

LAW 849/LSM 810 – FINANCIAL LITERACY FOR LAWYERS

Course Syllabus – Fall 2018
Online

This is your course syllabus. Please download the file and keep it for future reference.

TEACHING TEAM

COURSE INSTRUCTOR

Len Anderson, CPA, CA
Adjunct Lecturer in Smith School of Business
and Faculty of Law, Queen's University

E-mail: pla1@queensu.ca



COURSE INFORMATION

COURSE DESCRIPTION¹

This course is designed to introduce students to concepts of financial literacy in order to support them in their interactions with business clients and practice management. The course is not intended to make students into tax or accounting specialists. The focus is on basic financial accounting techniques, the preparation of financial statements along with consideration of some current issues in financial reporting, the application of financial statement analysis tools, the basics of business valuation, selected income tax topics relevant to professionals and their clients, and financial accounting, management and control issues as they relate to professional services firms.

PRE-REQUISITE KNOWLEDGE

This course is designed for learners with no or limited business background. Learners will have a university-level degree and it is anticipated that many of them will have experience in the workforce.

COURSE LEARNING OUTCOMES (CLO)

By the end of this course, students should be able to:

- CLO 1:** Interpret a financial statement and other presentations of financial performance (e.g. non-GAAP measures).
- CLO 2:** Illustrate common accounting errors and misstatements and their remediation.
- CLO 3:** Recognize the implications of current accounting issues and recent developments in a given situation.
- CLO 4:** Apply simple valuation concepts and considerations.
- CLO 5:** Demonstrate an introductory level of awareness of common business income tax issues.
- CLO 6:** Describe key financial accounting, financial management and financial control issues as they relate to professional services firms and other organizations more generally.

¹ The LAW 849/LSM 810 Course Author is Len Anderson.

MODULE LEARNING OUTCOMES

Week	Learning Outcomes
Module 1 – Introduction to Accounting	
The Basic Accounting Model	
	An introduction to the mechanics of accounting. We will derive the basic accounting equation for the Balance Sheet and will apply the equation to accounting for cash and credit transactions. The Income Statement and its function will be illustrated.
1	By the end of this topic, learners will be able to: <ul style="list-style-type: none">• Explain the basic accounting equation for cash and credit transactions [CLO 1]• Apply the equation to accounting for cash and credit transactions [CLO 1]• Describe the function of the Income Statement and its relationship to the balance sheet [CLO 1]
The Accruals Concept	
	Consolidation of Week 1 learning and a study of the accruals concept. We will use the Balance Sheet and Income Statement of The North West Company Inc. to illustrate the accruals concept in action for a company with a simple business model. The format and function of the statement of cash flows will be considered. We will also introduce Generally Accepted Accounting Principles (GAAP), and how they are determined for Canada, with a focus on International Financial Reporting Standards (IFRS).
2	By the end of this topic, learners will be able to: <ul style="list-style-type: none">• Explain the accruals concept [CLO 1]• Apply the accruals concept to basic accounting situations [CLO 1, 2]• Evaluate simple accounting cases to identify accruals omissions and correct the error [CLO 2]• Explain the framework for the determination of GAAP in Canada [CLO 1, 3]
Module 2 – Interpreting the Narrative	
Financial Statement Analysis	
	A discussion of approaches to financial statement analysis including same-sizing and ratio analysis.
3	By the end of this topic, learners will be able to: <ul style="list-style-type: none">• Apply ratio analysis and same-sizing techniques to a set of financial statements [CLO 1]

Week	Learning Outcomes
	<ul style="list-style-type: none">• Draw preliminary conclusions about the financial management, results and financial condition of a company [CLO 1]
Non-GAAP Measures	
	<p>We will consider the ways in which companies frame their financial reporting with supplemental commentary and analysis in the Management Discussion and Analysis (MD&A). An introduction to non-GAAP measures such as EBITDA and adjusted EBITDA.</p>
4	<p>We will also look at non-GAAP measures used by banks (financial covenants) to manage their credit risk in lending arrangements.</p> <p>By the end of this topic, learners will be able to:</p> <ul style="list-style-type: none">• Describe the regulatory framework for use of non-GAAP measures by management in financial reporting [CLO 1]• Critique the use of non-GAAP measures [CLO 1, 2, 3]• Apply non-GAAP measures used by lending institutions [CLO 1, 6]
Module 3 – A Closer Look	
Capital Assets	
5	<p>A common source of error and financial reporting fraud: what is the appropriate guidance on when to capitalize and when to expense costs? We will use the 2017 SEC action against Penn West (now Obsidian Energy) to illustrate.</p> <p>By the end of this topic, learners will be able to:</p> <ul style="list-style-type: none">• Explain the difference between costs accounted for as assets and those accounted for as expenses [CLO 1, 2]• Differentiate between correct and incorrect application of the GAAP in similar situations [CLO 1, 2]• Explain the basis for common financial report misstatement involving assets [CLO 2, 3]
Revenue	
6	<p>One of the big business performance measurement issues of our time: when to record revenue and for how much? We will look at the applicable guidance and consider a situation where practice deviated from the guidance (alleged “channel-stuffing” at Valeant).</p> <p>By the end of this topic, learners will be able to:</p> <ul style="list-style-type: none">• Explain the simple revenue recognition model [CLO 1, 3]

Week	Learning Outcomes
	<ul style="list-style-type: none">• Apply the revenue recognition model to various common transaction types [CLO 1, 2]• Critique revenue recognition decisions to identify errors [CLO 2, 3]• Summarize the application of revenue recognition rules to a professional services firm [CLO 6]
<hr/> Liabilities	
<p>Off-balance sheet and on-balance sheet: contingencies, commitments and provisions, including the role of estimates. We will look at Volkswagen and observe how the measure of liability for the diesel cheat-device matter changed over 8 quarters.</p>	
<p>By the end of this topic, learners will be able to:</p>	
7	<ul style="list-style-type: none">• Explain the different classifications of liability [CLO 1]• Apply the understanding of liability recognition rules to situations involving varying levels of probability [CLO 1, 2, 3]• Discuss the role of estimates and measurement uncertainty in liability determination [CLO 1, 2, 3]• Differentiate between contractual obligations that require liability recognition and those that do not [CLO 2, 3]
<hr/> Equity	
<p>We will look at an IPO (Shopify) and see what happens from an accounting perspective, including how employee stock options are accounted for. This class will reinforce our awareness of the limitations of our accounting frameworks when we consider the difference between the Book Value of Equity and its Fair Market Value.</p>	
8	<p>By the end of this topic, learners will be able to:</p> <ul style="list-style-type: none">• Explain the concept of equity and how it changes [CLO 1]• Illustrate the accounting for employee stock options [CLO 1]• Analyze a simple IPO [CLO 1]• Explain the difference between Book Value of Equity and its Fair Market Value [CLO 1, 2, 4]
<hr/> Valuations	
9	<p>We will consider different approaches to the determination of value. Students will be introduced to the use of discounted cash flow as a valuation tool commonly used to arrive at Fair Market Value (FMV) of equity and will apply the technique to a simple corporate valuation. The concept of price will be explored and contrasted with FMV and Book Value of equity.</p>

Week	Learning Outcomes
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By the end of this topic, learners will be able to:

- Summarize the concept of a discounted cash flow analysis [CLO 4]
- Calculate valuation multiples [CLO 4]
- Apply valuation multiples to simple financial data [CLO 4]
- Evaluate financial data to find the common adjustments necessary for input into a valuation computation [CLO 4]
- Explain the difference between Book Value, Fair Market Value and Price as the terms relate to equity interests [CLO 4]

Module 4 - Tax

Professional and Private Company Issues

The determination of taxable income for an individual and a corporation will be surveyed and tax rates considered. There will be some discussion of common issues in practice, including employed v self-employed, personal service businesses, the tax benefits of incorporation.

We will touch on some more complicated tax matters that lawyers may encounter in a general corporate practice including:

- 10
- initial capitalization of a private company including transfers of goodwill on incorporation of a professional services firm;
 - a simple estate freeze;
 - the lifetime capital gains exemption for sale of shares in a qualified small business corporation.

By the end of this topic, learners will be able to:

- Explain the basic income tax computation model [CLO 5]
- Illustrate the tax benefits of business income v employment income [CLO 5]
- Recognize the benefits of incorporation [CLO 5, 6]
- Explain some of the issues to be considered in incorporating a business [CLO 5, 6]
- Describe what is meant by an estate freeze [CLO 5]
- Explain the basic framework for accessing the lifetime capital gains exemption [CLO 5]

Module 5 – Practice Management

Application to Professional Services Firms

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- We will refresh our understanding of the principles of revenue recognition as they apply to a professional services firm. Then we'll consider how the elements of revenue are typically managed to drive growth. The management of a professional

Week	Learning Outcomes
	<p>services firm’s balance sheet will also be considered. Firm financial management will be discussed with a managing partner from a mid-sized regional firm. Finally, we will look at professional requirements for lawyers to keep proper accounting records. To illustrate learning in this module, we will compare the financial statements of two professional services firms, Clifford Chance LLP and PwC LLP.</p> <p>By the end of this topic, learners will be able to:</p> <ul style="list-style-type: none">• Apply all learning to this point to a law firm situation [CLO 6]

Internal Controls, Budgets and Fraud Risk

12 We will review common types of financial fraud illustrate with seismic events in recent business history and attempt to identify common risk factors. Students will be introduced to a structured approach to identify fraud risk factors and a consideration of the nature and role of internal controls. An internal control framework (Committee of Sponsoring Organizations of the Treadway Commission – COSO) will be considered.

By the end of this topic, learners will be able to:

- Describe the COSO framework [CLO 6]
 - Explain what is meant by internal controls [CLO 6]
 - Explain some key types of financial reporting fraud
 - Identify fraud risk factors [CLO 6]
 - Illustrate some responses to identified fraud risk factors [CLO 6]
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COURSE MATERIALS

Required Textbook

There is no required textbook for this course.

Other Materials

All other course materials can be found on the course website.

SUGGESTED TIME COMMITMENT

This course represents a study period of one semester (12 weeks), and participants can expect to invest on average 9-12 hours per week in this course. Learners who adhere to a pre-determined study schedule are more likely to complete the course successfully.

COURSE EVALUATION

ASSESSMENT WEIGHTING

Assessment Tool	Due Date (before 23:59 ET)	Weight	Alignment with CLOs	Alignment with GDLEs ²
Exercises (9)	Sunday of Weeks 1, 2, 3, 4, 5, 6, 7, 8, 10	10% (9 x 1.11 %)	1, 2, 3, 5	1
Short Assignments (2)	Sunday of Weeks 3, 8	20%	1, 2, 3	1, 2, 3
Discussion Forums: Media Literacy (2)	Sunday of Weeks 2/3, 5/6	10% (2 x 5%)	1, 3, 4, 6	3, 4, 5
Team Assignment: Financial Statement Analysis	Sunday of Week 5	15%	1, 2, 3, 4	3, 4, 5
M&A Transaction Simulation	Sunday of Week 11	20%	1, 4, 5, 6	3, 4, 5
Law Firm Financial Management Case	Sunday of Week 12	25%	1, 2, 3, 6	3, 4, 5, 6
		100%		

ASSESSMENT DESCRIPTIONS

Exercises

There are nine exercises to complete in the course. The exercises are short tasks designed to help you apply your learning, reflect on your skills, and provide feedback to the instructor. More details about exercises are on the class website.

Short Assignments

There are two short assignments in this course. Each assignment will present you with a scenario to which you must respond using the concepts presented in the course. More details about these assignments are on the class website.

Discussion Forum: Media Literacy

There are two individual discussion forum activities for you to complete. Each discussion activity spans two weeks. In the first week, you must review a relevant news article that

² As per “Ontario Universities Council on Quality Assurance: Quality Assurance Framework” October 2016. <http://oucqa.ca/wp-content/uploads/2017/10/Quality-Assurance-Framework-and-Guide-Updated-Guide-Oct-2017-Compressed-Version.pdf>

connects with the course content and post a response to the question posed by the instructor in relation to the article. In the second week, you must engage in discussion about your response with other students. More details about this assignment are on the class website.

Team Assignment: Financial Statement Analysis

For this assignment, you will work in teams of three to compare companies employing financial statement analysis techniques. Your team must draw preliminary conclusions about each company's financial performance and financial condition based on the analysis. You will be encouraged to make connections between the results of your analysis and the business strategy of the company concerned. This exercise will provide experience in applying the course concepts to real-world contexts. More details about this assignment are on the class website.

M&A Transaction Simulation

For this assignment, you will be provided with a short case about entrepreneurs looking to sell their company. You have been invited to look at certain financial information and undertake a limited amount of due diligence to determine whether you might be interested in acquiring their business. Your task is to produce a non-binding letter of intent conveying a proposed transaction price, deal structure, and justification for your proposal. More details about this assignment are on the class website.

Law Firm Financial Management Case

For this final assignment, you will be provided with a case study that indicates some financial management issues at a law firm. Your task is to identify the issues and propose possible solutions for consideration. This exercise will serve to bring together important concepts from throughout the course. More details about this assignment are on the class website.

LATE POLICY

In the event of extenuating circumstances, you may request an extension to an assignment due date without penalty. Requests must be made to your instructor prior to the original due date of the assignment, and some substantiating documentation is often required. Note that unacceptable reasons include malfunctioning computer, travel plans to go home for holidays, generally behind on schoolwork, etc. In the absence of substantiating documentation, the normal late penalty will apply as described in the assignment details or departmental policies.

GRADING

All assessments in this course will receive numerical percentage marks. The final grade you receive for the course will be derived by converting any numerical grades to letter grades according to Queen's Law Grade Conversion Scale and may be adjusted according to the [Queen's Law Grading Policy](#).

Feedback on Assessments

The instructor and/or teaching assistants will provide feedback on assessments within seven to ten days of the due date.

Accessing Your Final Grade

Your final grades will show on SOLUS. Official transcripts showing final grades will be available on the Official Grade Release Date. Please note that in official transcripts, a mark of IN (incomplete) is considered a grade, and your transcript is released with this grade.

Queen's Law Grade Conversion Scale

Grade	Numerical Course Average (Range)	Grade	Numerical Course Average (Range)
A	85-100	C+	67-69.9
A-	80-84.9	C	60-66.9
B+	77-79.9	D	50-59.9
B	73-76.9	F	Below 50
B-	70-72.9	P	Pass; no grade assigned

COURSE COMMUNICATION

QUESTIONS ABOUT COURSE MATERIAL

Questions or comments regarding the course material should be posted in the Q&A forum on the class website. The instructor and students are encouraged to answer these questions directly in the discussion forum for the benefit of everyone in the course.

COURSE ANNOUNCEMENTS

The instructor will routinely post course announcements in the Announcements section on the main course homepage. Please sign up to be automatically notified by e-mail or text message when new information is posted. Instructions on how to modify your notifications are found in the Begin Here modules of the class website.

OFFICE HOURS

In addition to interaction in the Q&A discussion forum, the instructor will be available for office hours on Tuesdays from 5:00-9:00 PM (ET) and Thursdays from 1:00-4:00 PM (ET). Please contact the instructor to arrange a meeting method (e.g. skype, phone) or location.

CONFIDENTIAL MATTERS

If you have a confidential matter you would like to discuss with your instructor, their contact details are on the first page of this document. Expect e-mail replies within 48 hours and in some cases within 24 hours.

QUEEN'S E-MAIL

The university communicates with students via Queen's e-mail. Please check your Queen's e-mail regularly to ensure you do not miss important information related to your course.

NETIQUETTE

During this course, you may communicate with your peers and teaching team through electronic communication. Remember to use the utmost respect in your dealings with your colleagues or when participating in activities, discussion, and online communication.

Following is a list of netiquette guidelines. Please read them carefully and use them to guide your communication in this course and beyond.

1. Make a personal commitment to learn about, understand, and support your peers.
2. Assume the best of others and expect the best of them.
3. Acknowledge the impact of oppression on the lives of other people and make sure your writing is respectful and inclusive.
4. Recognize and value the experiences, abilities, and knowledge each person brings.
5. Pay close attention to what your peers write before you respond. Think through and re-read your writings before you post or send them to others.
6. It's alright to disagree with ideas, but do not make personal attacks.
7. Be open to be challenged or confronted on your ideas and challenge others with the intent of facilitating growth. Do not demean or embarrass others.
8. Encourage others to develop and share their ideas.

COURSE FEEDBACK

At various points during the course, you may be asked to take part in a variety of feedback activities, such as questionnaires, exit tickets, and surveys. This feedback enables the teaching team to make any adjustments necessary to improve the learning environment. Surveys administered throughout the course are anonymous and directly related to activities, assessments, and other course material.

Your input is essential for maintaining and improving the quality of this course material for future offerings (e.g., course content, writing errors, assignments, readings, course design). Please e-mail additional comments to your instructor at any time.

COURSE POLICIES

COPYRIGHT

The material on the course website is copyrighted and is for the sole use of students registered in LAW 849/LSM 810. The material on the course onQ site may be downloaded for a registered student's personal use but shall not be distributed or disseminated to anyone other than students registered in LAW 849/LSM 810. Failure to abide by these conditions is a breach of copyright and may also constitute a breach of academic integrity under the [University Senate's Academic Integrity Policy Statement](#).

ACADEMIC INTEGRITY

Students are responsible for familiarizing themselves with the regulations concerning academic integrity and for ensuring that their assignments conform to the principles of academic integrity. Information on academic integrity is available on the [Queen's Law website](#).

Departures from academic integrity are antithetical to the development of an academic community at Queen's and include plagiarism, use of unauthorized materials, facilitation, forgery, and falsification. Given the seriousness of these matters, actions which contravene the regulation on academic integrity carry sanctions that can range from a warning or the loss of grades on an assignment to the failure of a course to a requirement to withdraw from the university.

ACCESSIBILITY AND ACCOMMODATIONS

Queen's University is committed to achieving full accessibility for persons with disabilities. Part of this commitment includes arranging academic accommodations for students with disabilities to ensure they have an equitable opportunity to participate in all of their academic activities. If you are a student with a disability and think you may require accommodations, you are strongly encouraged to contact the [Queen's Student Accessibility Services \(QSAS\)](#) as early as possible. For more information, including important deadlines, please visit the QSAS website.

The class website in onQ is powered by the Brightspace by D2L learning environment that [complies with common accessibility standards](#) and every effort has been made to provide course materials that are accessible. If you find any element of this course difficult to access, please discuss with your instructor how you can obtain an accommodation.

Students with course accommodations should contact the [Faculty of Law Student Services](#) immediately following registration to inform them of any accommodations to their timed assessments and/or final exam(s).

ACADEMIC AND STUDENT SUPPORT

Queen's has a robust set of supports available to you including the [Library](#), [Student Academic Success Services](#), and [Career Services](#). You are also encouraged to visit the [Faculty of Law](#)

[website](#) for information about various other policies such as academic advisors, registration, student exchanges, awards and scholarships, etc.

TECHNICAL SKILLS AND SUPPORT

No specialized computer-related technical skills are required for this course. If you require technical assistance, please contact [Queen's Information Technology Services](#).

COMPUTER REQUIREMENTS

Tool	Requirements
Microsoft Windows Client	Vista/Windows 7/Windows 8 Intel Core 2 Duo processor 2 GB RAM Soundcard with speakers and microphone or preferably a headset Webcam (required for online proctored exams)
Mac Client	OS X 10.8 or higher Intel i5 processor 2 GB RAM Internal, USB or external iSight microphone or preferably a headset Webcam (required for online proctored exams)
Supported Browsers	Firefox (latest version) Safari (latest version on 64-bit Intel processors only)
Java	Latest version
Internet Connection	Wired high speed access: Cable or better (wifi is not recommended)
Media Player	Flash (latest version)
Adobe Reader	Latest version

STUDENTS TRAVELLING OVERSEAS

Students who will be out of Canada for any duration of the term should be advised that, in the past, students overseas have been blocked from accessing certain websites relevant to their courses, as well as onQ. If your course requires the completion of online quizzes or exams, inability to access course materials may pose an impediment to your success in completing the course. We do not make accommodations based on the lack of reliable Internet access. You are responsible for making sure you have adequate high-speed Internet coverage for the entirety of the term.