

Accounting 15.515 Introduction

- ▶ Introduction
- ▶ Goals of this course and how to achieve them
- ▶ What do accountants and Intel have in common?

Acknowledgement is hereby given to Professor G. Peter Wilson for his authorship of the following works incorporated into this slideshow:

- The Five Challenges (slides 4-5)
- "What Do Intel and Accountants Have in Common?"(slides 9-16)
- A Conceptual Framework for Financial Accounting (slide 17)

Economic Consequences of Accounting

"It's not the economy anymore, stupid. It's the accounting."

- See complete article, Browning, E.S. and Jonathan Weil. "Burden of Debt: Stocks Take a Beating As Accounting Worries Spread Beyond Enron." The Wall Street Journal, January 30, 2002, pp. A1.

The Reaction of Staples Stock to its Announcement of Higher 2nd Quarter Earnings

- Stock Price
- Shares Traded

What is our Course Objective?

- ▶ To become intelligent users of accounting information
- ▶ Learn the language and techniques
- ▶ Go beyond bookkeeping and computation
 - Use a common framework to conceptualize issues
- ▶ What are not our objectives
 - to train you to be an accountant or bookkeeper
 - Financial Statement Analysis - take 15.535

The Five Challenges

► Record keeping and reporting

- As a preparer, having determined the numbers you want to record for an economic event, how do you record them? How does it affect accounting reports?
- As a user, given the reported numbers, do I know how they were computed?

► Computation

- As a preparer, having chosen the accounting method to measure an event, how do I compute the number reported in 1?
- As a user, knowing the procedures used by management, and the information necessary to execute them, how would you compute them yourself?

What is Our Strategy for Achieving these Objectives?

Cases and Class Discussion

- ▶ Judgment challenge
- ▶ Application of other challenges
- ▶ Learning to communicate ideas
- ▶ Learning from each other
- ▶ Learning through discovery

What is Our Strategy for Achieving these Objectives?

Cases and Class Discussion

- ▶ Learning useful skills
 - Graded assignments
 - Graded class participation
 - Warm and cold calling

What is “Good” Participation?

- ▶ Quality, not quantity.
- ▶ Analyzing and discussing course material.
- ▶ Questioning the analysis of others.
- ▶ Seeking clarification.
- ▶ Contrasting issues within other settings, courses, and / or other countries.
- ▶ Changing the direction of discussion.
- ▶ Summarizing / synthesizing.
- ▶ Adherence to guidelines for professional conduct.

How to Get Involved

▶ Prepare

▶ Be a risk-taker

What do Intel and Accountants have in Common?

- ▶ Intel produces microprocessors, chipsets and other semiconductor components to meet the diverse needs of their customers.

- ▶ What do accountants produce and who are their customers?

What do Intel and Accountants have in Common?

- ▶ Intel's customers use microprocessors as the “brain” of their computers.

- ▶ What do accountants' customers do with accounting information?

What do Intel and Accountants have in Common?

- ▶ Intel's operating inputs include materials, technology and capital.

- ▶ What are the inputs to the accounting process?

What do Intel and Accountants have in Common?

- ▶ Intel's product designs depend on its customers' needs, competition, availability of inputs and technological constraints.
- ▶ What factors influence the design of accountants' products?

What do Intel and Accountants have in Common?

- ▶ Intel's customers would prefer microprocessors that:
 - Execute 1 teraflop per second
 - Run on ambient solar energy
 - Can be worn discretely as jewelry
 - Are completely bug-free
 - Support all software and operating systems
 - Are given away to anyone who wants them

- ▶ Why don't they get all of these?

What do Intel and Accountants have in Common?

- ▶ What kind of information would accountants' customers like?
- ▶ Why don't they get it?

What do Intel and Accountants have in Common?

- ▶ The quality of Intel's products is based on some of the following factors:
 - Reliability and dependability (CPU must know how to multiply)
 - Compatibility with existing software

- ▶ What factors can be used to determine the quality of the products accountants produce?

What do Intel and Accountants have in Common?

- ▶ Intel's customers assess quality based on:
 - Intel's reputation
 - Independent ratings
 - Software and hardware engineers' opinions
 - Customers' own judgment

- ▶ How do accountants' customers assess the quality of accounting information?

A Conceptual Framework for Financial Accounting

