since the residual income model anchors on the firm’s book value HRP’s estimated intrinsic value is equal to the present value of its forecasted residual earnings plus the beginning of 2009 book value per share of $4.00 or $13.36 per share.

If the restructuring charge is ignored (valuation scenario b) the estimated value of the company is merely the recurring residual earnings per share of $1 divided by 10% = $10 plus the beginning of 2009 book value per share of $4.00 = $14.00. Under this valuation approach since the charges are ignored, their transitory occurrence does not affect the value of the company.

Under valuation scenario (c), since 20% of the per share employee severance restructuring charges ($.12) were inappropriately classified as non-recurring and are in fact permanent, their inclusion should reduce HRP’s permanent earnings per share to $.88 ($1.00 - $.12). Assuming that the balance of the per share charges are treated as one-time charges
($2,600,000 / 5,000,000 shares = $.52) and the cost of capital is 10%, HRP’s estimated price per share is $8.80 / .10 = $8.28 + $.52 = $12.28.

Requirement 2. What effect will the restructuring costs have on HRP’s 2009 current and quick ratios? What effect will it have on ROA?

The current ratio equals current assets / current liabilities would decrease since the current portion of the restructuring liability would increase. The quick ratio (cash, marketable securities, accounts receivables / current liabilities) would be similarly decreased. ROA (net income / total assets) would decrease as all income decreasing costs associated with restructuring are reported (expensed) in the year 2009.

REFERENCES


Appendix A

Table I
Results of Difference in Means for Pre and Post Case Study Restructuring Charge Questions

<table>
<thead>
<tr>
<th>Class Where Administered</th>
<th>Post - Case Mean Question Results (n = 21)</th>
<th>Pre - Case Mean Question Results (n=24)</th>
<th>Difference in Means (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCT / FIN 305</td>
<td>70</td>
<td>14</td>
<td>56 (&lt;.001)</td>
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</table>

Table II
Results of Students’ Post-Case Qualitative Evaluative Survey of Case

<table>
<thead>
<tr>
<th>Class</th>
<th>Case was Interesting and Relevant (Q1)</th>
<th>Helped Increase Knowledge of ASC (Q2)</th>
<th>Found Case Challenging (Q3)</th>
<th>Made Contribution to Learning Experience (Q4)</th>
<th>Overall Satisfaction with Case (Q5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCT / FIN 305</td>
<td>4.21</td>
<td>4.12</td>
<td>4.54</td>
<td>4.29</td>
<td>4.25</td>
</tr>
</tbody>
</table>

Table III
Representative Sample of Student Remarks

Great project. Helped in gaining understanding of researching accounting.
Though the project was too challenging at first until in class professor instruction which clarified things a lot.
It was slightly challenging as a finance major, but the valuation part did illustrate an interesting concept regarding earnings quality.
Case study was helpful in understanding rules for restructuring charges and the corresponding journal entries.
Kind of confused about what exactly to do. The part with using the new system to look up rules was straightforward and informative though and as I started exploring website things became much clearer. A nice introduction into real world accounting research.
Although it took me a while, I did gain a greater understanding of how to use the Codification website.
The case provided me with an opportunity to gain insight on how to do accounting research. This should be of great benefit to me in the future. Maybe separate case into 2 cases...an accounting part and finance part?

Appendix B
Student Survey
Name of Case Study _____________________ Name of Class: ___________________
Class Administered in: _______________ Date Survey Administered: _____________
Please answer the following 5 short and 1 open-ended question, based upon your experience with the case study this semester. Your answers are important to me, as I continuously strive to improve student experience with cases like this one. Thank you!
1=disagree  2=disagree somewhat  3=no opinion  4=agree somewhat  5=totally agree
Check one box only for each question below.

1. The case study was an interesting and relevant part of the course.
   ___  totally agree
   ___  agree somewhat
   ___  no opinion
   ___  disagree somewhat
   ___  disagree

2. The case study helped to familiarize or advance my ability to use the Codification to
   research complex accounting issues.
   ___  totally agree
   ___  agree somewhat
   ___  no opinion
   ___  disagree somewhat
   ___  disagree

3. I found the case study challenging.
   ___  totally agree
   ___  agree somewhat
   ___  no opinion
   ___  disagree somewhat
   ___  disagree

4. The case study made an important contribution to my learning experience in class.
   ___  totally agree
   ___  agree somewhat
   ___  no opinion
   ___  disagree somewhat
   ___  disagree

5. Overall, I was satisfied with the contents and results of the case study.
   ___  totally agree
   ___  agree somewhat
   ___  no opinion
   ___  disagree somewhat
   ___  disagree

Please provide me with any other comments or suggestions you have with regards to the
case study below-thank you for your comments.