**Class one homework**

**The No Numbers class –** Don’t be discouraged by the apparent length of the assignment.I am giving you detailed instructions to make the introduction to accounting and finance as easy as possible.

No homework needs to be submitted for the first class.

Read pages 27 -32 of the course text, [Finance and Accounting for Nonfinancial Managers](http://www.amazon.com/Finance-Accounting-Nonfinancial-Managers-Basics/dp/0465018491/ref=sr_1_1?ie=UTF8&qid=1378481297&sr=8-1&keywords=9780465018499).

Questions you should be able to answer

1. What does GAAP stand for and what is it?

2. What does FASB stand for and what is it?

Accounting and finance involves a good deal of jargon. I make an effort to define terms but you may on occasion need to look them up. [Investopedia](http://www.investopedia.com/) is a good source for definitions. You may want keep a link to Investopedia handy.

Part 1 – Financial nomenclature and IBM’s Proxy statement

Take a minute to look at the IBM [investor relations page](http://www.ibm.com/investor/). Before the course is over this collection of quarterly earnings, annual reports, and Securities and Exchange Commission filings will all be within your grasp.

Download IBM’s [Guide to financial statements](http://www.ibm.com/investor/help/guide/statement-basics.wss)

# This document is a good glossary. Read it now and keep a copy for reference.

U.S. Corporations are required to hold annual meetings. Notice of those meetings and a summary of the business to be conducted at the meeting must be sent to investors in advance of the meeting. Download the IBM [2013 Proxy statement](http://www.ibm.com/annualreport/2012/bin/assets/2013_ibm_proxy.pdf) and review the document to answer the following:

Page 3 - When and where is the annual meeting? What business will be conducted?

Page 5 - Who nominated the slate of directors listed in the proxy? How many are executives of other corporations?

Page 13 - Who sets the executive compensation of IBM’s corporate officers?  
Page 15 – What is the base annual retainer for non-management directors?

Page 17 - How many 5% owners of the company are there?

Pages 20 through 69 - note that more than half of the proxy statement is devoted to various forms of executive compensation.

Page 71 - How much does IBM pay its auditors?

Shareholders can submit proposals for a vote. On Page 73 one such item is listed. Who submitted it, how many shares of IBM stock does she own and what is the recommendation of the board on this proposal?

Part 2 – Footnotes to the financials and Apple Inc. revenue recognition

During the course of the semester will be using a few of the school’s databases so that you will become familiar with sources of business news and data. For this class I am posting the items you need on my bSpace. You may however want to use this opportunity to learn how to access these databases.

Factiva is a good source for both business news articles and financial statements. You can find a link to Factiva [here](http://www.law.berkeley.edu/library/dynamic/online.php?node=online) and a [tutorial on how to use FACTIVA here](https://bspace.berkeley.edu/access/content/group/dda6328e-c0d2-46db-81eb-cc8fc74232df/How%20to%20folder/How%20to%20access%20and%20download%20news%20articles%20and%20financial%20data%20from%20FACTIVA.docx). For this class I have [posted the article on my bSpace](https://bspace.berkeley.edu/access/content/group/dda6328e-c0d2-46db-81eb-cc8fc74232df/class%20one%20homework%20resources/Apple%20Investors%20Should%20Focus%20on%20the%20Core%20-%20WSJ.com.pdf). The article titled Investors Should Focus on Apple's Core reports on an accounting change that affects Apple Inc. and is dated September 9, 2009.

EDGAR is the acronym used by the Securities and Exchange Commission (SEC) for its online database of financial documents. It is a searchable database and contains all the forms companies are required to file with the SEC back to 1994. You can find a link to EDGAR [here](http://www.sec.gov/edgar.shtml) and [a tutorial on how to use EDGAR here](https://bspace.berkeley.edu/access/content/group/dda6328e-c0d2-46db-81eb-cc8fc74232df/How%20to%20folder). For this class I have posted [Apple’s 2009 Form 10-K on my bSpace](https://bspace.berkeley.edu/access/content/group/dda6328e-c0d2-46db-81eb-cc8fc74232df/class%20one%20homework%20resources/Apple%202009%20Form%2010-K.html). Form 10-K provides a comprehensive overview of the registrant's business.

For this class we are principally interested in the NOTES TO CONSOLIDTED FINANCIAL STATEMENTS (commonly called the footnotes) on pages 59-78.

Questions you should be able to answer

1. What does note 1 cover? What are the two sentences that are of interest that are affected by the FASB accounting change?

2. Why are revenues for hardware, software, and services recognized differently?

3. At year-end 2008 how much cash and foreign securities did Apple hold? What was the total increase in cash, cash equivalents and short-term investments for 2008 vs. 2007?

Piper Jaffrey is an investment bank. As part of their securities business they maintain a staff of analyst that research and report on corporate clients. From my bSpace download and scan this [Piper Jaffrey analyst report on Apple Corporation](https://bspace.berkeley.edu/access/content/group/dda6328e-c0d2-46db-81eb-cc8fc74232df/class%20one%20homework%20resources/AAPL.Piper%20rec.pdf). In your opinion is Piper Jaffrey’s analyst increased target price justified?