

**The Persistent *Value* and *Relevance* of
Lower-Division Core Topics**
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Course: BUS 302
Title: *The Gateway Experience* (3 units)

“Doing the right thing is more important doing the thing right.” “If you want something new, you have to stop doing something old.” “What gets measured gets improved.”

---Peter Drucker (1909-2005)

Purpose

The purpose of this document is to illuminate the recurring foundations that continue to be present in the life of business student-professional. These examples are not exhaustive but they are timely.

There are six Lower-Division Core (LDC) courses: Financial Accounting, Managerial Accounting, Micro-economics, Macro-economics, Business Statistics, and Business Law. The “top ten” topics for each of the six courses are listed at:

<http://www.csun.edu/cobaessc/review-materials>

Other than BUS 302 (“Gateway”), there are five Upper-Division Core (LDC) courses: FIN 303 (Finance), MGT 360 (Management), MKT 304 (Marketing), SOM 306 (Operations), and BUS 497A (Strategy). The course descriptions for those five courses are listed at:

<http://www.csun.edu/catalog/?s=business>

Financial Accounting

Citation: Francis, T., and Linebaugh, K. (2015, Dec 15). ‘Adjusted’ Earnings Cloud Results. *Wall Street Journal*

Main Issue: “A financial obfuscation of the dot-com era is making a comeback: Hundreds of U.S. companies are trumpeting adjusted net income, adjusted sales and ‘adjusted EBITDA’. These adjusted measures paint a rosier picture of corporate earnings. Without them, third-quarter earnings per share fell 13% for the biggest U.S. companies, according to Deutsche Bank research, instead of falling 0.1% with them.”

Key Quote: "...About one in 10 major securities filings this year used the term adjusted EBITDA -- or adjusted *earnings* before interest, taxes, depreciation and amortization -- up from one in 40 a decade ago. About a quarter of earnings-related filings this year included figures that don't comply with *generally accepted accounting principles*, or GAAP, as well as more standard measures, according to a Wall Street Journal analysis of 10-K, 10-Q and 8-K filings..." (emphases added)

LDC Topic(s): Financial Accounting #3 (financial reporting consistency and verifiability) and #11 (depreciation and amortization)

UDC Impact: FIN 303 (Finance)—Existing or potential market investors cannot reasonably compare firms within an industry if the firms depart from GAAP standards. MGT 360 (Management)—Coordination and communication across an organization must be consistent and purposeful.

Managerial Accounting

Citation: Beck, M. (2016, Apr 1). Hospitals Brace for New Rules. *Wall Street Journal*

Main Issue: "Starting Friday, sweeping changes in Medicare payments could affect nearly 800 U.S. hospitals' bottom lines, but not everyone is ready for the switch. The new rules will hold hospitals accountable for all the costs of hip and knee replacements for 90 days. If patients recover and go home quickly, hospitals could reap savings. If patients have complications or need lengthy stays in a rehab facility, hospitals could owe Medicare instead."

Key Quote: "...Some top hospital systems have offered *fixed-price packages* for heart surgeries and joint replacements for years, or are already working with Medicare bundles voluntarily. Other hospitals have *yet to get a grip on their costs*, experts say..." (emphases added)

LDC Topic(s): Managerial Accounting #3 (a variety of 'cost objects') and #8 (costs in decision-making)

UDC Impact: SOM 306 (Operations)—Understanding the drivers of costs, especially the differences between fixed costs and variable costs, is essential to day-to-day and tactical efficiency. MGT 360 (Management)—Understanding short-term v. long-term cost structure may change the mission and influence which types of surgeries are done by whom and

how. FIN 303 (Finance)—Evaluating the change in substantive funding from a key source affects not only cash for expenditures for planning for capital improvements.

Micro-economics

Citation: Flint, J. (2014, Sep 30). Dodgers TV Fiasco, a Game Changer. *Test Wall Street Journal*

Main Issue: “The Los Angeles Dodgers were on fire this season, winning their division, and are strong contenders to make it to the World Series. But most of the baseball club's fans couldn't catch any of the regular season excitement on television. That's because SportsNet LA, the new Dodgers-owned channel that carried nearly all of the team's games, was available in less than one-third of the Los Angeles market. Time Warner Cable Inc., which, according to a valuation by the Dodgers and Major League Baseball, agreed to a 25-year, \$8.35 billion deal to manage the channel, failed to get it carried by any other major distributors.”

Key Quote: “...The high price tag to carry Sports Net LA puts it *among the most expensive* regional sports networks in the country at a time when distributors are *trying to lower content costs*. In the first season, Time Warner Cable sought monthly fees for SportsNet LA that *went over \$4 per subscriber* in some cases. Those fees would *continue to rise dramatically in future years*, according to people involved in the talks. ‘We've been approaching a *tipping point* in sports programming costs for years and the Los Angeles market has sent a strong message that we've reached it,’ said Andy Albert, senior vice president of content acquisition at Cox Communications...” (emphases added)

LDC Topic(s): Micro-economics #3 (shifts in supply and demand and equilibrium price and quantity), #5 (demand and supply elasticity), #6 (differences between average and marginal costs), and #7 (market outcomes under monopoly and competition)

UDC Impact: MKT 304 (Marketing)—The long-term brand image and stadium attendance of the Dodgers (and possibly, Major League Baseball) could be impacted. The long-term brand image and market position of Time-Warner may be impacted by this decision. FIN 303 (Finance)—The capital and investment planning that formed the basis that Time-Warner used to sign the contract with the Dodgers was predicated on incoming cash flows from downstream cable and satellite providers.

Macro-economics

Citation: Soloman, J. (2016, Apr 1). Iran Nears Access to Dollars. *Wall Street Journal*

Main Issue: “The Obama administration is preparing to give Iran limited access to U.S. dollars as part of looser sanctions on Tehran, according to congressional staff members and a former American official briefed on the plans. The proposed move comes amid rising Iranian criticism that the landmark nuclear agreement reached last year between global powers and Tehran hasn’t provided the country with sufficient economic benefits. Executives at European and Asian banks have said that they remain reluctant to conduct any transactions with Iran due to fears they might run afoul of the U.S. Treasury and its regulations that ban dollar dealings with Iranian firms.”

Key Quote: “...Most major international trade, particularly in oil and gas, is conducted in *U.S. dollars*. ‘The risk that sanctions overreach will *ultimately drive business activity away from the U.S. financial system* could become more acute if alternatives to the United States as a center for financial activity . . . assume a larger role,’ Mr. Lew said... ‘Our banking trade, our efforts to *return wealth from their banks*, various kinds of businesses that require financial services, all of these are still facing problems,’ Mr. Khamenei said.” (emphases added)

LDC Topic(s): Macro-economics #2 (role of capital investment, education, and technology in economic growth) and #10 (merchandise trade deficit and capital flows and investment in debtor countries)

UDC Impact: SOM 306 (Operations)—The banking technology to process Iranian business transactions has to be broad enough to work effectively but narrow enough to meet strict government requirements. MGT 360 (Management)—The ability to conduct business with another nation will likely lead to new opportunities for existing business, and further, brand new businesses.

Business Statistics

Citation: Carreyrou, J., and Weaver, C. (2016, Apr 1). Theranos Machines Failed Accuracy Test. *Wall Street Journal*

Main Issue: “The blood-testing devices that Theranos Inc. touted as revolutionary often failed to meet the company’s own accuracy requirements for a range of tests, including one to help detect cancer, according to a federal inspection report.”

Key Quote: “...The agency's inspection began last September. The report includes details on whether Theranos blood tests passed internal quality-control checks. Such checks usually involve performing a test on a *sample* of preserved blood plasma with a predictable result to see if it matches the expected outcome. At most labs, including Theranos, quality-control checks were considered to have failed if they produced a result *more than two standard deviations* away from the typical outcome...” (emphases added)

LDC Topic(s): Business Statistics #8 (how variation creates uncertainty) and #9 (distinction between samples and populations)

UDC Impact: SOM 306 (Operations)—Understanding variation quantitatively and qualitatively assists in ensuring that operational processes are in control. MKT 304 (Marketing)—Evaluating advertising claims as genuine is important for many stakeholders, including consumers. FIN 303 (Finance)—Evaluating the transformational value-proposition of a technology affects the overall value of the firm and influences the market.

Business Law

Citation: Perlberg, S., and Seetharaman, D. (2016, Apr 1). Video Creators Frustrated by Facebook. *Wall Street Journal*

Main Issue: “Filmmaker Brady Haran uploaded a video to his science-focused YouTube channel showing what happens when you drop lithium metal into 7 Up soda. The video, which explains the chemistry behind why the liquid fizzes and turns brown, quickly gained steam on Facebook, accumulating hundreds of thousands of views and reaching a list of trending topics alongside Kanye West and Donald Trump. The only problem: It wasn't Mr. Haran's version. Mr. Haran and other video makers are growing increasingly impatient with Facebook concerning "freebooting" -- when clips are taken from YouTube and re-uploaded without permission from the creator.”

Key Quote: “...Google's YouTube, for its part, faced similar challenges nearly a decade ago, and squared off against media giant Viacom Inc. in a *seminal 2007 online video case that was settled* in 2014. The terms of

the settlement weren't disclosed. Under the *Digital Millennium Copyright Act*, the onus is on creators to flag infringing content to companies, who are obligated to respond to those 'take-down requests'. "They are certainly showing *good-faith efforts* in terms of trying to create software to try to deal with the freebooting issue," said Lee Essner, president and chief operating officer of Jukin..." (emphases added)

LDC Topic(s): Business Law #3 (differences between torts, negligence, and strict liability), #5 (duty to mitigate damages), #8 (differences between civil and criminal liability)

UDC Impact: SOM 306 (Operations)—Understanding the technology both of uploading videos and identify potentially infringing material. MKT 304 (Marketing)—An existing channel may be a key part of a "brand" for an individual or organization.

Here are a few articles for you to try on your own. See if you can link one or more "top ten" topics from a lower division course to a concept that is important in an upper-division course.

Lower Division Business Statistics as a foundational skill for Upper Division Operations Management (SOM 306)

Citation: Cheng, E. (2017, May 20). Everyday Math: Which Checkout Line to Pick. *Wall Street Journal*, p. C4.

Lower Division Macro-economics as a foundational skill for Upper Division Strategic Management (BUS 497)

Citation: Ip, G. (2017, June 1). The Hidden Truth in Trump's Trade Tirade. *Wall Street Journal*, p. A1.

Lower Division Financial Accounting as a foundational skill for Upper Division Strategic Management (BUS 497)

Citation: Bensinger, G. (2017, May 23). Uber Mistakenly Shortchanged New York Drivers. *Wall Street Journal*, p. B4.

Some—perhaps many—important articles use multiple topics from multiple lower division courses to inform multiple topics from multiple upper division courses.

This time, without any hints, see if you can link multiple topics between lower division courses and upper division courses. Effectively, the intersection and union and of these topics is how your Business degree serves you in your career.

Citation: Jargon, J. (2017, June 1). Diners Lose Taste for Pricey Burgers. *Wall Street Journal*, p. B1.

Occasionally, material from General Education (GE) classes—even more so than lower-division core courses—can be used to draw important inferences about topics of keen interest to business majors and business professionals. The following are some examples of articles where abiding knowledge of GE coursework is critical.

Citation: Mackintosh, J. (2017, November 3). Streetwise: What Martin Luther Says About Capitalism. *Wall Street Journal*, p. B1.