The objectives of this course are to develop basic accounting and finance knowledge and skills, to enable the student to use the knowledge and skills to understand the financial condition of organizations and the financial environment in which they operate, and to integrate the subject matter with the analytical and practical skills necessary to the practice of law.

**Statement:** All students who wish to remain in the class are required to sign and return in the first week of class a statement that they have not previously taken more than one semester of either accounting or finance.

**Attendance:** The Law Center’s rules of attendance apply.

**Grades:** There will be regular weekly assignments to develop analytical skills; these will be discussed in class. Assignments must be turned in at the start of class on the date they are due and completion will be recorded, but they will not be graded. Since the primary purpose of weekly assignments is to build understanding, the substance may be discussed with others in the class, but the assignments must be individually completed. The final exam counts for 85% of the final grade. The remaining 15% will be based on completion of regular assignments and class contributions.

**Assigned Text:**

Introductory Accounting, Finance, and Auditing for Lawyers
By Lawrence A. Cunningham
Fourth Edition, 2004
West Group

**Suggested:** Subscribe to Wall Street Journal and read daily

**Readings for First Week:**

Cunningham, pp. 1-30
Class 1: Monday, August 24

Distribute Statement for signature
Introduction to the Course; its purpose and scope.
Why do lawyers need to know this stuff?
Who uses accounting information?
What is Accounting?  What is Finance?  How are they different?

Class 2: Wednesday, August 26

Business in Society.
Basic business concepts and terminology.
Financial accounting and other kinds of accounting.

Readings for next week: Cunningham, pp. 31-52
Assignment for next Wednesday: Cunningham, Prob. 2A (p.40-41)

Class 3: Monday, August 31

Introduction to Bookkeeping.
The Balance Sheet.
The Fundamental Equation.
Assets; Liabilities; Owner’s Equity.
Debits/Credits (Left side/Right side).
Journal entries.
T accounts.
The major Balance Sheet accounts defined.
Work with entries and T account examples.

Class 4: Wednesday, September 2

Do Problem 2A in class.
The Income Statement.
Relation of Income Statement to Balance Sheet.
Work with Revenue and Expense entries and T accounts.
Recap Balance Sheet and Income Statement.
Extraordinary items; Other Comprehensive Income.
Statement of Changes in Owners Equity.

Readings for next week: Cunningham, pp. 54-87.
Assignment for next Wednesday: Cunningham, Prob. 2B (p. 52).
[NO CLASS Monday, September 7 – Holiday]
**Class 5:** Wednesday, September 9

Do Prob. 2B in class.
Revisit: how Accounting differs from Bookkeeping
Introduction to Accrual Accounting concepts.
Accrual Accounting: Deferral of Expense – Inventory.

Readings for next week: Cunningham, pp. 89-110, 111-115, 121-124.
Assignment for next Monday: Prob. 3, (p.65).
Assignment for next Wednesday: Prob. 4B (p. 87).

**Class 6:** Monday, September 14

Do Prob. 3 in class.
Accrual Accounting: Deferral of Expense - Depreciation.

**Class 7:** Wednesday, September 16

Do Problems 4B.
Depletion, Intangibles, Goodwill.
Deferral of Revenue.

Readings for next week: Cunningham, pp. 145-165, 209-220, 220-227
Assignment for next Monday: Problem 5 (p. 109 –110).

**Class 8:** Monday, September 21

Do problem 5 in class.
Accrual Accounting.
Accrual of Expense and Revenue.

**Class 9:** Wednesday, September 23

The capital regime and capital accounts.
The “cash cycle”.
The Statement of Cash Flows.
Relation to Income Statement. (Work through examples in class.)

Reading for next week: Cunningham, pp. 167-205
Assignment for next Monday: Cunningham, Prob. 7B; Prob. 9A (p. 233) Note: To do this problem, use facts from Prob. 6 (p. 143), F/S you developed in Prob. 4B, and Oct. 31 F/S supplied by me.
**Class 10:** Monday, September 28

Do Problem 7B in class.
What Net Income does not show.
Cash flow – critical concepts.
Do Problem 9A in class.

**Class 11:** Wednesday, September 30

Financial statement analysis.
Footnotes to the financial statements.
Ratio analysis: the common ratios; who uses them and why.
Common size analysis and industry standards.
“Leverage” – the double-edged sword.

Reading for next week: Cunningham, pp. 349-410
Assignment for next Monday: Cunningham, Prob. 8 (p. 205).
Assignment for next Wednesday: Prob. 9B (p. 233).

**Class 12:** Monday, October 5

Do Problem 8 in class.
Financial Analysis, continued.
What is “profit”? Introduction to the Cost of Capital.
The Auditors Report.
The M.D. & A.

**Class 13:** Wednesday, October 7

Do Problem 9B in class.
History of Auditing
GAAS
Auditing: The process.
Internal Controls and Accurate Records – what and why
FCPA; SEC; Sarbanes-Oxley.

Reading for next week: Cunningham, pp. 414-463

**Class 14:** Monday, October 12

Duties of the Auditor
Can auditors catch fraud? Should they be required to?
Auditor Liability.
Sarbanes-Oxley and auditors, Board, Corporate officers, attorneys.
The Lawyer’s Role
**Class 15:** Wednesday, October 14

Common Accounting Shenanigans.  
Red Flags.

Assignment for next week: Use Internet to get 10K for class discussion. Study 10K and annual report for class discussion.

**Class 16:** Monday, October 19

Shenanigans continued.

Introduction to reading Annual Reports and beginning of journey of through an annual report.

**Class 17:** Wednesday, October 21

Continued journey through an annual report.

Reading for next week: Cunningham, pp. 235-258

**Class 18:** Monday, October 26

Using accounting concepts in drafting and negotiation

**Class 19:** Wednesday, October 28

Introduction to Finance – basic principles.  
Time value of money.  
Discount rates.  
Introduction and basic calculations

Readings for next week: Cunningham, pp. 116-121, 261-287  
Assignment for next Wednesday: Cunningham, Prob. 10 (p.258)

**Class 20:** Monday, November 2

The “Engineering Economics” variations on the time value of money theme.  
ROI, IRR, amortization, annuities, sinking funds, payback periods.
**Class 21:** Wednesday, November 4

Do Problem 10 in class
Valuation of Securities: introduction, with revisit to time value of money.
Accounting for securities, an exception to the rule of historical cost.

Assignment for next Monday: Cunningham, Prob. 11A, 11C (p. 287-288)

**Class 22:** Monday, November 9

Do Problems 11A, 11C in class

**Class 23:** Wednesday, November 11

Money: What is it?
Credit.
The Banking System.
Interest rates.
Common financial instruments.


**Class 24:** Monday November 16

Inflation: causes; effects; implications for accounting; valuation.
More on securities valuation.
Accounting for securities.

**Class 25:** Wednesday, November 18

Financial Markets – overview and discussion of the major markets.
Market Regulation.
How well do markets value?
Efficient markets theory.

**Class 26:** Monday, November 23

Some basic statistical theory.
Introduction to portfolio theory.

[ NO CLASS Wednesday, November 25 – Holiday]

Readings for next week: Cunningham, pp. 116-121, 125-127, 129-141
Assignment for next Monday: Cunningham, Prob. 12A (p. 315)
Class 27: Monday, November 30

Do Problem 12A in class
Risk.
Shifting and spreading risk: old and new techniques
Derivatives: concepts and uses.
Common derivatives.
Valuation of derivatives.
Regulation of derivatives.

Class 28: Wednesday, December 2

LAST CLASS
Lead or Buy?
“Off–Balance Sheet Financing”: Equity accounting for ownership; operating leases;
Variable Interest Entities (previously, SPEs).

Final Exam: December 9, 9:00 to Noon