Introduction

The following material contains the Course Description, Learning Goals, Grading Guidelines, and Course Syllabus for MGB 270. Additional materials will be found posted online.

Course Description

This course critically analyzes and evaluates current issues in financial reporting and corporate accounting. We will view these issues through the lens of corporate managers, investors (including stock analysts) and regulators such as the SEC.

The course will focus primarily on the use and analysis of published financial statements with an emphasis on generally accepted accounting principles and their interpretation / enforcement by public accountants and supervisory bodies.

You will have a number of opportunities, through readings, in-class discussion, and case studies to examine “real world” examples and understand the financial reporting issues and outcomes.

Learning Goals

This class is geared towards examination of actual corporate financial reports, supported by enough “theory” to generate meaningful analysis. We will focus on the technical aspects of accounting and financial reporting, with a heavy emphasis on transparency and business ethics. Specific learning goals include:

- Reinforcement of basic accounting and financial reporting principles as a foundation for critical examination of published financial reports.
- How to be an informed consumer of financial statement information from published sources, such as SEC forms 10-K / 10-Q / 8K, corporate earnings releases, and proxy statements. Includes significant “hands-on” analysis.
- How to identify, account for, and present to senior management / investors significant business events requiring accounting disclosure.
- Why financial reporting choices give managers discretion in the content and timing of disclosures, including earnings, in SEC reporting. We will examine asset securitizations and various asset reserve accounts as part of this analysis.
• A framework and relevant examples for understanding how to make proper and ethical decisions regarding financial disclosures and examination of the consequences of non-compliance. We will include a discussion of Sarbanes-Oxley requirements.
• An examination of corporate compensation and its relation to published financial results.
• The roles and expectations of key financial reporting supervisors, such as accounting firms and the SEC, and examples of industry-specific requirements, such as financial services.

Grading Guidelines

Course grading will emphasize active class participation and critical thinking over rote understanding. As such, the grading will be:

• Class participation 20%
• Take-home midterm exam (1) 20%
• Analyst Project (2) 20%
• Commercial Banker Project (3) 20%
• Take home final exam (4) 20%

(1) Key concepts and SEC reporting
(2) Prepare equity analyst report on selected firm
(3) Financial statement analysis from a lender’s perspective
(4) Essay format with particular emphasis on a business ethics perspective

In addition, there will be a TBD extra credit assignment for a maximum of 10 percent.

Additional Information

• Librock CV for student review
• Any required GSM disclosures on academic policies
• Any required UC Davis disclosures or rules
• Policy / timing on instructor evaluations
Meeting details:

- All classes meet in Bishop Ranch BR-1503
- Friday: 6:00pm – 9:00pm
- Saturday: 1:00pm – 4:00pm
- Problems “prepared for class” will be reviewed as an active discussion. Please be prepared to engage in discussions with your classmates.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading</th>
<th>Assignments</th>
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<tbody>
<tr>
<td>Fri 3/29/13</td>
<td>Economic &amp; institutional setting</td>
<td>Ch. 1: p.1-29, 36-38, appendix Ch. 2: p. 64-74, 76-84 Lynn Turner on MF Global Enron – Santa Clara analysis</td>
<td>Ch.1: P1-10 / Case C1-2 prepared for class Ch. 2: E2-1 and E2-2 prepared for class</td>
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<td>Sat 3/30/13</td>
<td>Income &amp; Cash Flows</td>
<td>Ch.3: p.131-138, 142-146, 152-163 Ch.4: p.193-220 Sun Trust SEC ALLL restatement Additional readings TBD</td>
<td>Ch. 3: C3-3 in class Ch. 4: P4-14 – Excel worksheet prepared for class</td>
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<td>Fri 4/12/13</td>
<td>Cash Flows (cont.) &amp; Financial Analysis</td>
<td>Ch.17: p.1025-1041, 1047-1053 Ch.5: p.249-273, 276-293 <strong>Introduction of “Analyst Project”</strong> Additional readings TBD</td>
<td>Ch. 5: E5-1 and P5-16 prepared for class</td>
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<td>Sat 4/13/13</td>
<td>Valuation and Credit Assessment</td>
<td>Ch.6: All Ch.7: 375-385 <strong>Take-home midterm exam distributed (1)</strong></td>
<td>Ch.6: E6-4 and E6-8 prepared for class Ch.7: E7-2 and E7-9 prepared for class</td>
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<td>Fri 4/26/13</td>
<td>Compensation / EPS</td>
<td>Ch.7: 385-408 Ch.15: All <strong>Extra Credit Project introduced</strong></td>
<td><strong>Analyst project due in class</strong> E7-5, P7-1, P7-2, E15-16 and P15-6 prepared for class</td>
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<td>Sat 4/27/13</td>
<td>Analyst project – in depth review and discussion</td>
<td>In-class review of Analyst Project Guest lecturer – TBD (2) Commercial Banker case distributed – Text C5-3</td>
<td>Mid-term exam due in class</td>
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<td>Fri 5/10/13</td>
<td>Receivables / SPEs / securitization</td>
<td>In-class review of mid-term exam Ch.8: 425-435, 439-459 Ch.9: 477-518</td>
<td>Ch.8: E8-11 and P8-11 prepared for class Ch.9: E9-3 and P9-3 prepared for class</td>
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<td>Sat 5/11/13</td>
<td>Investments / Derivatives / Financial Instruments</td>
<td>Chapters 11 and 16</td>
<td><strong>Commercial Banker Case due in class</strong> Assignments TBD Extra Credit Project due</td>
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<td>Fri 5/24/13</td>
<td>Pensions and post-retirement benefits</td>
<td>Chapter 14</td>
<td>Assignments TBD</td>
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<td>Sat 5/25/13</td>
<td>Pulling it all together – Wells Fargo acquires Wachovia</td>
<td>In-class review – Commercial Banker case (3) Selected readings – Wells and Wachovia annual reports / 8Ks / analyst reports / regulatory filings / equity capital raise Take-home final exam distributed (4) / (5)</td>
<td>Pre-read and analysis of selected materials</td>
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<td>Sat 6/8/13</td>
<td>In-class review of final exam - optional</td>
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(1) 10 multiple choice questions / Comparative 10-K analysis – 2001 vs. 2011
(2) Guest lecturer will be (a) stock analyst or (b) firm investor relations manager
(3) Potential guest lecture by commercial banker
(4) Primary focus on financial reporting and business ethics
(5) Exams will graded and course grades available by Friday May 31.

Notes:

- Additional readings and references will be added well in advance of the first course on 3/29
- All materials will be posted to the GSM instructional website