

Economics of Accounting

Tentative course outline – July 12

ECO305 – Fall 2017

Wednesday 10-1pm, Classroom: SS 1085

Course Description

The production of usable financial information is costly! A further major obstacle is that firm managers have an incentive to mislead owners and prospective investors. This can result in biased, or sometimes completely false, reporting. We will look at how accounting regimes such as U.S. GAAP and IFRS create reliable information for market participants. The best way to understand accounting is to perform the requisite bookkeeping entries. We will then analyze how accounting rules affect economic outcomes. Towards the end of the course, we will study how mark-to-market and mark-to-model accounting can impact firm behaviour.

Instructor information

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Prerequisites

Students must have completed the appropriate prerequisites to continue in this course:
<https://www.economics.utoronto.ca/index.php/index/undergraduate/load/prerequisites>

Learning outcomes

Successful students will be able to:

- measure how a given transaction affects the four financial statements,
- analyse how different rules affect economic outcomes such as firm profitability or government revenue,
- derive a model showing how balance sheets can exacerbate recessions,
- demonstrate how economic models can supplement traditional balance sheets.

Class time

In ECO305, you will experience a flipped classroom. As homework, you will read the textbook and watch videos online. In class, I will **briefly** lecture on these same topics while interspersing the lecture with practice problems. We will also discuss the economic consequences of various accounting rules through posed questions.

Textbook and iClicker

Pratt, Jamie and Michael Peters *Macroeconomics: Canadian Edition*, 10th Edition (2017). This book is mandatory. The text covers most, but not all, of the models and concepts covered in class. Using an iClicker remote is required. You may buy a used iClicker, borrow an iClicker or share an iClicker with anyone that is not currently taking ECO220 with Prof. McKeown. You must use an iClicker remote: iClicker REEF is not permitted.

You will be required to purchase access to WileyPLUS that you can access through Portal. WileyPLUS is a research-based online environment for effective teaching and learning. Each week, you will be assigned some lecture videos to watch and a textbook chapter to read. You will then write an online quiz that is due one hour before lecture.

You will also likely want a non-programmable financial calculator such as the:

1. Texas Instruments BA II Plus (including BA II Plus Professional)
2. Hewlett Packard 12C (including the HP 12C Platinum, 12C Platinum 25th anniversary edition, 12C 30th anniversary edition, and HP 12C Prestige)

These are the only two calculators approved by the CFA. You may use an alternative non-programmable calculator, but I cannot guarantee it will perform the necessary actions.

Website

Announcements and course material will be posted on Blackboard through Portal. WileyPLUS can be accessed through Portal.

Office Hours

I hold office hours every Tuesday 3:00 - 5:00pm. You may book 15 minute sessions to discuss course material or administrative issues. To make a reservation, please visit the Google document: <https://docs.google.com/spreadsheets/d/1AbIoYNv1le9Vt4zM0WZTssPs1BnFrQ3lioDrOUQEjI0/edit#gid=0>. If this time does not work for you, please email me to schedule an appointment – I will do my best to accommodate you.

Email policy

The best form of communication is in person. I will make myself available during office hours and after class. In the event that an e-mail communication is needed, please make sure to identify yourself and use your UTOR e-mail account (the “utoronto” account). E-mails from other accounts may not reach my inbox. Generally, I do not answer course content questions via email.

Evaluations

	Date	Grade
In-class quiz	October 11	15%
Term Test	November 15	25%
Participation		5%
Online quizzes		5%
Final exam	Exam period covers December 9–20	50%

Note: Time and location of term tests will be announced on Blackboard and during lecture.

The in-class quiz will be mostly (or perhaps entirely) multiple choice questions. It will be held in our schedule classroom at the beginning of class. The duration will be 60-80 minutes, and the quiz will be followed by a lecture. The term test will take up the entirety of class and will also be held in-class. You may be aware that many professional designations rely on multiple-choice examinations, so you will find it useful to master this type of question. As the course progresses, you will have the opportunity to write short answer questions. The in-class quiz, term test and final exam will be **cumulative** – you must not forget what you’ve already learned!

To reward you for completing the assigned pre-lecture prep work, there will be nine online quizzes throughout the semester. To determine your grade, I will take your best seven results. These questions will be relatively easy and test your knowledge and understanding. The in-class assessments will be more analytical.

The easiest way to earn the full value of your participation grade is to attend class and answer all questions to the best of your ability. I will be taking attendance and on occasion, I will present you with a ‘ticket-out-the-door’ question at the end of lecture on an important concept from class. Your question will be graded as a pass or fail that will contribute to your participation grade. While I encourage you to attend every lecture, sometimes you will not be able. If you attend 9 out of 11 lectures, I will consider that perfect attendance.

Missed tests

Missed online quizzes will receive a grade of zero. If you miss the in-class quiz for a certified medical reason, or other approved cause, your grade-weight will shift to the term test. If you miss both the in-class quiz and the term test, you will receive a grade of **zero** for both! If you miss the term test for a valid reason, but you wrote the in-class quiz, you are eligible for a makeup test on Friday, November 24. If you miss the makeup test, you will receive a grade of zero. There will be no exemptions.

Students are required (without exceptions) to submit official documentation within one week of the missed quiz. In the case of illness, the University of Toronto official Verification of Student Illness or Injury form must be used. This form must be submitted to the instructor in person (i.e., not to the Department’s receptionist and not by fax or e-mail). Students deemed ineligible for writing the make-up test will receive a grade of zero for the missed test. The form can be found be here:

[http://www.illnessverification.utoronto.ca/document/Verification%20of%20Student%20Illness%20\(VOI\)%20-%20Oct%2027%202016.pdf](http://www.illnessverification.utoronto.ca/document/Verification%20of%20Student%20Illness%20(VOI)%20-%20Oct%2027%202016.pdf)

Appealing your grade

Disputes over the evaluation of a test should be discussed with the instructor. Disagreement with the marking means that an error might have been made – for instance, the marker failed to consider a part of your answer. Conversely, suggesting that you believe you deserved a higher grade is not a valid reason for a re-marking. After reviewing the solution posted on the course website, submit in person a brief note clearly indicating the reasons for your disagreement with the grade. You should include the link to your test or paper in Crowdmark, without any attachments. You must submit your appeal within two weeks after the test is returned to students. Please note that all questions of the test will be remarked and not only the question in dispute.

Crowdmark

The department of economics has secured Crowdmark this year for all of our undergraduate course offerings. Crowdmark is a ‘collaborative online grading and analytics platform that helps educators evaluate student work more effectively.’ Your term test will be scanned and uploaded to Crowdmark, and it is here that your work will be graded.

Course content

<i>Date</i>		<i>Chapter</i>	<i>Minutes</i>
Sep 13	Lecture:	Ch. 1 – ‘The Demand for Financial Information’	
		Read Ch. 1 and watch the Mini-Lecture Videos.	40
		Watch the Applied Skills Videos (WP).	20
		We will not cover the appendix to Ch. 1. or Ch. 2	
	Homework:	Try the Ch. 1 Practice Problems (WP).	
		Read Ch. 2 and watch Mini-Lecture Videos (WP).	88
		Try the Practice Problems (WP).	
		Assessment: complete the quiz for chapters 1,2 (WP)	30
Sep 20	Lecture:	Ch. 2 – ‘The Financial Statements’ Back of book problems: E2-2, E2-5, E2-7, E2-12, ID1-1, ID1-4, ID2-1, ID2-4, ID2-5	
	Homework:	Read Ch. 3: ‘Measurement Fundamentals’ Try the Ch. 3 Practice Problems (WP).	
		Assessment: complete the quiz for chapter 3 (WP)	30
Sep 27	Lecture:	Ch. 3 – ‘The Measurement Fundamentals’ Back of book problems: E3-6, ID3-4, ID3-7, ID3-10	
	Homework:	Read Ch. 4: ‘The Mechanics of Accounting’ Note that we will cover the appendix, statement of cash flows, on Oct 18. Watch the Mini-Lecture Videos (WP).	121
		Do NOT watch the Applied Skills Videos! (WP).	
		Try the Ch. 4 Practice Problems (WP).	
		Assessment: complete the quiz for chapter 4 (WP)	30
Oct 4	Lecture:	Ch. 4 – ‘The Mechanics of Accounting’ Back of book problems: E4-2, P4-8, ID4-1, Ethics in the real world, E4-12, E4-19, ID4-1, ID4-13	
	Homework:	Practice with sample quiz #1, re-do old WP problems and review, in-class problems.	
Oct 11	In-class quiz:	will cover chapters 1-4, excluding the appendices. Questions will be multiple-choice or short-answer.	75
	Lecture:	Appendix 4A – ‘Statement of cash flows’ Back of book problems: E4-8, E4-16, E4-17	60
	Homework:	Read Ch. 6: ‘Current assets’ Watch the Mini-Lecture Videos (WP).	42
		Watch ‘How to Journalize Receivables Transactions (WP),’	8
		‘How to Determine Bad Debts Exp., and Prepare the ... (WP),’	6
		‘How to Prepare Entry for Estimated Uncollectibles, ... (WP).’	5
		Try the Ch. 6 Practice Problems (WP).	
		Assessment: complete the quiz for chapter 6 (WP)	30