

# Macroeconomic risks in accounting

Spring Semester, Academic Year 2023/2024

<b>Course leader:</b>	Major Klára
<b>Department:</b>	Institute of Economics
<b>Office hours:</b>	
<b>Availability:</b>	
	Email address: major@uni-corvinus.hu
<b>Course type:</b>	Elective (BA and MA)
<b>Prerequisites:</b>	Macroeconomics (BA), Foundations of Accounting
<b>Credits:</b>	6
<b>Number of hours per semester</b>	2 classroom teaching hours weekly (26 hours per semester) plus 4 hours per week regular home assignments
<b>Time of lecture:</b>	according to neptun

## **Aims and objectives and description of the course:**

The course explains how macroeconomic risks are presented in organizations' financial statements. It is designed to help students comprehend how basic macroeconomic processes and phenomena impact financial statements and how they affect business documents that guide decision-making.

The course will primarily cover two types of risks - inflation and crises. We will first discuss the theoretical background and relevant models, then explain and illustrate the accounting implications. The accounting framework used throughout the course will be IFRS.

There will be a weekly seminar throughout the semester, but students are required to read the assigned literature before the class and there will assignments that are required to be prepared either by alone or in groups.

## **Methodology to be used:**

Besides the theoretical lectures, case studies, classroom discussions, group assignments will be provided.

## **Detailed class schedule, 1<sup>st</sup> – 15<sup>th</sup> week:**

<b>Week</b>	<b>Topics to be discussed, readings required for the class</b>
week 1	Introduction. Basic concepts in macroeconomics: real and nominal variables, inflation correction in stock variables
week 2	Exchange rates, PPP and UIP
week 3	Inflation, hyperinflation
week 4	Foreign exchange differences in accounting (recognition, measurement, disclosure) Accounting under changing prices (IAS 15)

week 5	Accounting for severe inflation and hyperinflation
week 6	Imaginary reserves and accounting for autonomous and not autonomous entities
week 7	<b>Midterm exam</b>
week 8	Financial crises (historical examples, 4 types of financial crises)
week 9	Bank runs and bank crises
week 10	Risks disclosed in the financial statements (IFRS 7 and IFRS 9)
week 11	Dealing with risks: the expected credit loss (ECL) model 1.
week 12	Dealing with risks: the expected credit loss (ECL) model 2.
week 13	Summary, conclusions

### **Assignments:**

For each week readings will be assigned which is required to be read at home before the class. During the semester two bigger assignment is going to be solved and presented.

### **Assessment, grading:**

60% assignments

40% final exam

**Class participation:** Not to be confused with attendance, class participation is the practice of engaging your professor and fellow students during presentations and discussions with thoughtful and timely contributions. If you miss many classes, it will have an impact on your participation points!

### **Plagiarism**

Any and all statements contained in any assignment or paper that are based upon ideas or words of another must be properly credited to the original author or source. Paraphrasing the ideas or words of another is acceptable so long as the original author or source is cited. DO NOT quote words or expressions from existing works verbatim without designating the passage as a quote and crediting the source. Any student who plagiarizes the work of any other person (author, professor, student, parent, friend, etc.) is committing academic dishonesty and misconduct.

Any student caught committing plagiarism will automatically fail the course.

### **Compulsory readings:**

- International GAAP 2023 – Generally Accepted Accounting Practice under International Financial Reporting Standards
- International Financial Reporting Standards – IAS 1 (selected parts)
- International Financial Reporting Standards – IAS 15 (selected parts)
- International Financial Reporting Standards – IAS 21 (selected parts)
- International Financial Reporting Standards – IFRS 7 (selected parts)
- International Financial Reporting Standards – IFRS 9 (selected parts)
- Sargent: The end of four big inflation, in: Robert E. Hall (ed): Causes and effects, University of Chicago Press, 1982, p. 41-98, <http://www.nber.org/chapters/c11452>
- Stanley Fischer, Ratna Sahay and Carlos A. Végh: Modern Hyper- and High Inflations, *Journal of Economic Literature*, Sep., 2002, Vol. 40, No. 3 (Sep., 2002), pp. 837- 880, <https://www.jstor.org/stable/3217111>
- Krugman, Obstfeld, Melitz: International Economics, Pearson Education Limited, 2023. 12<sup>th</sup> edition, selected chapters
- Aliber-Kindleberger: *Manias, panics and crashes, A history of financial crises*, Palgrave MacMillen, 2017, 7<sup>th</sup> edition, selected chapters

- Reinhart-Rogoff: This time is different, A panoramic view of eight centuries of financial crises, *Annals of Economics and Finance*, Society for AEF, 2014, vol. 15(2), pages 215-268, November.
- Brunnermeier: Deciphering the Liquidity and Credit Crunch 2007-2008, *Journal of Economic Perspectives*, 2009, Vol. 23, No. 1, pp. 77-100.

**Grade Conversion Table for Programs and Courses taught in English**

<i>Percentage achieved</i>	<i>Hungarian Grade</i>	<i>ECTS Grade</i>	<i>International Grade</i>	<i>Explanation</i>
97-100	5	A	A+	Excellent
94-96	5	A	A	Excellent
90-93	5	A	A-	Excellent
87-89	5	B	B+	Excellent/Very good
84-86	4	C	B	Good
80-83	4	C	B-	Good
77-79	4	C	C+	Good
74-76	3	D	C	Satisfactory
70-73	3	D	C-	Satisfactory
67-69	3	D	D+	Satisfactory
64-66	2	D	D	Low pass/Sufficient
51-63	2	E	D-	Low pass/Sufficient
0-50	1	FX/F	F	Fail, 0 credit
	N		N	No grade received, 0 credit