



Financial Management Association



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Date : 10/06/2008

Volume 12: Issue 3

<http://www.templefma.com>

Faculty Advisor: Insights



Accounting vs. Finance

Finance professionals sometimes make derogatory comments about accountants, such as “Accountants look at the past; finance pros look at the future” or “Accountants are mechanics; finance pros are managers” as if doing so somehow makes finance a more glamorous profession. While there is an element of accuracy in those comments, the reality is that finance managers must look at the past in order to make forecasts and develop effective strategies for the future. And although accountants are required to refrain from making forward looking statements, they must consider the future as they implicitly certify a company as a “going concern”.

(Contd. on page 3) R. Stephen Kamp kamp@temple.edu

Upcoming Events...

October 6th, 2008 - FMA Member Meeting - JP Morgan Chase

October 13th, 2008 – FMA Member Meeting – Creative Financial Group , Guest Speakers Phil Travaglini, Nir Guy

“New website pending release”

FMA Tutoring

FMA is pleased to announce another membership benefit: tutoring for Finance 3101 and 3011.

This service provides a great opportunity to improve your understanding of basic financial concepts and establish a strong foundation for the upper level courses.

The tutoring will be held in Ritter Hall room # 330
The schedule will be Monday, Tuesday, Thursday 2:40pm to 3:30

Any Questions Email Saumil Pabari at saumil.pabari@temple.edu

Who are Lincoln Financial Advisors?

Matthew E. Pratzner a Managing Principal for Lincoln Financial answered that question by presenting a slideshow that informed students about the origins and practices of the company. Lincoln Financial has been in existence for 103 years and has become one of the largest insurance corporations in the United States. The company manufactures life insurance products and retirement plans. The company adopted their name from the 16th president Abraham Lincoln, because he stood for honesty and dependability. By adhering to their clients’ needs and a conservative policy they have been able to successfully manage 221 billion dollars in assets.

Kim Thiel who is a field relations program manager for Lincoln Financial came in to talk about internships for students. Students who intern for Lincoln Financial will have the opportunity to work in financial planning support, recruiting, leadership, and compliance. This would be an excellent internship to participate in because it will give students exposure to a leading financial planning company and students will obtain product knowledge from experts in the financial industry. If you are an accounting, finance, business, or marketing major and you are a junior or senior with a 3.0 GPA or higher, this internship may be for you! For further information contact Kim Thiel at kim.thiel@lfg.com or call her directly at (856)-488-2823.

President’s Corner

FMA members,

To begin I would like to take a recap on the semester thus far. FMA members have had the opportunity to gain an inside view upon Johnson & Johnson, Lincoln Financial Advisors, and Pricewaterhouse Coopers. The objective of this is two fold. Provide members a chance to network with employers and help to answer the burning question “what do I want to do when I grow up”. Second, on September 23rd, FMA had its beginning of the semester social at the Draft Horse that was strategically scheduled for the same day as the Fox Senior Reception. Finally, FMA, joined by BHSA, TUJA, and AMIS, attended the ‘Student Leadership Summit’ at SEI Investment Company. The Leadership Summit provided attendees a background upon what SEI does as well as helping attendees to further develop their teamwork and leadership skills through completion of a case study.

As we move through the remainder of the semester FMA has some BIG plans in store for its members. Specifically, one social every three weeks, a campus visit to Prudential’s HQ’s in Newark, New Jersey, many more employer guest speakers spanning the financial industry, participation in Philly Cares Day during mid-October, and much more!

I wish the best of luck to all those interviewing!

Andrew Keinard

FMA President

Senate passes \$700B financial bailout loaded with tax cuts, other goodies, to lure House votes

WASHINGTON (AP) -- After one spectacular failure, the \$700 billion financial industry bailout found a second life Wednesday, winning lopsided passage in the Senate and gaining ground in the House, where Republican opposition softened.

Senators loaded the economic rescue bill with tax breaks and other sweeteners before passing it by a wide margin, 74-25, a month before the presidential and congressional elections.

In the House, leaders were working feverishly to convert enough opponents of the bill to push it through by Friday, just days after lawmakers there stunningly rejected an earlier version and sent markets plunging around the globe.

The measure didn't cause the same uproar in the Senate, where both parties' presidential candidates, Republican John McCain and Democrat Barack Obama, made rare appearances to cast "aye" votes, as did Obama's running mate, Sen. Joe Biden of Delaware.

In the final vote, 40 Democrats, 33 Republicans and independent Sen. Joe Lieberman of Connecticut voted "yes." Nine Democrats, 15 Republicans and independent Sen. Bernie Sanders of Vermont voted "no."

President Bush issued a statement praising the Senate's move. With the revisions, Bush said, "I believe members of both parties in the House can support this legislation. The American people expect and our economy demands that the House pass this good bill this week and send it to my desk."

The rescue package lets the government spend billions of dollars to buy bad mortgage-related securities and other devalued assets held by troubled financial institutions. If successful, advocates say, that would allow frozen credit to begin flowing again and prevent a deep recession.

Even as the Senate voted, House leaders were hunting for the 12 votes they would need to turn around Monday's 228-205 defeat. They were especially targeting the 133 Republicans who voted "no."

Their opposition appeared to be easing after the Senate added \$110 billion in tax breaks for businesses and the middle class, plus a provision to raise, from \$100,000 to \$250,000, the cap on federal deposit insurance.

They were also cheering a decision Tuesday by the Securities and Exchange Commission to ease rules that force companies to devalue assets on their balance sheets to reflect the price they can get on the market.

There were worries, though, that the tax breaks would cause some conservative-leaning "Blue Dog" Democrats who voted for the rescue Monday to abandon it. The bill doesn't designate a way to pay for many of the tax cuts, and Blue Dogs typically oppose any measure that swells the deficit.

"I'm concerned about that," said Rep. Steny Hoyer, D-Md., the majority leader.

Raising the deposit insurance limit -- along with the SEC's accounting change -- helped House Republicans claim credit for some substantive changes. And with constituent feedback changing dramatically since Monday's shocking House defeat and the corresponding market plunge, lawmakers' comfort level with the package increased markedly.

Rep. John Shadegg, R-Ariz., who voted "no" on Monday, said he was leaning toward switching, and Rep. Steve LaTourette, R-Ohio, said he was "getting there." Several others were weighing a flip, said Republican officials who spoke on condition of anonymity because the lawmakers had not yet announced how they would vote.

Leaders in both parties, as well as private economic chiefs everywhere, said Congress must quickly approve some version of the bailout measure to start loans flowing and stave off a potential national economic disaster.

"This is what we need to do right now to prevent the possibility of a crisis turning into a catastrophe," Obama said on the Senate floor. In Missouri, before flying to Washington to vote, McCain said, "If we fail to act, the gears of our economy will grind to a halt."

Critics on the right and left assailed the rescue plan, which has been panned by their constituents as a giveaway for Wall Street, and has little obvious direct benefit for ordinary Americans.

Faculty Advisor: Insights (Contd. From Page 1)

At an FMA meeting last year, Andy Williams, the managing partner of Philadelphia International Advisors (PIA), spoke about career paths in finance and his personal journey. After graduating from Temple's MBA program, Andy began his career at Provident National Bank (now PNC Bank), moved to Wall Street with Lehman Brothers, then back to Philadelphia with Glenmede Trust Company where he managed the international portion of their portfolios. Four years ago, Andy spun off the international portfolio group from Glenmede and established PIA while maintaining an alliance with his former employer. While pursuing an obviously successful career in finance, he never lost sight of the importance of the discipline of accounting. In fact, Andy said he could not do his job of financial analysis and decision making without a deep understanding of accounting. His advice for success in finance: "Study accounting, then study more accounting and, finally, keep studying accounting."

Why is accounting so important to a finance manager? A company's "scorecard" is the group of financial statements created by accountants. Managers must be able to interpret this "scorecard" in order to assess trends in profitability, financing, and both operating and financial risk. The financial statements are designed to answer questions. The Income Statement answers the question "How effectively did I turn revenue into profit?"; the Balance Sheets answers "How much do I own and how much do I owe – What is my financial condition?", and the Statement of Cash Flows provides answers to "Where did cash come from and where did it go?" Analysis of the financial statements can reveal trends in growth and profitability, asset usage and capital structure, and operating, investing and financing activities. Answers to initial questions will lead to more questions requiring a greater depth of analysis such as "How did it get this way and what are the implications for the future?"

To provide directions to a destination it is necessary to have an accurate description of the destination, but also of the starting point. The analyst first determines how you got where you are in order to assess the opportunities and challenges presented by the current environment. Analysis of financial statements provides that description – it tells you where you are now, if you have enough "fuel" to reach your destination, and whether the condition of your vehicle will provide with sufficient confidence that you can complete the trip in the time available. As the composition and quality of a foundation is essential when building a physical structure, knowledge of the nature and quality of a company's financial foundation is a key ingredient in assessing the wisdom and viability of the various strategies a company may be considering. The most complex and well conceived strategy and forecasts are of little value unless the manager has accurately assessed the company's ability to achieve them and has considered alternative routes (strategies) in case the original plan doesn't work. Although accounting may not be your chosen profession, success in any area of finance requires a broad understanding of accounting principles and the ability to analyze financial statements in order to make the best decisions about how to proceed, the probability of success, and how your decisions will affect reported results – as shown in the financial statements.

R. Stephen Kamp kamp@temple.edu

Summer Internship Report

Ashley Klaas

I can hardly believe the summer has already come to an end and I'm finally starting my senior year! I definitely used this past summer to rest and relax (at least as much as I could while working and taking summer classes). The majority of my summer was spent interning for a financial planner at Karr Barth Associates. Working closely with a planner allowed me to get a first-hand look at both building and preserving an advisory business.

My position involved assisting the planner with all of her daily responsibilities that included updating/maintaining records, preparation for client meetings, resolving issues with the product companies, general office duties, and plenty more. Luckily, my experience with FMA and the busy membership committee prepared me for the demanding work environment. In addition to interning, I continued working at the TECH Center and completed two summer courses. This past summer provided me with more lessons and experience than any other. Not only did I learn a ton about the financial services industry from my internship, but also life lessons from the combination of my various activities. It's one thing to juggle multiple items, but to do it *well* is much harder and takes a lot of work!

By: Ashley Klaas

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