

FA 283 A CRISIS IN CREDIT: READING AND INTERPRETING FINANCIAL STATEMENTS

Campus: Loop

Dates: Fall Quarter 2009

Competencies: FX, A3X, H1X, S2X

Instructor: Daniel Ryan, (312) 479-5687, dan@danielryan.us

Office hours: After Class or By Appointment

Course description: What are the defining elements of the 2008-9 recession? From the record collapses of first home builders, such as Levitt and Sons, WCI Communities, and Matrix Development Corp., then financial giants, Lehman, Fannie Mae, Freddie Mac, Wachovia, and Merrill Lynch brings two questions to collective forefront; how did we get here but more importantly how do we avoid repeating this `crisis' in the future. This course will examine these questions in light of corporate balance sheets and income statements. Students will learn to read and interpret financial statements from manufacturing to banking. In addition to the technical details related to financial reporting, the course will examine the political and social implications of the U.S. Treasury addressing the problems of the housing and credit sectors. This will involve a historical review of the roles government and the private sector in the development of financial systems in the United States.

Competence statements:

H-1-X – Understands the historical evolution of the credit and financing systems in the U.S. economy

H-2-X – Can explain and interpret credit and financial documents and their importance to corporate and government operations.

S-2-X – Can use mathematics and or statistics to understand and interpret credit and other financial statements.

FX – Understands and can interpret financial statements and their effect on decision making in corporations.

Criteria for demonstrating competence:

H-1-X – Multiple responses to weekly reading in short essay format. One long form essay due prior to week 7 that discusses how credit and finance on a macro-economic basis.

H-2-X – Multiple responses to weekly reading in short essay format. Two quizzes that read and interpret financial documents and then explain their meaning to corporate and governmental operations.

S-2-X – Various technical assignments that will include assessment of the financial statement formation, presentation and interpretation. Each student analysis of financial documents and credit decisions will be assessed upon completeness and accuracy.

F-X – Multiple responses to weekly reading in short essay format. A completed annual financial statement and open 'board meetings' to discuss the numbers and how it effects the corporation's decisions.

Overall assessment: All students are expected to attend class regularly. Students **will not** be able to pass this course with more than two absences. Each student must **always** be prepared to participate fully and in-depth in all class projects and discussions. Mathematical assignments will be evaluated upon correctness, thought-process and presentation. Written assessments will be evaluated based upon depth of understanding, subject matter accuracy, persuasiveness of argument, quality of writing and creativity.

Academic integrity: All students are expected to adhere to the academic integrity guidelines presented in the DePaul Student Handbook.

Teaching methods: The class will primarily consist of lectures, discussions, case studies and presentations. All assignments are expected to be completed on time prior to the start of class.

Required Texts: *The Age of Turbulence*, (Updated 2008 Edition) – Alan Greenspan
The Return of Depression Economics and the Credit Crisis of 2008, – Paul Krugman

Tentative Schedule

Note – Due to the current events nature of this class this may be subject to change. All assignments and changes will posted on blackboard and reviewed in class.

Session 1 – Introduction to class. Discussion of goals for class and particular interests of students. Lecture on basic financial statements and introduction to macro-economics. Development of the general theories to be discussed in the class, Greenspan (Smith), Krugman (Keynes) and Soros (Soros).

Session 2 – Lecture and discussion of financial statements and accounting roles in the corporate environment.

Required readings: Chapter 1- “*The Role and Functions of Accounting and Finance*” (Handout)
Chapter 2- “*Financial Statements and Cash Flows*” (Handout)
Monetary Theory and the Great Capital Hill Baby Sitting Co-op Crisis, Sweeney & Sweeney (Handout)

Required Assignments: Questions at the end of Chapter 1 and 2 - **To be turned in.**

Session 3 – Lecture and discussion of financial statements and accounting roles in the corporate environment.

Required readings: Chapter 1- “*The Role and Functions of Accounting and Finance*” (Handout)
Chapter 2- “*Financial Statements and Cash Flows*” (Handout)
Monetary Theory and the Great Capital Hill Baby Sitting Co-op Crisis, Sweeney & Sweeney (Handout)

Required Assignments: Questions at the end of Chapter 1 and 2 - **To be turned in.**

Session 4 – Continued lecture and discussion of financial statements and accounting roles in the corporate environment. Discussion of the general theories of Krugman, Soros and Greenspan. **Discussion of competencies**

Required readings: Chapters 1-2, Krugman
Chapters 12-13, Greenspan
The Theory of Reflexivity, George Soros

Required Assignments: 1 Page written response to readings – **to be turned in.**

Session 5 – Lecture and discussion of the general theories of Krugman, Soros and Greenspan.

Required readings: Chapters 3-4, Krugman
Chapters 18, Greenspan

*Required Assignments: 1 Page written response to readings – **to be turned in.***

Session 6 – Introduction into Financial Metrics.

Required readings: Chapter 7 – “Financial Performance Metrics”

*Required assignment: Questions at the end of Chapter 7. - **To be turned in.***

Session 7 – Each student will present a current article related to US current policy towards ‘stimulating’ the economy. Continued discussion of the general theories of Krugman, Soros and Greenspan.

*Required readings: Chapters 5-6, Krugman
Chapters 19, Greenspan*

*Required Assignments: 1 Page written response to readings – **to be turned in***

Session 8 – Continued discussion of the general theories of Krugman and Greenspan.

*Required readings: Chapters 6-8, Krugman
Chapters 23, Greenspan*

*Required Assignments: 1 Page written response to readings – **to be turned in***

Session 9 – Continued discussion of ratio analysis. Practice presentations and committee meetings.

*Required readings: Chapters 9-10, Krugman
Chapters 25, Greenspan*

*Required Assignments: 1 Page written response to readings – **to be turned in**
Drafts for competency papers and projects – **to be turned in***

Session 10 – Continued discussion of the general theories of Krugman, Soros and Greenspan.

Required readings: Epilogue, Greenspan

Required assignment: Final requirements related to competencies. (TBD)

Addenda

DePaul University Academic Integrity Policy

DePaul University is a learning community that fosters the pursuit of knowledge and the transmission of ideas within a context that emphasizes a sense of responsibility for oneself, for others and for society at large. Violations of academic integrity, in any of their forms, are, therefore, detrimental to the values of DePaul, to the students' own development as responsible members of society, and to the pursuit of knowledge and the transmission of ideas. Violations include but are not limited to the following categories: cheating; plagiarism; fabrication; falsification or sabotage of research data; destruction or misuse of the university's academic resources; alteration or falsification of academic records; and academic misconduct. Conduct that is punishable under the Academic Integrity Policy could result in additional disciplinary actions by other university officials and possible civil or criminal prosecution. Please refer to your Student Handbook or visit <http://studentaffairs.depaul.edu/homehandbook.html> for further details.

DePaul University Incomplete Policy

Undergraduate and graduate students have two quarters to complete an incomplete. At the end of the second quarter (excluding summer) following the term in which the incomplete grade was assigned, remaining incompletes will automatically convert to "F" grades. In the case of the Law School incompletes must be completed by the end of the semester following the one in which the incomplete was assigned. Ordinarily no incomplete grade may be completed after the grace period has expired. Instructors may not change incomplete grades after the end of the grace period without the permission of a college-based Exceptions Committee. This policy applies to undergraduate, graduate and professional programs. NOTE: In the case of a student who has applied for graduation and who has been approved for an Incomplete in his or her final term, the incomplete must be resolved within the four week grace period before final degree certification.

The SNL student who wishes to receive the grade of IN must formally request in writing that the instructor issue this grade. This request must be made before the end of the quarter in which the student is enrolled in a course.

For Students Who Need Accommodations Based on the Impact of a Disability

Students who feel they may need an accommodation based on the impact of a disability should contact the instructor privately to discuss their specific needs. All discussions will remain confidential. To ensure that you receive the most appropriate accommodation based on your needs, contact the instructor as early as possible in the quarter, preferably within the first week of class, and make sure you have contacted:

- PLuS Program (for LD, AD/HD) at 773-325-4239 in the Schmidt Academic Center, room 220 or;
- The Office for Students with Disabilities (for all other disabilities) at 773-325-7290, DePaul University Student Center, room 307.

Chronic Illness Initiative

The Chronic Illness Initiative (CII) provides access to higher education for students disabled by chronic illnesses that unpredictably increase and decrease in severity such as chronic fatigue syndrome, rheumatoid arthritis, lupus or illnesses requiring frequent hospitalizations. At SNL, staff and faculty are compassionate and committed to helping CII students achieve their educational goals. Contact CII at CII@depaul.edu.

Writing Help

For help with organizing your ideas, grammar, citing sources, avoiding plagiarism, sample SNL assignments and much more, see the Writing Guide for SNL Students at <http://snl.depaul.edu/writing/index.html>. For on-campus and online tutoring, see the DePaul University Writing Centers at <http://condor.depaul.edu/~writing/>.

[In addition, consider adding the Writing Centers' syllabus supplement available here <http://condor.depaul.edu/~writing/html/fac/supplements.html>]