

ECON 127 – INTRODUCTION TO FINANCIAL ACCOUNTING

Prof. Martin Gosman -- Winter Term, 2019

COURSE INFORMATION

Instructor and Office: Prof. Martin Gosman, PAC 332

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Office Hours: In classroom, before and after class.

Reading: Spiceland, Thomas, and Herrmann, Financial Accounting, 4th edition McGraw-Hill, 2016.

Gosman, ECON 127 Course Packet, Winter Term 2019 (purchase from Prof. Gosman)

Course Objectives: Upon completion of this course,

1. You will understand the basic structure of income statements and balance sheets prepared by firms, the major items contained therein, and the purposes and limitations of those statements.
2. You will understand how accrual-basis accounting differs from cash-basis accounting and why accrual accounting is considered a more accurate basis for reporting.
3. You will have an understanding of the accounting choices for inventories, depreciation, and leases and how the use of different accounting methods for similar economic events creates challenges.
4. You will understand the purpose of the statement of cash flows, the reasoning behind its structure, and why many analysts believe it is the financial statement that offers the most insight.
5. You will have become familiar with the data/information presented in firms' SEC 10-Ks and Proxy Statements and be better able to interpret and use that data/information in a variety of decisions.
6. You will appreciate why controversy continues with respect to when firms recognize revenue and understand the economic significance for firms and their stakeholders.
7. You will understand why financial ratios are calculated in certain ways, how those ratios relate to each other, and how credit and equity analysts use (and sometimes do misinterpret) ratios.

Academic Integrity

During examinations, you must do your own work; collaboration is not permitted. Any such behavior will result (at a minimum) in a zero on the exam.

Students with Disabilities:

Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in, and benefit from, its programs and services. To receive accommodations, a student must have a disability as defined by the ADA. Since accommodations may require early planning and generally are not provided retroactively, please contact Accessibility Services as soon as possible.

If you believe that you need accommodations for a disability, please contact [Accessibility Services](#), located in North College, rooms 021/022, or call 860-685-5581 to arrange an appointment to discuss your needs and the process for requesting accommodations.

It is important that you purchase the text and the Course Packet **before the beginning of the course** so you can complete the pre-assignment. Also, bring each to every class as I will refer to specific pages in the text and in the Course Packet several times during each class. Students who do not have the text and packet in front of them while I am referring to specific pages find that their class notes are incomplete, placing them at a disadvantage when it comes to reviewing for the exams.

Laptops, Cell Phones, and All Other Electronic Devices: Not to be turned on/used during class.

Class Discussion Notes: Class discussion notes are in the Course Packet. It is helpful to read the notes that relate to the assigned chapter **BEFORE** reading the assigned text pages. In this way, you will have a sense of what the major concepts are that will be discussed and what you need to focus on.

Homework: Several homework assignments may be collected. Many written assignments will be covered in class on the date for which they are listed. Solutions to exercises and problems shown in **bold and larger size** are in Course Packet.

Questions listed are from REVIEW (Not Self-Study) QUESTIONS SECTION at chapter-end.
Exercises listed are in EXERCISES (Not Brief-Exercises) SECTION at chapter-end.
All Additional Perspective (AP) assignments are in last homework section at chapter-end.

Class Contribution: All students are expected to regularly participate in the class discussions. By volunteering in class and also addressing issues when cold-called upon, you can raise your overall course average by anywhere from 1-3 points.

Attendance: **DO NOT COME TO CLASS IF YOU ARE ILL!** If you are not ill, make every effort to attend class. Each class aims to feature “value added,” insights that expand upon or extend the material contained in the textbook and course-packet readings.

Exams: One **mid-term** exam and a **final exam**, both closed book, will be given on the dates shown. The exams will usually include a mix of computational, short-discussion, and multiple-choice questions and are structured to measure learning rather than memorization.

Make-up exams: Students who miss an exam and do not make it up will receive a zero on that exam. To qualify to take a make-up exam, you must have a good reason for missing the scheduled exam and notify me **prior to the time of the exam you will miss**.

Retailer Project: Testing the Conventional Wisdom: In this project, students will calculate ratios for a “financially-troubled” retailer and a major competitor and consider whether or not their results confirm the conventional wisdom as to how the ratio findings would differ for the two firms.

Course Grade: The mid-term and final exams are each worth 40% of your grade and the Retailer Project is worth 20%.

ASSIGNMENT SHEET

Written Assignment

Reading Assignment

Text

| Date | Text Chapters | CP | Questions | Exercises | Set A Prob. | Addt.Pers. | Handouts |
|------|---------------|----|-----------|-----------|-------------|------------|----------|
|------|---------------|----|-----------|-----------|-------------|------------|----------|

Pre-

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| assignments: | 1 (3-23) | 1-3 | 10, 15, 16, 20 | 6, 8 | | | |
|--------------|----------|-----|----------------|-------------|--|--|--|

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| | 2 (53-66) | 4-8 | 21, 24 25 1, 4 | 2, 3 | 1A | | |
|--|-----------|-----|-------------------|-------------|-----------|--|--|

Course Packet pp. 80-86: Proxy Statements and Corporate Governance

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|-----|-------------|------|---------|------|--|--|--------------------------------------|
| 1/8 | 3(107-119M) | 9-14 | 3, 5, 7 | 1, 2 | | | Theater Group Hamden News |
|-----|-------------|------|---------|------|--|--|--------------------------------------|

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|-----|-----------------------------|--------------------|-------------|----------------------------|----|---|--|
| 1/9 | 5 (215-219M; 222M-227) | 18-20 22 | 3, 5, 8, 12 | 10 (1&3) 18 | 1A | 5 | |
| | 5 (234M-235M; 239M-241M) | 21 23-23A 64 | 21, 22, 23 | | | | Apparel Analyzing DSAR ClearOne |

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|------|----------------------------|-------|---------------------|----------|------------------|---|--|
| 1/10 | 6 (265-269M; 271M-279) | 24-26 | 1, 4, 6 8, 9, 12 | 4 | 1A (2-4) | 5 | |
| | 6 (269M-271M; 292-294M) | 27-31 | 19, 20 | | 7B 8B | | |

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| 1/11 | 7 (323-331M 333M-336; 338-341) | 32-35 | 1, 2, 10, 15 20, 21, 22 | 8 | 5A 9A | | |
|------|--------------------------------------|-------|----------------------------|---|--------------|--|--|

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| 1/14 | Mid-Term Exam | | | | | | |
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| <u>Date</u> | <u>Reading Assignment</u> | | <u>Written Assignment</u> | | | | <u>Handouts</u> |
|-------------|--|----------------|---------------------------|------------------|------------------------------------|-------------------|---------------------------|
| | <u>Text Chapter</u> | <u>CP</u> | <u>Questions</u> | <u>Exercises</u> | <u>Set A Prob.</u> | <u>Addt.Pers.</u> | |
| 1/15 | 3 (128-129) | | 21 | | | | |
| | 8 (373-375M; 382M-383; 389M-394) | 36-42 43-47 | 2, 3, 4, 11 21, 22 | | 9A (1-2) 9B (1-2) | 5 | Liquidity Analysis |
| 1/16 | 9 (413-414; 416M-418; 436M-438) | 48-53 | 1, 2, 4, 20 | | 2A 7A (1&2) | | |
| | 10 (457-464M, 465 bottom ¼, 489-469M, 471-472. 478M-480M, and 482M-483M) | | 12, 14, 21 | | | | |
| 1/17 | 4 (188M-191M) 11 (505-517M) | 17 59-63 | 27 1, 9, 10, 13 | 14, 15 | | 8 | Outfit |

FROM COURSE PACKET:

- 1/18 Dollar General
Ratio Detective Problem
Financially-Challenged Retailers
Argenti Corporation: A Loan Request from a Financially-Troubled Firm
- 1/21 **RETAILER PROJECT: TESTING THE CONVENTIONAL WISDOM**
- CAPSTONE PROJECT SPREADSHEET AND DISCUSSION POINTS**
- 1/22 Reading Day
- 1/23 Final Exam**