ECON 136A

Instructor: Bob Anderson

Instructor Background
• UCSB Graduate of 1992
• Senior Manager, KPMG, LLP- 1993-2004
• RAFS, Inc.

Why are we here?
Learn foundation in accounting- which is useful for?
• Getting a JOB!
• Doing your job
• CPA exam

What does 136A Cover?
• Refresher on basic accounting;
  – Accounting Codification & Accounting Research
• Income statement & Retained earnings;
• Balance sheet
  – Cash & receivables
  – Inventory (and valuation issues)
  – Fixed assets, their depreciation and valuation issues
• Time value of money
• IFRS- key concepts and differences from USGAAP
Course Approach

• Mutually well prepared;
• Lectures to be an expansion of what is in the book
  – Real World
  – Interesting and Layman’s terms
  – Class involvement in discussion
  – Of Course: cover the curriculum

Administrative Matters

NOTE: All of the following is in syllabus
• Web-Page address is econ.ucsb.edu/~anderson
• Student preparation for classes
  – Class presentations on the web for review/ printing before class
  – Quizzes and Homework will combine for 10% of your course grade, there will be one per chapter.
    • Two drops+ allowed
  – Will try my darndest to pace class to the syllabus
• My office: NH 3039. Hours posted on syllabus. Also by appointment.
• I am available by phone and e-mail!! (805)493-0492 & anderson@econ.ucsb.edu

HONORS SECTION

Beginning 2nd week

Room, time to be announced

POINT ALLOCATIONS

• Combination of multiple choice, short answer and problem solving;
• Very closely match lectures
• Grade allocation (1,000 points):
  – Exams= 800 points (80%)
  – Quizzes & Homework 100 POINTS (10%)
  – RESEARCH PROJECT 100 PTS (10%)
**PASSWORD**

CLASS WEBPAGE HAS PROTECTED CONTENT:

Username: anderson
Password: PRESENTED IN CLASS ONLY

**Additional problems**

WileyPlus includes “Read, Study & Practice” which has additional questions etc. to help you learn and prepare for exams.

**RESEARCH PROJECT**

- Counts for 10% of course grade.
- LOOKING FOR YOU TO:
  - Gain exposure to research
  - Take a crack at supporting an accounting position
  - This is NOT a business writing class!
  - Utilize FASB Accounting Standards Codification (ASC)

**WILEY PLUS**

Most homework is via new online feature from the publisher. The Syllabus has the instructions for setting up. **FOLLOW THE URL IN SYLLABUS AND USE THE CODE FROM YOUR TEXT PURCHASE OR BUY IT ONLINE**

There is other useful content there which I encourage you to explore.
WHAT IS ACCOUNTING?

• It is NOT posting entries to the general ledger- That is what we call “bookeeping”.
• It IS taking a lot of transactions (some requiring complex accounting) AND other information and using it to tell users what happened.

Basic Statements

• Balance sheet
  – Where do we stand
  – “As of”
• Income statement
  – What happened
  – “For the Period”
• Stockholder’s equity
  – Equity standing
  – “As of” and with information about “the period”
• Statement of cash flow
  – Where did the money go?
  – Where did new money come from?

BASIS

• ACCRUAL
  – WHEN is the key question in accounting
  – anyone can debit and credit cash as it happens, but that does not necessarily tell the accurate story

• HISTORICAL COST basis
  – General Premise is that historical cost is preferred, which is generally conservative
  – Landscape is changing- FiN 45, various fair value disclosures.

• CONSISTENT AND COMPARABLE!!

JUDGMENT

JUDGMENT IS AND ALWAYS WILL BE INHERENT!!
LANDSCAPE

ENRON, GLOBAL CROSSING, ETC…= PRESSURE = RAPID AND DRAMATIC CHANGE IMPACTING
• Companies
• Auditors- SOX 404
• SEC, FASB. Rushing to release.
• EVERYBODY--- Do you think that radical change comes cheap? Who do you think ultimately pays for that?

• IFRS CONVERGENCE!

KEY NOTES

• 90% OF TRANSACTIONS ARE “ROUTINE” AND CAN BE ACCURATELY REPORTED BY A STRONG “SYSTEM”
  – Internal controls
• The other 10% is where you will earn your pay and is what you read about in the papers.
  – That 10% Does, did and always will require applying JUDGMENT.
• Accounting is NOT the stereotypical “bean counter”.
  – You are choosing an interesting profession full of challenges.