

ECON 136A RESEARCH PROJECT FALL 2008

Research project assignment is posted to the web-site at <http://www.econ.ucsb.edu/~anderson/> . It is as follows:

This project will require you to research accounting literature. Doing so requires access to the large volume of “rules” and also a tool for “searches”. Both are available through the Financial Accounting Research System (FARS) CD which came with your textbook:

FACTS:

Weguaranteeit, Inc. has just issued a guarantee of the indebtedness of their affiliate, Thanksalot, Inc. Thanksalot and Weguaranteeit are NOT parent/ subsidiary or under common control. You are the controller and the CFO approaches you stating that she overheard some hot-shot financial guys talking about having to record a liability for guarantees issued. She has asked you to research the issue and draft a memo (providing references to authoritative literature) describing how this guarantee should be accounted for, including any applicable disclosures.

ASSIGNMENT:

Perform research and document your findings, including a conclusion, which you would present to the CFO in response to her request.

Points will be allocated for: identifying the appropriate literature, developing a position, and supporting your position with references to the identified literature.

NOTE: Much like in the real-world, you are responsible for taking the initiative. The instructor is available as a boss would be for you to seek guidance from. BUT no guidance will be granted unless a clear effort has been made first by the student. The goal is NOT the right answer, but your learning how to research.