

## ECON 136A

Instructor: Bob Anderson

14<sup>th</sup> edition of text!!

## 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](http://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](mailto:anderson@econ.ucsb.edu)

## HONORS SECTION

**Each Weds beginning 2<sup>nd</sup> 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

There will be an assignment that is called "136A\_Practice\_set" with you other assignments, but this one has no due date and is ungraded... it is for you to use... or ignore

## 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 “bookkeeping”.
- 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.