

Department of Economics, University of California San Diego



Economics 4:- Financial Accounting

Spring 2009

5:00-7:40 pm Monday - Center 101

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**Required Materials:**

1. **Financial Accounting for Economists: A READER** ("Reader"). Willoughby (2008).
2. **The Secret Language of Financial Reports** ("Secrets"). Mark Haskins (2008).
3. **Liar's Poker**. Michael Lewis

**Course Objective:**

An introduction to financial accounting (assumes no prior knowledge of accounting). We will focus on accrual concepts with strong emphasis on the distinction between profits and cash flow.

**Guidance**

There is a course webpage, which can be found from my Homepage or from the Department webpage.

The course webpage is an ongoing guide to the course. Amongst other things, it contains links to a Calendar, Lecture Notes, *Your Scores*, Readings, and Documents to *print & bring-to-class*.

One Graduate Fellow and four undergraduate Tutors are assigned to this course. Each of the undergraduate tutors has taken Econ and received an "A". They will be responsible for most of the administration of the course. Email addresses and office hours for each are published on the course webpage.

My office hours will vary weekly in order to accommodate students' schedules. I publish the *Calendar* linked from the course webpage.

**Instructional Frame:**

We meet once each week for 2 hours and 40 minutes. This period will be divided into three 50 minute sessions. Starting week #3, the initial 50 minutes will be devoted to a brief review of prior lectures and the introduction to that week's topic; the second 50 minutes will consist of

an activity of some sort, and; during the third 50 minutes will close/confirm/review the activity & topic which will be followed by a quiz will follow on weeks #3 through 8.

Quizzes are team-events – in teams of two. Students must be present for the quiz to receive a recorded score. You may chose a partner or I can assign one. If your partner drops or does not attend the quiz, then we will match singles with singles. If we have an odd person, then the TA's or I will add that person to a team.

There will be no midterm exam. However, there will be a graded pre-final exam. The final exam will cover all aspects of the course and it will be somewhat challenging. However, you will be allowed a "kit" during the final exam, as well as during most quizzes.

You build your own "Kit" consisting of a 1 inch 3-ring binder including whatever you choose to help yourself with graded assignments. All materials must be "punched & secured" into the binder. No old Econ 4 exams will be allowed in the Kits.

### **Grading:**

Letter grades will be assigned at the end of the course based on weighted total scores on a 100 point scale. Grades will be curved at the following reference points:

- The class average approximately establishes the lowest B-. In the Winter quarter, the class average was 63.5 points. The lowest "A" was awarded at a score of 76.1 points. The lowest "passing" score was 52.1 points.
- At least 50 percent of all possible points will be needed to *Pass* the course, i.e. for the lowest C-.
- Less than 50 percent of the average of the "top-three scores" will be the threshold for an F.
- The top 20% (approximately), of the scores will receive at least an A-.
- Letter grade separations will be determined to minimize letter grade intervals while maximizing the delta between the highest score for the lower grade and lowest score for the higher grade.

### **Course Requirements:**

The course is divided into four parts:

- (1) Capital markets, lending & investing, and financial reporting.
- (2) The basics of financial accounting. Booking transactions for accrual reporting.
- (3) Accounting choices & financial reporting.
- (4) Financial statement analysis.

There will be:

- **Six quizzes** (pairs) – see the Table below. There will be no make-ups for a missed quiz. If you experience a conflicting event, particularly one that is outside of your control such as varsity athletic or ACS/SOLO activities, let me know and I will a scoring accommodation. Fatigue-related illness does not qualify for accommodation, but disease does.

Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
		Quiz 1	Quiz 2	Quiz 3	Quiz 4	Quiz 5	Quiz 6	Holiday	Pre-final

- **An Abstract** (individual) of one chapter of Liar's Poker. I will assign "your" Chapter.
- **A PowerPoint presentation w/ related Excel spreadsheet** (groups of three). This will consist of 8 PPT slides plus an Excel workbook with company financials. I will assign "your" company, but I am open to suggestions. Guidelines published on the course webpage.
- **A pre-final examination** (individual) 10<sup>th</sup> week.
- **A Final exam.** Per the University schedule, no exceptions.

#### **Guidelines:**

- **Time limits** for the exams and quizzes based on *class* start time.
- In-process scores will be published frequently. It is your responsibility to insure that your scores are accurate. No changes will be made to scores after mid-day, Friday, of 10<sup>th</sup> week. Final scores will be weighted across all assignments according to the Table below.<sup>1</sup>

Item	How	When	%	Description
<b>Six Quizzes</b>	Pairs	Weeks 3-8.	<b>36.0</b>	15-20 minutes at end of Lecture.
<b>A Written Abstract</b>	Solo	April 20 <sup>th</sup> 5pm hard copy	<b>10.0</b>	One-page Abstract on selected chapter from Liar's Poker.
<b>Project</b>	Groups of 3	May 20 <sup>th</sup> email 12 noon.	<b>10.0</b>	A PowerPoint® & Excel® workbook on selected company.
<b>Final exam</b>	Solo	Scheduled	<b>44.0</b>	Same as Practice exam.

<sup>1</sup> Note that when calculating your scores (or replicating my calculation) , the weight of the sum of points is not the same as the sum of the weighted points.

## Topic Outline

<i>Date</i>	<i>Topics and Assignments</i>	<i>References</i>
<i>Reading precedes the Lecture</i>		
<b>Week 1 –</b> <b>Mon. 3/30</b>	<b>BACKGROUND</b> Course Plan & Guidelines	<u>Reader</u> Intro & <u>Secrets</u> Preface
<b>Week 2–</b> <b>Mon. 4/06</b>	<b>INTRODUCING ACCOUNTING</b> Financial Accounting & Reporting	<u>Reader</u> 1, 2 & 3; <u>Secrets</u> #1-4
<b>Week 3–</b> <b>Mon 4/13</b>	<b>BOOKEEPING</b> Recording transactions	<u>Reader</u> 5.1 – 5.3; <u>Secrets</u> #5-6
<b>Week 4 –</b> <b>Mon. 4/20</b>	<b>ACCRUAL ACCOUNTING</b> Profits vs. Cash Flow	<u>Reader</u> 4
<b>Week 5 –</b> <b>Mon. 4/27</b>	<b>USING &amp; ABUSING IT</b> The Ugly Puppy 1 <sup>st</sup> and 2 <sup>nd</sup>	<u>Reader</u> 6; <u>Secrets</u> #7
<b>Week 6 –</b> <b>Mon. 5/4</b>	<b>MAKING CHOICES WITH IT</b> The Ugly Puppy 3 <sup>rd</sup>	<u>Reader</u> 5.5-5.8, 6; 4.3 <i>encore</i>
<b>Week 7 –</b> <b>Mon.5/11</b>	<b>ANALYSING IT</b> Ratio analysis	<u>Reader</u> 7; and 3.5, 5.4 <i>encore</i> <u>Secrets</u> #11
<b>Week 8 –</b> <b>Mon.5/18</b>	<b>FINANCIAL &amp; INVESTMENT ANALYSIS</b>	<u>Secrets</u> #10 & 14
<b>Week 9 –</b> <b>Mon. 5/25</b>	<b>HOLIDAY</b>	
<b>Week 10 –</b> <b>Mon 6/01</b>	<b>REVIEW and PRAX EXAM</b> Epilogue	