

Cover Sheet: Request 12185

Change to the BSBA Finance Major

Info

Process	Major Curriculum Modify Ugrad/Pro
Status	Pending at PV - University Curriculum Committee (UCC)
Submitter	Erica Studer-Byrnes erica.byrnes@warrington.ufl.edu
Created	12/19/2017 1:03:32 PM
Updated	12/19/2017 4:18:22 PM
Description of request	The required fourth course in finance (the finance elective) will be replaced with the following required course: <ul style="list-style-type: none"> ACG 4111 Financial Accounting and Reporting 2 (ACG 3101 "C"; FIN 3403)

Actions

Step	Status	Group	User	Comment	Updated
Department	Approved	CBA - Finance, Insurance and Real Estate 011706000	Erica Studer-Byrnes		12/19/2017
Finance Catalog Text - Updated - Revised.docx					12/19/2017
FIN_Chgs_Process_Hx.pdf					12/19/2017
2018_CFA_5.pdf					12/19/2017
2018_CFA_6.pdf					12/19/2017
FSOA_FinanceChange.pdf					12/19/2017
College	Approved	CBA - College of Business Administration, Warrington	Erica Studer-Byrnes		12/19/2017
No document changes					
University Curriculum Committee	Pending	PV - University Curriculum Committee (UCC)			12/19/2017
No document changes					
Office of the Registrar					
No document changes					
Student Academic Support System					
No document changes					
Catalog					
No document changes					
Academic Assessment Committee Notified					
No document changes					
College Notified					
No document changes					

Major|Modify_Curriculum for request 12185

Info

Request: Change to the BSBA Finance Major

Description of request: The required fourth course in finance (the finance elective) will be replaced with the following required course:

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ACG 4111 Financial Accounting and Reporting 2 (ACG 3101 "C"; FIN 3403)

Submitter: Erica Studer-Byrnes erica.byrnes@warrington.ufl.edu

Created: 9/22/2016 6:01:29 PM

Form version: 1

Responses

Major Name Finance

Major Code FIN

Degree Program Name BSBA

Effective Term Summer

Effective Year 2018

Proposed Changes The required fourth course in finance (the finance elective) will be replaced with the following required course:

ACG 4111 Financial Accounting and Reporting 2 (ACG 3101 "C"; FIN 3403)

The current approved electives (that meet the status quo requirement) are: any 3000/4000-level ACG, ECO 3713 (International Macroeconomics), ECO 4213 (Monetary Economics), any 3000/4000-level FIN elective (however, only one course that meets this criteria has been offered per year for the past four academic years), and any 3000/4000-level REE elective (however, only one is consistently offered - REE4303, and only once per year).

Pedagogical Rationale/Justification The proposed changes to the curriculum are intended to make the pedagogically most appropriate course required. The status quo requirement allows for courses that are not pedagogically appropriate, and that also fail to prepare our students for future coursework and employment. This change would increase competitiveness of graduates for professional and graduate program admissions, strengthen preparedness of students for entry level work within the finance field, and is supported by employers and recruiters to UF.

The context is that our current set of elective options are a patchwork of courses that do not provide appropriate preparation. Accounting is a core tool in finance. The Department of Finance has received complaints from faculty and employers on the poor accounting preparation of students in the Finance major. In a changing market, we are not providing adequate background in accounting that is relevant to support success in upper division courses as well as employment in the finance industry. For example, finance graduates pursuing the Chartered Financial Analyst (CFA) designation are required to demonstrate accounting proficiency well beyond the material currently required. The Level 2 exam evaluates accounting knowledge in, for example, pension fund accounting, a topic taught in ACG 4111 (see CFA attachment).

Impact on Enrollment, Retention, Graduation Students who are currently in the major will not be impacted by this proposed change as it will not take effect until the new catalog year.

In the future, this change may result in increased enrollment in the Accounting minor. The ATG department is supportive of this potential outcome (see attached letter from Associate Dean McGill).

Assessment Data Review The following Student Learning Outcomes will be impacted by this proposed change:

1. Demonstrate knowledge and understanding of elements of economics, financial accounting, marketing, operations management, organizational behavior, business law, information technology, business statistics and social responsibility.
2. Demonstrate proficiency in the use of business-related software applications.

9. Specify and implement a framework for identifying a business problem and develop alternative solutions and a set of evaluation criteria.
10. Assess the outcomes of a course of action and make appropriate adjustments.

Data from our peer schools evidences a lesser amount of Accounting required for Finance majors at UF as compared to Finance programs at other institutions. This data is summarized below.

Institution	Total Number of ATG Courses Required			Lower Division ATG Courses Required		Upper Division ATG Courses Required
UF	2	2	0			
FSU	4	2	2			
University of Texas		3	2	1		
Berkeley		2	0	2		
Cornell	3	1	2			

Adding Financial Accounting and Reporting 2 as a required course will directly address SLO 1 by improving student knowledge of financial accounting. In addition, the use of software such as Microsoft Excel in the ACG4111 teaching environment will impact student proficiency in the use of business-related software applications (SLO 2).

Academic Learning Compact and Academic Assessment Plan No modifications to the ALC or Academic Assessment Plan will result from the proposed change.

November 30, 2017

To: Dean John Kraft

From: Gary McGill, Director & Associate Dean



Re: Finance degree curriculum change

The Fisher School of Accounting fully supports the proposed change to the finance degree requirements in which the required fourth course in finance (the finance elective) would be replaced with ACG 4111 Financial Accounting and Reporting 2.

We recognize that such a change would increase enrollments in ACG4111 and ACG3101 and we are prepared to deal with these increases. The change would add significant value to the Finance major. Employers have long indicated that additional accounting coursework is valuable for finance majors.

In addition, the change has the potential to provide two other benefits to the College's programs and students. First, the change may increase enrollments in ACG2021 and ACG2071 as students seek to better prepare for the Finance major. Second, Finance majors will be more likely to complete the Accounting minor as it only requires two additional upper division accounting courses. The Fisher School is supportive of both of these potential outcomes and will be prepared to assist students accordingly.

Notes from Departmental review:

Following discussions within the department and amongst the Associate Dean of the Heavener School of Business, the Dean of the WCB, and the faculty of the department about the best course sequencing and preparation model for students enrolled in the Finance major, the Chair of the Department of Finance, Insurance, and Real Estate proposed the current curricular change to the faculty of the department on the week of November 13th.

The discussions surrounding the proposed change within the department highlighted the knowledge gap in student ability to effectively review financial statements and demonstrate capabilities in core accounting functions necessary to perform in finance. There was discussion about the best way to address the knowledge gap, and strong consideration was given to a proposal requiring Finance majors to complete the Accounting minor. Ultimately, the faculty determined that two of the courses required for the minor (ACG 3401 Business Processes and Accounting Information Systems & ACG 4341 Cost and Managerial Accounting) were not appropriate for Finance majors. The faculty voted to unanimously approve the proposal to require ACG4111 (11 votes were cast). One faculty member noted that the proposed change “adds significant educational value” to the major.

Dr. Andy Naranjo, Chair of the Department of Finance, Insurance, and Real Estate, and Dr. John Banko, Chair of the Undergraduate Committee of the Warrington College of Business, then presented the changes to the Undergraduate Committee on November 28th. Dr. Naranjo highlighted the need for the change by citing evolution in the markets that demand more accounting knowledge of finance professionals. In addition, he provided information that demonstrated that many of the universities in UF’s peer group require more upper-division accounting coursework than what is currently required at UF. Finally, he informed the committee that multiple employers had reached out to him with concerns about the consistent accounting skill deficit of UF’s finance graduates.

The committee discussed the proposal at length, evaluating the impact on the accounting department, other majors, lower division coursework, and the career readiness of graduates. The accounting faculty present confirmed that ACG4111 provides students with in depth knowledge of financial statements, and suggested it was sound preparation for financial modeling and other finance functions. The committee debated the rigor that the proposed change would yield in the semester by semester plan, and it was determined that one of the required finance major courses could be moved from term 6 to term 7 and still retain the necessary academic sequencing to ensure that students are prepared for future courses. This change is reflected in the documents submitted to the UCC. The two student members of the committee were both supportive of the proposal, and remarked that they felt the changes would make them more competitive in the marketplace. A motion was made to approve the proposal with the one change and the motion passed with unanimous support from the committee (9 votes were cast).

On December 14th, 2017 the proposal to require ACG4111 was presented to the WCB faculty at a faculty meeting. Discussion at the meeting included an observation that this change could potentially encourage students to pursue the Minor in Accounting, which was a concept received favorably by the entire faculty. The faculty committee unanimously voted to approve the proposed amendment to the Finance major.

Major

Finance

The Bachelor of Science in Business Administration-Finance (BSBA-FIN) degree program provides a broad overview of the functional areas of business with an emphasis in finance. Students take foundation courses in economics, mathematics, computing skills and accounting; core courses that relate to the basic functions of business, such as finance, management, marketing and operations management; and major courses that develop students' financial decision-making skills.

About this Major

- **College:** [Heavener School of Business](#)
- **Degree:** Bachelor of Science in Business Administration
- **Credits for Degree:** 120
- **Academic Learning Compact**
- **Additional Information** [🔗](#)
- **Related Finance Programs**

To graduate with this major, students must complete all university, college, and major requirements.

[Critical Tracking](#)

[Model Semester Plan](#)

Overview

The Bachelor of Science in Business Administration-Finance (BSBA-FIN) degree program focuses on the acquisition and management of funds by businesses, financial markets, security analysis and valuation, management of financial institutions, interest rates, investments and securities, financial risk management, security trading, government policy and financial markets, financial forecasting, capital structure, venture capital and security issuance. The finance curriculum prepares students for careers in corporate financial management and the financial services industry. Finance graduates can also pursue graduate studies in business, law and public administration.

BSBA-FIN majors are encouraged to gain practical work experience through [internships](#), student organizations and community service. In addition, the Heavener School of Business offers students a wide variety of academic and [career and leadership programs](#), including [study abroad](#), the Florida Leadership Academy, involvement in [student organizations](#) and [research activities](#). Students should consult an [academic advisor/career coach](#) for specific information.

Requirements for the Major

BSBA-FIN majors must maintain a 2.0 core, major and UF GPA. Students must read the individual course descriptions in this catalog to determine the prerequisites for their required courses. In addition to the critical-tracking and general education courses outlined below, BSBA-FIN majors must take 120 credits, including:

- **Core courses:** BUL 4310, FIN 3403, GEB 3373, MAN 3025, MAN 4504, MAR 3023 and QMB 3250
- **Major courses:** FIN 4243, FIN 4414, FIN 4504 ~~and four credits of elective(s) including 3000/4000-level ACG, ECO 3713, ECO 4213, FIN, and REE courses (except REE 3043), and ACG 4111~~
- **Restricted elective courses:** 11-12 credits of any 3000/4000-level courses or 1000/4000-level foreign language courses. One electronic platform course (ENT 3003, GEB 3035, ISM 3004 or REE 3043) can be taken to fulfill the restricted elective requirement. Internship, independent study or assistantship credit will not count toward this requirement. ACG 3101 is a recommended elective.
- **Professional communication course:** GEB 3213 Professional Writing in Business, GEB 3218 Professional Speaking in Business, SPC 2608 Introduction to Public Speaking, ENC 3312 Advanced Argumentative Writing or a similar course with prior approval (requires a minimum grade of C).
- **Internship course:** GEB 4941 Internship in Business Administration (one credit) in conjunction with an internship of at least 150 credits before the start of the senior year. The internship requirement can be waived for students who participate in a study abroad experience of at least six weeks. Students who waive the requirement via study abroad are strongly encouraged to complete at least one internship to improve their chances of obtaining full-time employment and/or admission to graduate programs or law school. Students should consult an academic advisor/career coach for more information.

Critical Tracking

Critical Tracking records each student's progress in courses that are required for entry to each major. Please note the critical-tracking requirements below on a per-semester basis.

Equivalent critical-tracking courses as determined by the State of Florida [Common Course Prerequisites](#) may be used for transfer students.

To remain on track for the BSBA-FIN major, students must meet the critical-tracking criteria, including earning a minimum grade of B in ACG 2021 and ACG 2071 and a minimum grade of B in FIN 3403. The critical-tracking GPA is calculated based on all attempts of the critical-tracking courses or their equivalents. After a student receives a minimum grade of C in a critical-tracking course or its equivalent, no subsequent grade in that course or its equivalent will be used in the calculation of the critical-tracking GPA.

Semester 1

- Complete 2 critical-tracking courses from ACG 2021, ACG 2071, CGS 2531 or ISM 3013, ECO 2013, ECO 2023, MAC 2233, MAC 2234, STA 2023
- 2.5 GPA on all attempts of critical-tracking courses, excluding FIN 3403
- 2.0 UF GPA required

Semester 2

- Complete 2 additional critical-tracking courses for a total of 3 critical-tracking courses
- 2.75 GPA on all attempts of critical-tracking courses, excluding FIN 3403
- 2.0 UF GPA required

Semester 3

- Complete 2 additional critical-tracking courses (including ACG 2021) for a total of 5 critical-tracking courses
- Complete ACG 2021 with a minimum grade of B
- 3.0 GPA on all attempts of critical-tracking courses, excluding FIN 3403
- 2.0 UF GPA required

Semester 4

- Complete 8 of the 9 critical-tracking courses, excluding FIN 3403
- Complete ACG 2071 with a minimum grade of B
- 3.0 GPA on all attempts of critical-tracking courses, excluding FIN 3403
- 2.0 UF GPA required

Semester 5

- Complete FIN 3403 with a minimum grade of B
- Meet all semester 1-4 critical-tracking requirements
- 2.0 UF GPA required and maintained through semester 8

Model Semester Plan

To remain on track, students must complete the appropriate critical-tracking courses, which appear in bold. These courses must be completed by the terms as listed above in the Critical Tracking criteria.

This semester plan represents an example progression through the major. Actual courses and course order may be different depending on the student's academic record and scheduling availability of courses. Prerequisites still apply.

Semester 1	Credits
ECO 2023 Principles of Microeconomics <i>GE-S</i>	4
IUF 1000 What is the Good Life <i>GE-H</i>	3
MAC 2233 Survey of Calculus 1 <i>State Core GE-M</i>	3
Biological or Physical Science <i>State Core GE-B or P</i>	3
Total	13

Semester 2	Credits
ECO 2013 Principles of Macroeconomics <i>State Core GE-S</i>	4
MAC 2233 Survey of Calculus 2 <i>State Core GE-M</i>	3
Biological or Physical Science <i>State Core GE-B or P</i>	3
Composition <i>GE-C; WR</i>	3
Humanities <i>State Core GE-H</i>	3
Total	16

Semester 3	Credits
ACG 2021 Introduction to Financial Accounting <i>Minimum grade of B required</i>	4
CGS 2531 Problem Solving Using Computer Software, 3 credits, or ISM 3013 Introduction to Information Systems, 4 credits	3-4
Composition <i>GE-C; WR</i>	3
Diversity elective <i>GE-D</i>	3
International elective <i>GE-N</i>	3
Total	16-17

Semester 4	Credits
ACG 2071 Introduction to Managerial Accounting <i>Minimum grade of B required</i>	4
GEB 4941 Internship in Business Administration <i>Complete by beginning of senior year</i>	1
STA 2023 Introduction to Statistics 1 <i>GE-M</i>	3
Professional communication course <i>GEB 3213, GEB 3218, SPC 2608, or ENC 3312</i>	3
Elective	4
Total	15

Semester 5	Credits
FIN 3403 Business Finance <i>Minimum grade of B required</i>	4
MAN 3025 Principles of Management <i>GE-S</i>	4
QMB 3250 Statistics for Business Decisions	4
Elective	4
Total	14

Semester 6	Credits
FIN 4243 Debt and Money Markets	4
BUL 4310 The Legal Environment of Business FIN 4504 Equity and Capital Markets	4
MAR 3023 Principles of Marketing	4
ACG 3101 Financial Accounting and Reporting 1 Restricted Electives	4
Total	16

Semester 7	Credits
FIN 4504 Equity and Capital Markets BUL 4310 The Legal Environment of Business	4
GEB 3373 International Business	4
ACG 4111 Financial Accounting and Reporting 2 Finance electives	4
Restricted electives	3
Total	15

Semester 8		Credits
FIN 4414 Financial Management		4
MAN 4504 Operations and Supply Chain Management		4
Elective		3
Restricted electives		3
Total		15

Bachelor of Science in Business Administration: Finance

A bachelor's degree in business administration enables students to achieve foundation knowledge in economics, accounting, finance, management, marketing, business law, statistics, operations management, human resource management, information technology and entrepreneurship. Special emphasis is placed on understanding the links between various business disciplines and the development of sound business plans. Students will be able to effectively analyze a business entity's strengths and weaknesses as well as investigate the opportunities and threats present in the business environment.

The finance major covers the basics of financial statements, working capital management, capital budgeting decisions, the types of securities available to investors, and the risk/return attributes of those securities as well as factors affecting pricing.

Before Graduating Students Must

- Take the ETS Major Field Test in Business as part of MAN 4504. The ETS exam covers nine content areas in business. The score describes your performance relative to other seniors in business and accounting at 600+ colleges and universities (e.g., top 15% in the nation compared to your peers).
- Complete requirements for the baccalaureate degree, as determined by the faculty.

Students in the Major will Learn to

Student Learning Outcomes (SLOs)

1. Demonstrate knowledge and understanding of elements of economics, financial accounting, marketing, operations management, organizational behavior, business law, information technology, business statistics and social responsibility.
2. Demonstrate proficiency in the use of business-related software applications.
3. Define the ethical responsibilities of business organizations and identify relevant ethical issues.
4. Understand how the business environment, including culture, differs across countries.
5. Possess awareness of cultural differences and how these differences affect business decisions.
6. Identify characteristics and roles of groups and teams.
7. Identify characteristics and roles of managers and leaders.
8. Possess knowledge in an area of specialization outside the disciplines of business and accounting.
9. Specify and implement a framework for identifying a business problem and develop alternative solutions and a set of evaluation criteria.
10. Assess the outcomes of a course of action and make appropriate adjustments.
11. Write business documents clearly, concisely and analytically.
12. Speak in groups and in public clearly, concisely and analytically, with appropriate use of visual aids.

Curriculum Map

I = Introduced; R = Reinforced; A = Assessed

Courses	Content								Critical Thinking		Communication	
	SLO 1	SLO 2	SLO 3	SLO 4	SLO 5	SLO 6	SLO 7	SLO 8	SLO 9	SLO 10	SLO 11	SLO 12
ACG 2021	I	R							R	R		
ACG 2071	I	R							R	R		
<u>ACG 4111</u>	<u>I</u>	<u>R</u>							<u>R</u>	<u>R</u>		
BUL 4310	I		R, A									
CGS 2531	I	I										
ECO 2013	I			I					I	I		
ECO 2023	I			I					I	I		
FIN 3403	I		R								R, A	
GEB 3213											R, A	
GEB 3218												I, A
GEB 3373	R			R, A	R, A				R	R		
MAN 3025	I		R	I	I	I, A	I, A		R	R		
MAN 4504	I								R, A	R, A	R	R
MAR 3023	I		R, A	R, A	I		I					
QMB 3250	I	R, A							R, A	R, A		
Specialization Area								I, R, A	R	R	R	R
Senior Exam	A			A								

STUDY SESSION

6

Financial Reporting and Analysis

Quality of Financial Reports and Financial Statement Analysis

This study session focuses on evaluating financial reporting quality and applying financial analysis techniques to investment decisions. A conceptual framework for assessing the quality of a company's financial reports, including the quality of earnings, is provided. Indicators of low quality reporting, including quality of earnings, cash flow, and balance sheet are examined. The session concludes with mini cases, which demonstrate the value in applying financial statement analysis to inform practical investment decisions.

READING ASSIGNMENTS

Reading 19	Evaluating Quality of Financial Reports by Jack T. Ciesielski, Jr., CPA, CFA, Elaine Henry, PhD, CFA, and Thomas I. Selling, PhD, CPA
Reading 20	Integration of Financial Statement Analysis Techniques by Jack T. Ciesielski, Jr., CPA, CFA

LEARNING OUTCOMES

READING 19. EVALUATING QUALITY OF FINANCIAL REPORTS

The candidate should be able to:

- a** demonstrate the use of a conceptual framework for assessing the quality of a company's financial reports;
- b** explain potential problems that affect the quality of financial reports;
- c** describe how to evaluate the quality of a company's financial reports;
- d** evaluate the quality of a company's financial reports;

Note: New rulings and/or pronouncements issued after the publication of the readings in financial reporting and analysis may cause some of the information in these readings to become dated. Candidates are expected to be familiar with the overall analytical framework contained in the study session readings, as well as the implications of alternative accounting methods for financial analysis and valuation, as provided in the assigned readings. Candidates are not responsible for changes that occur after the material was written.

- e** describe the concept of sustainable (persistent) earnings;
- f** describe indicators of earnings quality;
- g** explain mean reversion in earnings and how the accruals component of earnings affects the speed of mean reversion;
- h** evaluate the earnings quality of a company;
- i** describe indicators of cash flow quality;
- j** evaluate the cash flow quality of a company;
- k** describe indicators of balance sheet quality;
- l** evaluate the balance sheet quality of a company;
- m** describe sources of information about risk.

READING 20. INTEGRATION OF FINANCIAL STATEMENT ANALYSIS TECHNIQUES

The candidate should be able to:

- a** demonstrate the use of a framework for the analysis of financial statements, given a particular problem, question, or purpose (e.g., valuing equity based on comparables, critiquing a credit rating, obtaining a comprehensive picture of financial leverage, evaluating the perspectives given in management's discussion of financial results);
- b** identify financial reporting choices and biases that affect the quality and comparability of companies' financial statements and explain how such biases may affect financial decisions;
- c** evaluate the quality of a company's financial data and recommend appropriate adjustments to improve quality and comparability with similar companies, including adjustments for differences in accounting standards, methods, and assumptions;
- d** evaluate how a given change in accounting standards, methods, or assumptions affects financial statements and ratios;
- e** analyze and interpret how balance sheet modifications, earnings normalization, and cash flow statement related modifications affect a company's financial statements, financial ratios, and overall financial condition.

STUDY SESSION

5

Financial Reporting and Analysis

Intercorporate Investments, Post-Employment and Share- Based Compensation, and Multinational Operations

This study session covers investments in other companies, post-employment benefits, and foreign currency transactions. Intercorporate investments take the form of investments in 1) financial assets, 2) associates, 3) joint ventures, 4) business combinations, and 5) special purpose and variable interest entities. Current and new reporting standards for these investments are examined. The valuation and treatment of post-employment benefits follows, including share-based compensation (grants, options). Differences in valuation methods between defined-contribution and defined-benefit plans are described. The session concludes with the effect of foreign currency on a business's financials and methods to translate foreign currency from operations for consolidated financial statement reporting.

READING ASSIGNMENTS

Reading 16	Intercorporate Investments by Susan Perry Williams, CPA, CMA, PhD
Reading 17	Employee Compensation: Post-Employment and Share-Based by Elaine Henry, PhD, CFA, and Elizabeth A. Gordon, PhD, MBA, CPA
Reading 18	Multinational Operations by Timothy S. Douppnik, PhD, and Elaine Henry, PhD, CFA

Note: New rulings and/or pronouncements issued after the publication of the readings in financial reporting and analysis may cause some of the information in these readings to become dated. Candidates are expected to be familiar with the overall analytical framework contained in the study session readings, as well as the implications of alternative accounting methods for financial analysis and valuation, as provided in the assigned readings. Candidates are not responsible for changes that occur after the material was written.

LEARNING OUTCOMES**READING 16. INTERCORPORATE INVESTMENTS**

The candidate should be able to:

- a** describe the classification, measurement, and disclosure under International Financial Reporting Standards (IFRS) for 1) investments in financial assets, 2) investments in associates, 3) joint ventures, 4) business combinations, and 5) special purpose and variable interest entities;
- b** distinguish between IFRS and US GAAP in the classification, measurement, and disclosure of investments in financial assets, investments in associates, joint ventures, business combinations, and special purpose and variable interest entities;
- c** analyze how different methods used to account for intercorporate investments affect financial statements and ratios.

READING 17. EMPLOYEE COMPENSATION: POST-EMPLOYMENT AND SHARE-BASED

The candidate should be able to:

- a** describe the types of post-employment benefit plans and implications for financial reports;
- b** explain and calculate measures of a defined benefit pension obligation (i.e., present value of the defined benefit obligation and projected benefit obligation) and net pension liability (or asset);
- c** describe the components of a company's defined benefit pension costs;
- d** explain and calculate the effect of a defined benefit plan's assumptions on the defined benefit obligation and periodic pension cost;
- e** explain and calculate how adjusting for items of pension and other post-employment benefits that are reported in the notes to the financial statements affects financial statements and ratios;
- f** interpret pension plan note disclosures including cash flow related information;
- g** explain issues associated with accounting for share-based compensation;
- h** explain how accounting for stock grants and stock options affects financial statements, and the importance of companies' assumptions in valuing these grants and options.

READING 18. MULTINATIONAL OPERATIONS

The candidate should be able to:

- a** distinguish among presentation (reporting) currency, functional currency, and local currency;
- b** describe foreign currency transaction exposure, including accounting for and disclosures about foreign currency transaction gains and losses;
- c** analyze how changes in exchange rates affect the translated sales of the subsidiary and parent company;

- d** compare the current rate method and the temporal method, evaluate how each affects the parent company's balance sheet and income statement, and determine which method is appropriate in various scenarios;
- e** calculate the translation effects and evaluate the translation of a subsidiary's balance sheet and income statement into the parent company's presentation currency;
- f** analyze how the current rate method and the temporal method affect financial statements and ratios;
- g** analyze how alternative translation methods for subsidiaries operating in hyper-inflationary economies affect financial statements and ratios;
- h** describe how multinational operations affect a company's effective tax rate;
- i** explain how changes in the components of sales affect the sustainability of sales growth;
- j** analyze how currency fluctuations potentially affect financial results, given a company's countries of operation.