

**University of San Diego
School of Business Administration
MBA Program**

**GSBA 510
Financial Accounting**

Dr. Tom Dalton
Office: Olin Hall, Room 215
Phone: 619.260.4102
Website: <http://home.sandiego.edu/~dalton/>

Email: dalton@sandiego.edu
Office hours: Tuesday 1-4 p.m.;
Monday & Wednesday 5:30 to 6:30 p.m.

Course Description:

Students learn how to analyze corporations and other business entities using the financial statements and other available information. Within this broad goal, students also learn how financial statements are constructed by accountants and the regulatory environment that governs preparation of these statements. Students learn to find and use the vast array of financial information available for publicly traded entities. Students will apply these skills by analyzing a publicly traded corporation of their choice as a capstone project.

Course Objectives:

Students who successfully complete this course will:

1. Learn where to locate financial documents that describe the activities of publicly traded business entities
2. Learn how to analyze these financial documents for relevant data
3. Learn how to make judgments regarding the quality and honesty of financial information provided within these documents
4. Learn how to correct distorted financial information within these documents
5. Learn the effect fraudulent and misleading financial information has on the value of a firm.
6. Learn how to make judgments about the future profitability of business entities from financial information
7. Learn how to evaluate the reliability of internal controls within a business
8. Learn the legal limits and current ethical considerations of presenting financial information to people both within and outside of a company
9. Learn the important tax distinctions between various business entities and when a choice of a particular entity is appropriate.

Course Materials:

Text (required): *Financial Accounting for MBAs – 2nd Ed.*, Easton, Wild, and Halsey. Cambridge Business Publishers.

Notes and Projects (required): Available in the bookstore, this is a collection of PowerPoint slide handouts, in-class projects, and financial documents used for illustrative purposes.

Course Requirements and Student Evaluations:

Final grades are calculated from three data points:

1. *Quality of participation in class:* Quality participation means that you attend class and learn. It does not necessarily mean that you have a lot to say in class. Participation isn't measured by how many times you speak in class (although I welcome and encourage as much discussion as possible). Participation is measured through short quizzes at the beginning of each class. The quizzes ask questions regarding the current reading assignment as well as issues discussed in previous classes. The quizzes measure whether you have read and understood the assigned chapters, and whether you are mentally participating in the classroom discussion and exercises. Generally, there will be one quiz at the beginning of each class. I will automatically drop your lowest quiz score (even if it is zero because you did not attend class that day). **There are no make-up quizzes.** If you miss a quiz, that's the quiz that is dropped.

2. *Quality of hand-in assignments:* There will be hand-in assignments through the semester to help you in developing your financial statement report. These assignments are only graded for effort, not for accuracy. You will receive full-credit if you make a good-faith attempt to complete these assignments and turn them in on time. I'll correct each assignment and hand it back to you with comments.
3. *Quality of your financial statement report:* Each student will write a report analyzing a publicly traded business. The report is due on October 25, 2006 (the last day of class). A separate hand-out will describe the report. This report is graded on accuracy, presentation, and analysis. Points are deducted for late reports.

Grade calculation:

Participation	40%
Hand-in assignments	20%
Financial statement report	40%

Final grade schedule:

93.0 or higher	A
90.0 and below 93.0	A-
87.0 and below 90.0	B+
83.0 and below 87.0	B
80.0 and below 83.0	B-
77.0 and below 80.0	C+
73.0 and below 77.0	C
70.0 and below 73.0	C-
60.0 and below 70.0	D
Below 60.0	F

Statement on Academic Integrity: The University of San Diego policy on the Integrity of Scholarship contained in the *Graduate Bulletin* is a part of this course. Please read this policy. Violations of academic integrity include the following: (1) unauthorized assistance on a quiz; (2) falsification or invention of data; (3) unauthorized collaboration on an academic exercise; (4) plagiarism; (5) misappropriation of research materials; and (6) any unauthorized access of an instructor's files or computer account.

As applied to this class, this means you can only use a pencil, a pen – and the calculator supplied to you for a quiz. You cannot look at another person's paper during a quiz for any reason.

You are authorized and encouraged to collaborate with other students in regard to your financial statement analysis project. You can share ideas and approaches. However, you must independently do all writing, ratio and other calculations on your own. **It is a violation to simply plagiarize ratios calculated by another person. You must write your own analysis. It is a violation to simply plagiarize analysis written by another person (including analysis presented on investment websites, SEC documents, company prepared financial statements, or other sources not written and owned by you). Do not cut and paste text from a Form 10K or other SEC document – re-write the text in your own words.**

Class schedule:

Dates (approx.)	Module	Objectives	Assignment
9/6/2006	1	<p>Learn about the various available financial reports and where they are found. Learn the purpose of analyzing financial reports.</p> <p>Ethical examples: High profile cases of fraud</p>	Read Module 1
9/11-13/2006	2	<p>Learn how the four financial statements are created and their basic purpose. Learn how a basic accounting system works. Learn how to locate relevant data for analysis. Learn to begin analyzing financial statements for earnings quality, quality of disclosures. Learn the importance of honesty and forthrightness in financial statement presentation.</p> <p>Ethical examples: Worldcom</p>	<p>Read Module 2</p> <p>Identify two companies for the financial report project. Write the companies on a sheet of paper with your name and hand it in by the end of class.</p>
(3 to 4 classes)	3	<p>Learn the basics of financial analysis, including the DuPont formula. Learn the basics of analyzing liquidity, solvency, and profitability. Learn how to use these techniques to make judgments regarding the future profitability of the company.</p>	Read Module 3
(1 to 2 classes)	4	<p>Learn techniques for specifically analyzing operating income (as opposed to transitory components of income). Learn common ways companies can misrepresent profitability and how to correct these distortions. Learn the effects of misrepresentation and dishonesty in financial statement presentation.</p> <p>Ethical examples: Sunbeam, Golden Bear Golf, Stock option backdating</p>	Read Module 4
(1 to 2 classes)	5	<p>Learn techniques for specifically analyzing operating assets such as accounts receivable, inventory, and fixed assets. Learn common ways companies can misrepresent assets and how to correct these distortions.</p>	Read Module 5
(1 to 2 classes)	7	<p>Learn techniques for specifically analyzing liabilities – both cash and non-cash. Learn common ways companies can misrepresent a company's liabilities and how to correct these distortions.</p> <p>Ethical examples: Enron, RIMM</p>	Read Module 7
(1 to 2 classes)	8	<p>Learn techniques for analyzing owner capital within a company. Learn how to evaluate the relative strength of a company with regard to capital funding.</p>	Read Module 8
10/23-25/2006 (1 to 2 classes)	9 (not in the text)	<p>Learn common techniques for evaluating a company's internal controls and how effective internal controls contribute to the integrity of financial statement presentation. Learn the important tax distinctions of various business entities, and when a particular entity is appropriate.</p> <p>Ethical examples: Non-for-profit embezzlement cases</p>	Final financial statement report is due on 10/25/06