

University of California San Diego



Economics 4

Winter 2004

Michael Willoughby, CFA, Ph.D.

Financial Accounting

Introduction to methods and financial statement analysis.

Link to course description; Link to course requirements.

Texts

Core Concepts of Accounting ("Concepts") Anthony & Breitner

&

Reader: Accounting for Economists ("Reader") Michael Willoughby (UCSD Bookstore)

&

Liar's Poker ("Poker") Michael Lewis

Lecture and Reading Schedule

Week 1:	<u>Reader</u> Chapters 1-4; <u>Concepts</u> Chapter 1-2 (skip chapter 3)
Week 2:	<u>Concepts</u> Chapter 4
Week 3:	<u>Concepts</u> Chapter 5; <u>Poker</u> Chapters 1-8
Week 4:	Midterm #1 Thursday January 29 th
Week 5:	<u>Reader</u> Chapter 5; <u>Concepts</u> Chapter 6
Week 6:	<u>Concepts</u> Chapter 7; <u>Poker</u> Chapters 9-10 Midterm #2 Thursday February 12 th
Week 7:	<u>Reader</u> Chapter 6; <u>Concepts</u> Chapter 8
Week 8:	<u>Concepts</u> Chapter 9-10; <u>Poker</u> Chapter 11 Midterm #3 Tuesday February 26 th
Week 9:	
Week 10:	Review

Intro to Financial Accounting: Economics 4

Economics 4 ("Econ4") is an introductory course in financial accounting. Because Econ4 is the only accounting course offered in the six colleges, it is designed to be conceptually complete, but not comprehensive – no journalizing, ledgers, trial balances. Should you desire to study accounting further, the University Extension offers a *Professional Certificate* in accounting which consists of 10 courses that cover most areas of accounting practice and nearly qualifies you to sit for the CPA exams.

The objective of Econ 4 is to give you an understanding and an appreciation of how "accrual-based" financial statements are prepared and what they reveal about the use of financial capital by business enterprises. Econ 4 is also the prerequisite for Corporate Finance (Econ 173) at UCSD. Thus, for those students who plan to take Econ 173, Econ 4 introduces the calculation and nature of *cash flow* in a business enterprise. Econ4 also introduces the Compounding & Discounting – the calculus that expresses the *time value of money* –, which is essential for financial decision-making.

Because *financial accounting* is fundamentally a stylized information system, the body of Econ4 consists of *measuring, classifying, and presenting* business events in financial accounting terms followed by the production of the three financial statements.¹

Econ4 also explores how conventions that guide the organization & presentation of financial information are adapted and applied through *Standards* of financial reporting – G.A.A.P.² This part of the course facilitates critical comparisons of business performance where the form of *G.A.A.P. based* financial reports contrasts with the economic substance of business activities. Appreciation of circumstances such as these is important for those who evaluate the use of financial and working capital.³

¹ These are the (1) Income Statement, (2) Balance Sheet, and (3) Statement of Cash Flows.

² Generally Accepted Accounting Principles. These are promulgated by the Financial Accounting Standards Board ("FASB") in the form of Statements of Financial Accounting Standards ("SFAS") Currently there are 146 SFASs.

³ Financial capital consists of long-term Debt (bonds) and Contributed Equity (stock); working capital refers to cash and short-term debt & credit used to operate the business day-to-day.

Winter 2003 Economics 4
COURSE REQUIREMENTS AND GRADING

Students are expected to attend Lectures. Students are also expected to familiar with the University's policies on Academic Dishonesty. Examinations and the examination environment will be highly regulated and any violation, or *suspected* violation, of any written or oral instruction will result in dismissal from the exam.

MONITOR THE CLASS WEB PAGE. Announcements, review sessions, schedule changes, *scores-in-process*, Professor's office hours, TA responsibilities -- who you should contact regarding specific, course-related questions -- will be posted on the web page.

- You will need at least twelve 3x5 index cards. 3x5 index cards are required for all quizzes; no substitutes.

Course Assignments & Weighting for Final Grades

Event	Weighting	Instructions	Schedule
10 Quizzes	1.5% each = 15%	<u>3x5 index card</u>	Unannounced; no make-ups
3 Midterms given; 2 Midterms required	@ 15 % each	4 1/4 x 11 Scantron® any color w/ 50 items per side.	See the Syllabus and/or the Calendar; no make-ups
Time Value of Money Project	10 %	Will be published	Calendar or Syllabus
SFAS Report	10 %	Will be published	Calendar or Syllabus
Final Exam	35 %	Bluebook® and Scantron®	per University schedule

The Curve --Final letter grades will be *curved* on the class average. Generally, the lowest B- will be awarded at the mean; typically the top 20% of the class will be awarded an A or A-. No letter grades should be assumed based on interim performance. This is because letter grades are assigned based on *weighted* scores -- at the conclusion of the course.