The Balance Sheet

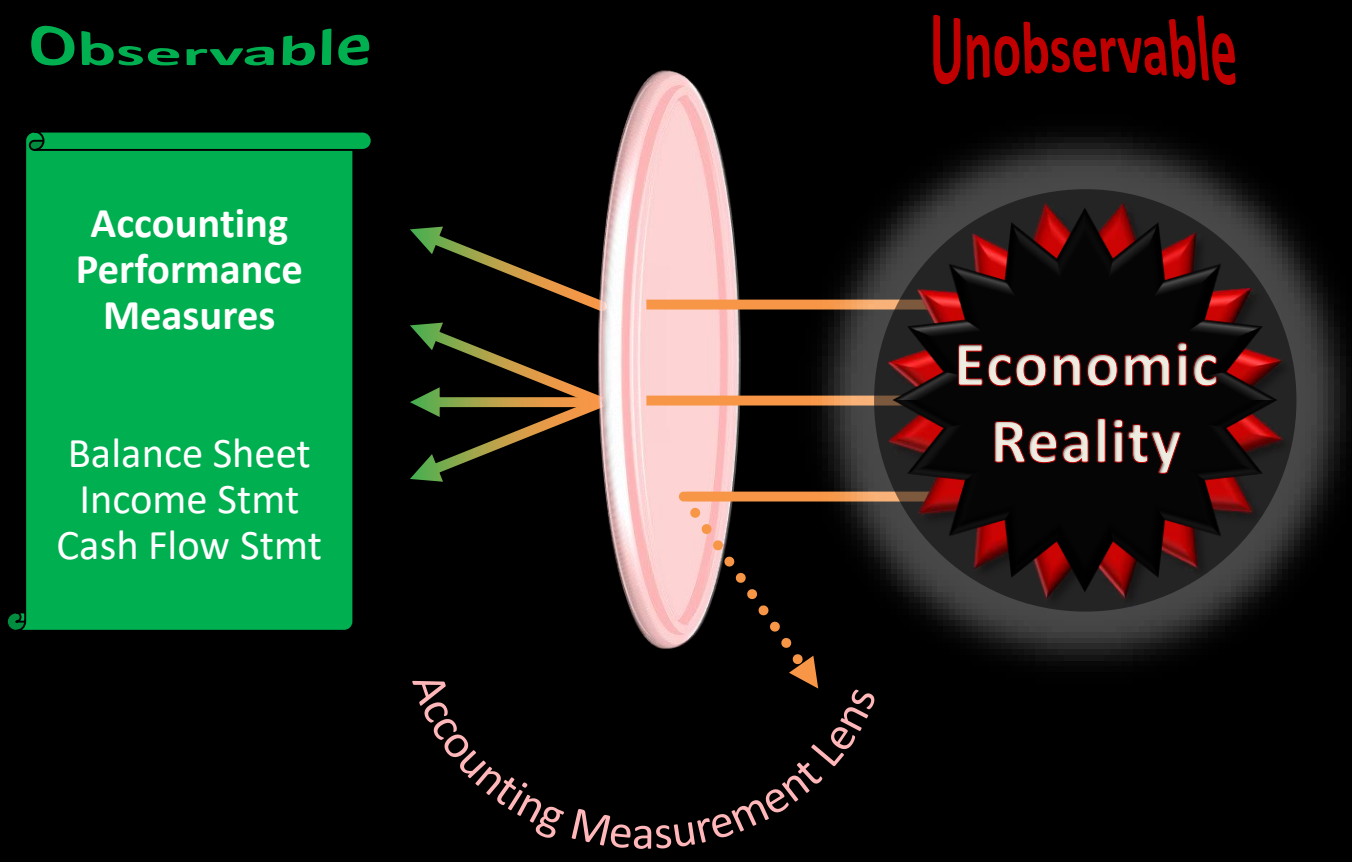
Measuring wealth creation

Cash Flow

Working Capital

Common Stock, Intangibles, Profitability

Measuring Economic Reality



Accounting: Not Economic Reality! A Depiction of Reality

Observable

Accounting Performance Measures

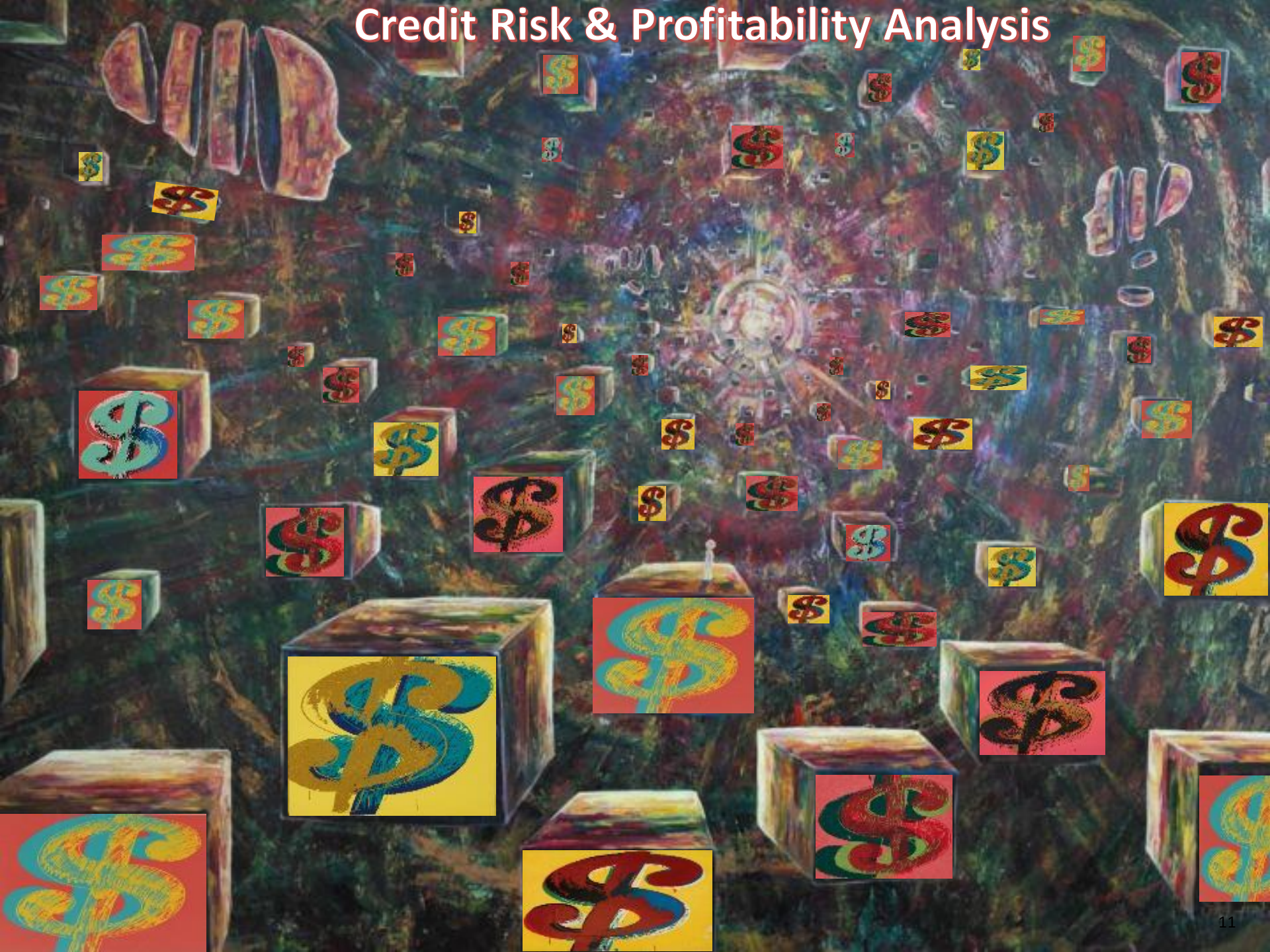
Balance Sheet
Income Stmt
Cash Flow Stmt

The Balance Sheet

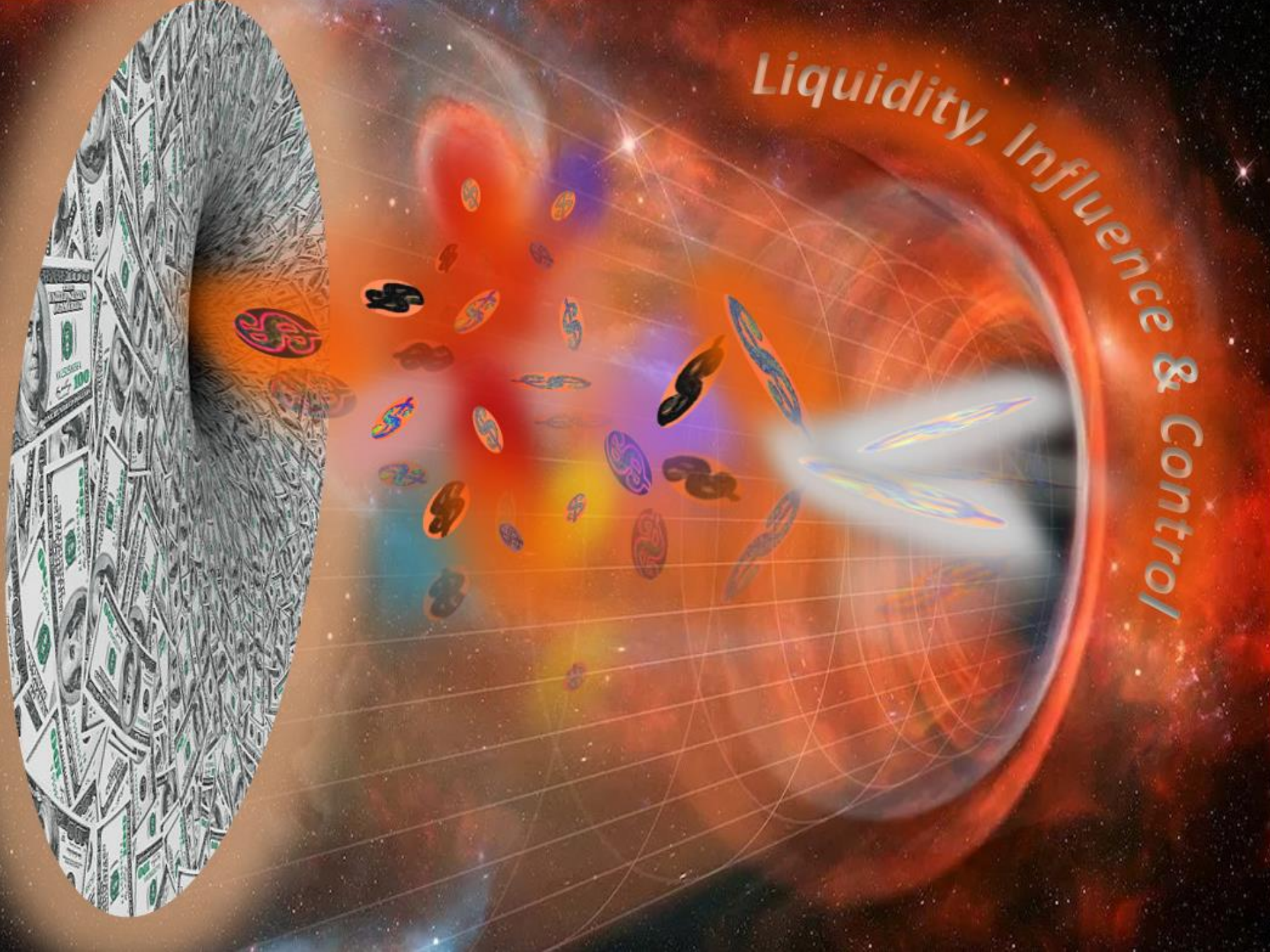
$$$$$$$$$$$$$$$$$$$$ Measuring Wealth Creation $$$$$$$$$$$$$$$$$$$$

Live Class Session 4
Statement of Cash Flows

Credit Risk & Profitability Analysis



Inventories & Working Capital


Liquidity, Influence & Control

Fluidity of organization Form
Owners' equity

Financial Accounting MBA 730
Introducing Financial Accounting

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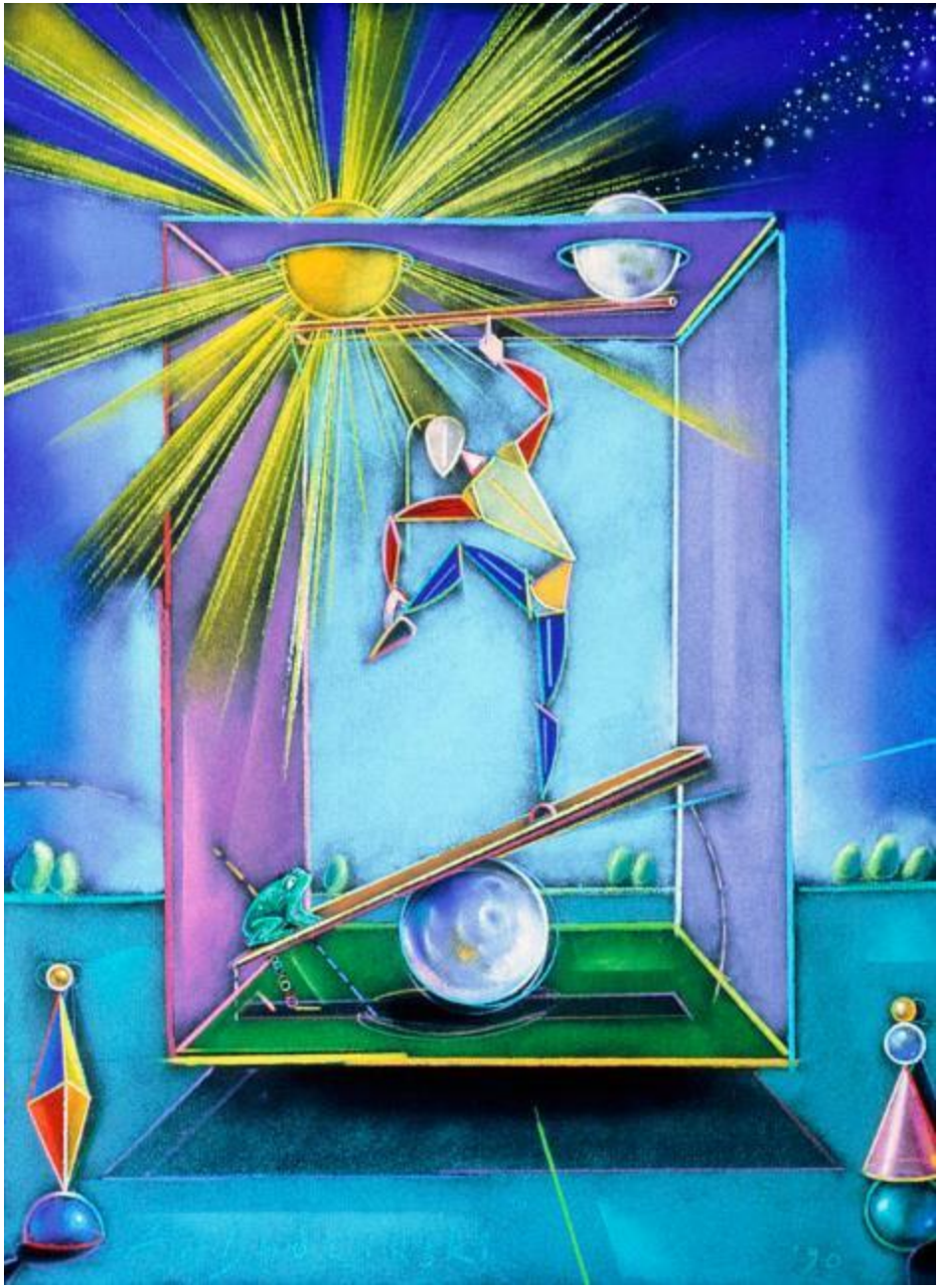
Live Class Session 2

The **Balance** Sheet



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Live Class Session 3

The Income Statement & Accrual Accounting

Measuring Wealth Creation

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Live Class Session 5
Profitability Analysis and Accounts Receivable

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Inventories & Working Capital

LVMH
Passionate about creativity

Financial Accounting Live Class

Session 7

Liquidity, Control & Influence

Financial Accounting MBA 730 Live Class Session 8

Control & Influence; Shareholders' Equity

Financial Accounting MBA 730
Lecture for Class Session 6:
Inventories & Other Working Capital Items

Financial Accounting Live Class Session 7

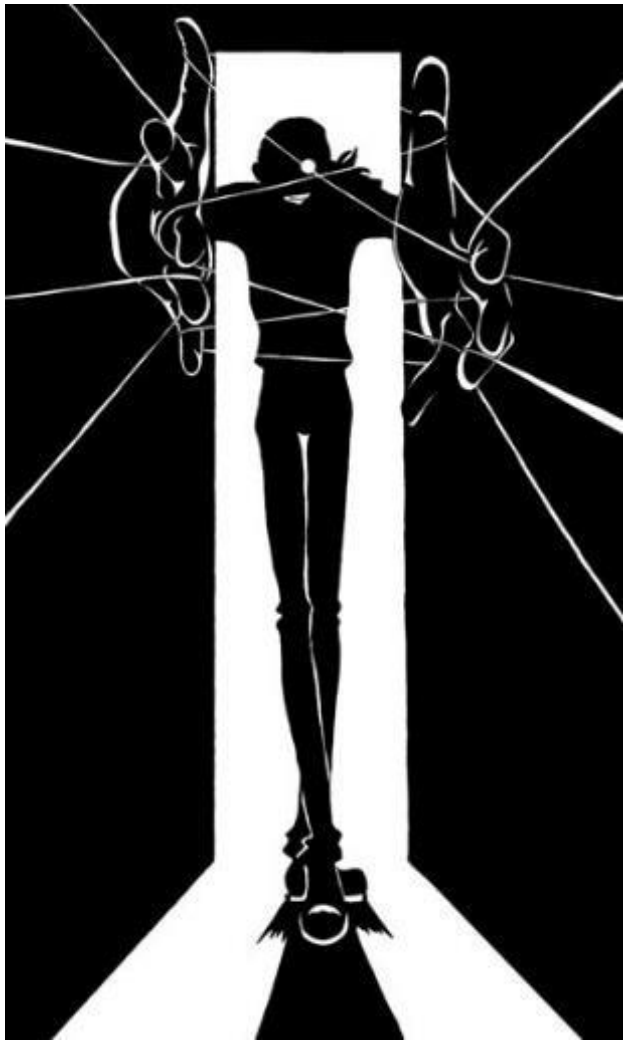
Investments in Other Entities

Control & Influence

Introducing Financial Accounting

Financial Accounting MBA 730 Live Class Session 7

Accounting for Investments in Other Entities
Control & Influence



Financial Accounting MBA 730 Live Class Session 8
Control & Influence; Shareholders' Equity

The Morphing of Corporate Governance?

Corporate Governance: Like Dust in the Wind?

Transparency & Governance
Robert Bushman

The vital energy of a long run research career

Desire to learn &
Transmit what you learn to others

The tenacity and endurance to keep grinding

Research is a love/hate business

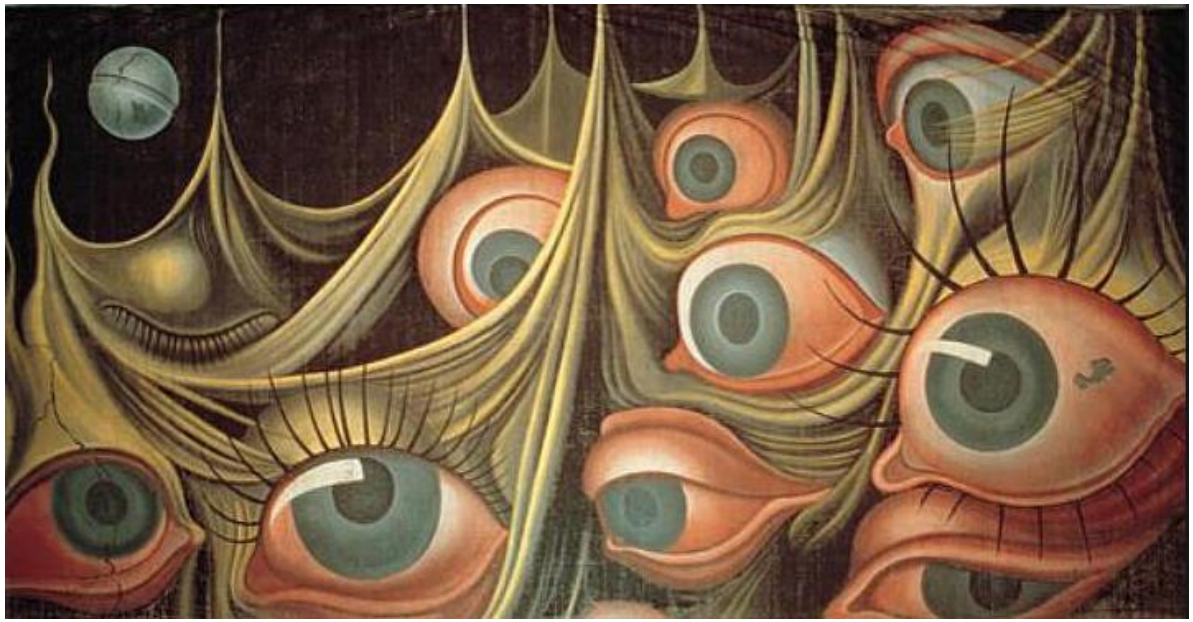
-

$= \varepsilon > 0$

If love < hate, you will not persist as a researcher

Where do research ideas come from????

Keep your eyes and mind open for opportunity



Turned down for tenure

Competition for ideas is fierce!

What is the purpose of a corporation? Shareholder Primacy vs. Stakeholderism

What is the purpose of a corporation?
Shareholder Primacy vs. Stakeholder Theory

- Society is demanding that companies, both public and private, serve a social purpose.
- To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.
- Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate

What is the purpose of a corporation?

Milton Friedman: responsibility of corporate executives is to conduct the business in accordance with the desires of firm owners, which generally will be to make as much money as possible *while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom*."

Socialist Worker

Sat 25 Nov 2006

The evil that men do lives after them. Such is the legacy of Milton Friedman, who died last week at the age of 94.

Friedman…was an uncritical apologist for the horrors of capitalism.

[Friedman] provided an ideological justification for attacks on workers. That is why apologists for capitalism are extolling Friedman.

The rest of us should spit on his grave.

Assets = Liabilities +

What does OE mean in a world of stakeholder governance?

Without shareholder primacy, what happens to wealth creation?

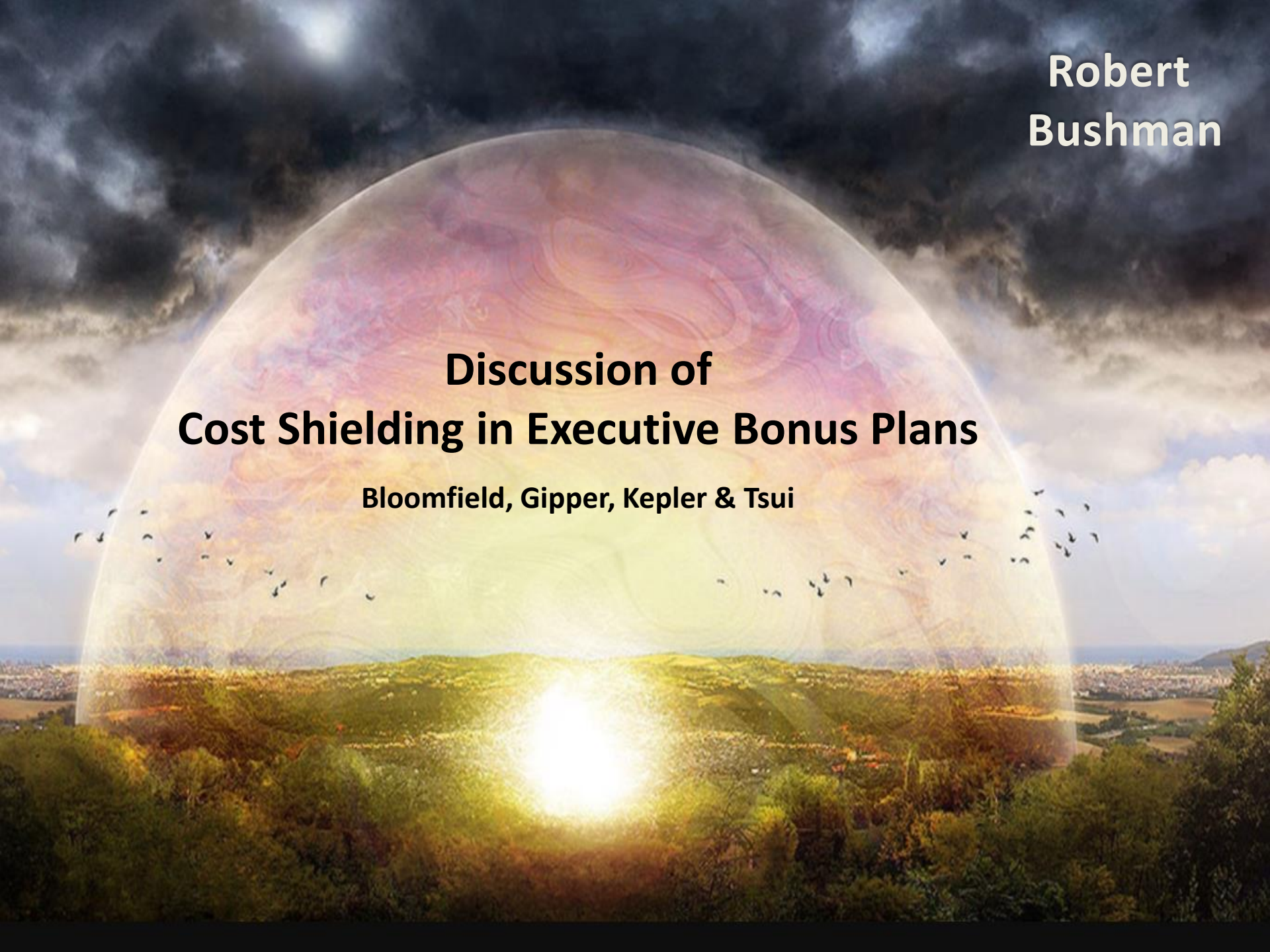
THE PEOPLE'S LEDGER

Assets = Liabilities + The People's Claim

Government control

Central government can just impose mandatory social purpose on corporations

Delegate to the state right to decide what is good and what is bad & which business can or cannot be pursued, undermining the freedom of enterprise.


Robert
Bushman
Discussion of
Cost Shielding in Executive Bonus Plans
Bloomfield, Gipper, Kepler & Tsui

Cournot competitors can use revenue-based pay to commit to more aggressive product market behavior, reducing competition from rivals

Results:

- After adopting CD&A requirements many firms add revenue-based pay to CEOs' pay
- Most prevalent among Cournot-like firms

Bonus plan as communication device with teeth

CEO — Revenue-based bonus

Does bank opacity create *co-movement* in illiquidity among banks?

Many banks become illiquid simultaneously

Opacity increases uncertainty over bank fundamentals