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Integrating Financial Literacy Concepts into the Introductory Financial Accounting Course

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ABSTRACT

Financial illiteracy is a growing problem in this country and college students are amongst those not knowing enough about personal finance. However, few colleges and universities require or offer a course in personal finance; nonetheless we believe accounting educators are uniquely qualified to improve their students' financial literacy. This paper describes an effective and efficient way to introduce some basic personal finance concepts to freshman business students in a Financial Accounting course while minimizing class time. In addition, the assignments require an active writing learning approach which addresses the numerous calls for incorporation of writing assignments into the business school curriculum. The assignments improved students' interest in personal finance, make connections to the Financial Accounting course creating a more interesting and relevant course, and provides a rewarding teaching experience for instructors.

Introduction

The United States Financial and Literacy Commission (2007) defined financial literacy as "...the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being." Research reveals financial illiteracy is a growing epidemic in the United States. Lusardi's (2008) research shows widespread financial illiteracy among the American population where most adults cannot perform simple financial calculations and lack knowledge about many personal finance concepts.

In recent years, a nationwide movement developed programs to teach personal finance concepts in elementary and secondary schools. Organizations such as the American Bankers' Association, the National Consumer Law Center, and ACA International (credit and collection professionals) are examples of some groups sponsoring initiatives to promote and improve financial literacy. In addition, the American Institute of Certified Public Accountants (AICPA), in an effort to increase financial literacy, put forth a significant financial literacy initiative through the AICPA's "360 Degrees of Financial Literacy" program and their "Feed the Pig" ad campaign. These programs targeted 25-34 year old people "because their need is great and the potential for success is great" (Reynolds, 2006, p. 37). Despite these efforts, there is considerable evidence that financial literacy is still lacking in most households.

Thus, it would seem obvious that colleges and universities would help resolve this crisis by requiring all students to receive some personal finance education. However, Bianco and Bosco (2011) examined the curricula of 100 Association to Advance Collegiate Schools of Business (AACSB) accredited schools and found only 54 of the 100 schools examined offer a personal finance course with 44 of the 54 schools offering the personal finance course only to business majors, whereas 10 of the 54 schools offering the personal finance course to non-business majors. In other words, they found less than half of the business schools offered a personal finance course for business majors while 90% of non-business majors are not offered any such course. This is discouraging news!

To help overcome this obstacle we created a unique series of assignments to help develop financial literacy for students in a first-year introductory Financial Accounting course. We also tried to bridge personal finance concepts with introductory accounting concepts bringing relevance into the classroom. This innovative approach aligns with the newly revised accreditation standards of the AACSB which emphasized themes of "innovation, impact and engagement" supporting their desire to provide "relevant knowledge and skills to the communities we serve" (AACSB, 2013, p. 2).

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The assignments utilize a limited active writing/presentation skill activity recommended by Catanach and Rhoades (1997) to help bolster students' writing skills. The writing/presentation model helps with communication skills, is recognized as a necessary skill for accounting and business graduates, and a critical element of the learning process itself (Firch, Campbell, Filling, & Lindsay, 2011). Stocks, Stoddard, and Waters (1992) suggests writing assignments incorporated into accounting courses can help students learn accounting issues and concepts while improving students' writing skills. Along this same line, writing/presentation skills assignments covering personal finance issues deepen the students' understanding of personal finance issues. The assignments described in this paper are effective in teaching basic personal finance concepts to freshman business students, improve their interest in personal finance and makes the financial accounting course more interesting and relevant for students. In addition, the assignments follow AACSB's goal of having our "curricula include approaches that actively engage students in learning (AACSB, 2013, p. 36)", meets the numerous calls for writing across the curriculum, presentation skills, and intersecting theory with practice. For instructors, additional satisfaction is gained knowing students are introduced to critical concepts and skills they will utilize throughout their lifetime.

Accounting educators are very capable of delivering personal finance course content and there are many linkages between personal finance and the course material in the introductory accounting courses. The dilemma is there is barely enough time in a first semester Financial Accounting course to cover the required concepts of the course, let alone introduce personal finance concepts. This paper describes a very effective and efficient way to introduce some basic personal finance concepts to freshman business students without disrupting valuable class time.

The remaining sections of this article present a literature review section, the assignments, learning objectives, implementation guidance, assessment results, and conclusions. Teaching instructions also are provided along with guidelines for suggested answers and making connections with financial accounting.

Literature Review

In 2010, Harris Interactive conducted a financial literacy survey on behalf of the National Foundation for Credit Counseling (NFCC) among adults over the age of 18. Key findings of this representative survey show thirty-four percent of participants graded themselves poorly on personal finance knowledge, over thirty percent do not contribute to a retirement plan or have any savings, and thirty-three percent of people holding a mortgage do not understand its' terms. One of the key findings of the survey is most adults agreed they needed some form of personal finance education. Personal financial troubles are one of the main reasons for divorce and why the number of senior citizens living in poverty has increased (Mason, 2000).

Chen and Volpe (1998) find direct connections between financial decisions and financial knowledge with their findings supported by a hypothetical study of student spending habits (Peng, Bartholomae, Fox & Cravener, 2007). Numerous studies (Chen & Volpe, 1998; Bianco & Bosco, 2012; Cude, Lyons, & Lawrence, 2007; Yates & Ward, 2011) conclude college students lack the necessary personal finance knowledge to navigate a complex world. Statistics over the past decade reflect a low level of financial literacy among college students (Chen & Volpe, 1998; Jump\$tart Coalition, 2008; Mandell, 2002.)

Research has shown low financial literacy equates to more debt problems (Lusardi & Tufano, 2009), not being actively involved in the stock market (van Rooij, Lusardi & Alessie, 2007), more likely to choose mutual funds with higher fees, and less likely to accumulate wealth and plan for retirement (Lusardi & Mitchell, 2006). Conversely, young adults with higher levels of financial literacy have lower levels of default rates on student loans (Cummins et al., 2009), make better consumer decisions (Hayhoe, Leach, Turner, Bruin & Lawrence, 2005; Peng, et al., 2007)) and reduce their chance of filing for bankruptcy and obtaining government assistance (Huston, Miller, Richburg-Hayes, Duncan, Eldred, Weisner, Lowe, McLoyd, Crosby, Ripke & Redcross, 2003).

Ellis (2013) shows the average graduating undergraduate student debt being \$35,200 including credit card debt over \$3,000. Yates and Ward (2014) find forty-one percent of students have at least one credit card and almost fifty percent hold four or more cards. They also note over eighty percent of students surveyed wished they had more financial education and debt management help. Coupled with a more complex financial world, increased student debt and credit card debt, there is an urgent need for financial education.

Fernandes, Lynch and Netemeyer (2014) completed a comprehensive study of financial literacy, financial education and financial behaviors by examining 168 papers covering 201 prior studies. Their findings question prior findings on effectiveness of interventions since behavior 20 months from the time of intervention has negligible impacts. They suggest either a "just in time" approach to financial education or a continuous effort to significantly impact outcomes. Since our intervention is in the first year of college, we expect and hope other courses offered later in the curriculum will build upon our initial efforts.

Bianco and Bosco's (2011) research showed few schools offer opportunities for personal financial education. Crain (2013) examined the undergraduate curriculum of 435 universities to determine if a financial literacy course could satisfy the general education requirement and only found 37 schools offering such a course as an elective. Taylor, Tisdell, and Forte, (2012) surveyed schools offering some form of financial education and shows the most effective pedagogical practices include interactive approaches such as, drawing on the learners' financial experiences, engaging students in small group or whole classroom discussions and sharing financial experiences of the educator. The interactive approaches are supported by Mandell and Klein (2007) who suggest low financial literacy scores relate to lack of motivation. They reference David Goslin's 2003 book, *Engaging Minds: Motivation and Learning in America's Schools*, noting learners stay engaged if they find relevance with the topic. As noted above, many of our students already participate in the debt marketplace and hold at least one credit card so relevance is already present.

Given the difficulty of gaining approval of a required personal finance course for all business students, accounting and finance educators can do their small part by introducing some personal finance concepts in their existing courses. Our contribution to financial literacy will not cure the problem but certainly is one step in developing responsible financial behavior.

The Assignments

The assignments were delivered in a required first-year undergraduate introductory Financial Accounting course at a private university in the Mid-Atlantic region of the United States. The institution enrolls approximately 6,700 students with SAT/ACT scores in the 25th – 75th percentiles ranging from 900 to 1120.

Two sections with 64 students, primarily freshman, were assigned the project. The assignment consisted of the first five chapters of Suze Orman's book, *The Money Book for the Young, Fabulous & Broke*. Appendix A contains the five chapter assignments. The selected chapters of the book include:

- Chapter 1 - "Know the Score", discusses "what your credit report says about you, how your credit score runs your financial life and some smart moves for boosting your score" (Orman, 2005),
- Chapter 2 - "Career Moves", illustrates "how to survive on a small paycheck, paying your dues, dealing with office politics and effective job hunting" (Orman, 2005),
- Chapter 3 - "Give Yourself Credit", informs readers of the good and bad uses of a credit card, the various types of credit cards available, and the importance of managing the use of a credit card (Orman, 2005),
- Chapter 4 - "Making the Grade on Student Debt," covers student loans including topics such as consolidation strategies and payback options (Orman, 2005) and,
- Chapter 5 - "Save Up" and suggests how young people can squeeze more money out of what they make, paying off debt vs. saving, and explains savings vehicles such as CDs and money market funds and the various retirement vehicles (Orman, 2005).

These selected assignments represent what freshman students should encounter in the near future. The assignment handout provides questions for students to address as they complete the reading of each chapter of the book and highlights the importance and worth of the assignment as recommended by Stocks et al. (1992, p. 198) and Schofield and Combes (1993, p. 73).

The assignments require students to read a chapter of Suze Orman's book, *The Money Book for the Young, Fabulous & Broke* and utilize an active written/presentation skill approach (Catanach & Rhoades, 1997) requiring them to answer specific questions in a brief format using PowerPoint© slides. Students are instructed to include in their PowerPoint© slides the following items; (1) the reason(s) why Suze Orman devoted a whole chapter to this topic, (2) what the student learned from reading this chapter, (3) how the student can apply what was learned in this chapter to their life both now and after graduation from college, and (4) advice the student can give to their parents (guardians) regarding the chapters' topic. The

instructions for the assignments direct students to make four PowerPoint© slides addressing the questions listed above, one slide for each question. The slides are printed on one page and submitted to the instructor. Although these instructions may appear restrictive they promote efficient grading of these assignments, introduce students to using PowerPoint© to demonstrate learning and summarizing writing assignments succinctly.

Appendix A

There are several studies and key statistics informing us that financial illiteracy is a growing epidemic in this country. Financial illiteracy can lead to a whole host of social problems (divorce, substance abuse, suicide, etc.).

Our curriculum does not require a course on Personal Finance, an area all individuals have to deal with their whole lives. In the Financial Accounting course taken by all first semester freshman business students there are many intersections of the course material in this course with areas of personal finance.

To improve students' understanding of personal finance, each student is given a copy of Suze Orman's *Money Book for the Young, Fabulous, and Broke*. The instructor purchased used copies of the book for approximately \$4. During the semester, students were assigned to read the first five chapters of the book covering the following topics:

- Chapter 1. Know the Score (Credit Score)
- Chapter 2. Career Moves
- Chapter 3. Give Yourself Credit (Credit Cards)
- Chapter 4. Making the Grade on Student Debt (Student Loans)
- Chapter 5. Save Up (Investment Basics)

After reading each chapter, each student is required to make 4 PowerPoint© slides addressing the questions listed below. The 4 slides are printed on one page and submitted to the instructor along with name and date of student in a "header".

1. **Why** did Suze Orman devote a whole chapter to this topic? (i.e. what is the significance of this topic?)
2. **What** did I learn from this chapter?
3. **How** can I apply what I learned in this chapter to my life?
 - a. Pick a concrete tip/strategy that you can use right now, (fall semester of your freshman year).
 - b. Select one tip/strategy as a long-term goal to be employed as you graduate from college and begin your professional career.
4. Obviously, your parents are in a different stage of life than you. **What** advice can you give your parents regarding the topic of this chapter?

Learning Objectives

The primary learning objective of these assignments is providing students with an understanding of some important personal finance concepts including the importance of a credit score, the basics of credit cards, student loans and the value of saving for retirement and making these connections to the Financial Accounting course. The assignment also promotes use of succinct written communication skills in a presentation-style format.

Implementation Guidance

These assignments can be assigned any time throughout the semester. Since five chapters of Suze Orman's *Money Book for the Young, Fabulous, and Broke* are assigned during the semester, spacing the assignments every two weeks works best for us. Reading the appropriate chapter in the book provides students with the knowledge of the concepts to complete each assignment. When the appropriate time arrives, the instructor distributes the scheduled assignment in Appendix A to students in class and thoroughly reviews its requirements. The discussion of this assignment should take less than five minutes. This is a good

investment of time as a solid understanding of the assignment by the student results in a more accurate, thorough and complete PowerPoint® slide submission. Students are encouraged to consult the instructor with any questions. Upon completion and submission of each assignment, the instructor facilitates a short debriefing. A lively class discussion about the chapter topic typically follows. The debriefing also gives the instructor the opportunity to stress the importance of the topic, draw linkages to the Financial Accounting course, as well as the ability to introduce other tangential personal finance topics. The experience of the authors shows the students enjoy this debriefing and discussion of the chapter as they realize the relevance of the material to their own lives and the connections to our Financial Accounting course.

Assessment

Consistent with Barton, MacArthur and Moore (2005), the author surveyed the students to gain insight to their perceptions of the assignments. After submitting the assignments, all 64 students responded anonymously to 10 survey questions. Mean responses are reported in Table 1.

Table 1: Student Survey Responses

Survey Question	Mean Responses (n = 64)
1. Understanding basic concepts of personal finance is important.	4.68
2. These reading assignments have helped me understand some important personal finance concepts.	4.52
3. These reading assignments and subsequent preparation of PowerPoint® slides are an effective way to learn technical material.	4.16
4. My understanding of these personal finance concepts improved as a result of these assignments.	4.31
5. Suze Orman’s <i>The Money Book for the Young Fabulous & Broke</i> is interesting.	4.27
6. Suze Orman’s <i>The Money Book for the Young Fabulous & Broke</i> is easy to read.	4.66
7. Suze Orman’s <i>The Money Book for the Young Fabulous & Broke</i> is written at the right level for college students.	4.61
8. These reading assignments from Suze Orman’s <i>The Money Book for the Young Fabulous & Broke</i> and PowerPoint® slide preparation improved my interest in personal finance.	4.02
9. These reading assignments from Suze Orman’s <i>The Money Book for the Young Fabulous & Broke</i> and PowerPoint® slide preparation should be used in future Financial Accounting courses.	4.51
10. Overall, these assignments have met my expectation.	4.57

Scale: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree

Students viewed the understanding of basic personal finance concepts as important (question 1). They also indicated the assignments helped them understand some important personal finance concepts (question 2). They also viewed these reading assignments and subsequent preparation of PowerPoint® slides as an effective way for business students to learn (question 3) and stated their understanding of personal finance concepts improved as a result of these assignments (question 4). Additionally, students thought Suze Orman’s *Money Book for the Young Fabulous & Broke* is interesting (question 5), easy to read (question 6), and written at the right level for college students (question 7). Students also stated these assignments met their expectation (question 10), improved their interest in personal finance (question 8), and should be used in future Financial Accounting courses (question 9). Overall, student responses to this survey cited the importance of understanding personal finance concepts and reading selected chapters from Suze Orman’s *Money Book for the Young Fabulous & Broke* as it improved their interest in personal finance and was helpful and effective in learning these personal finance concepts.

Finally, students were asked to provide any other comments, suggestions or ideas they might have regarding these assignments. A representative sample of student responses is provided in Table 2. Several students reported the assignments were interesting, fun, relevant to their personal lives, or a great way to learn this important material. Many students commented the book was enjoyable to read and the assignments enabled them to learn the material effectively. Several students stated the book was written at the right level for college-aged students and expressed a desire to read the rest of the book or purchase it as a future reference book. Some improvements to the assignments noted by a few students included adding more chapters for future assignments, asking different questions for each chapter instead of the same four questions and two students noted that their parents were anything but young, fabulous or broke and that question should be eliminated.

Table 2: Student Comments

Positive Feedback

The exercises were really interesting – I've learned many new things that I didn't know before.

The five chapters we read were helpful in understanding finance; it is a good book to know for this class.

Perfect reading level for college. Really informs of the dangers in finance but also explains the benefits. Great book.

Very informative.

I enjoyed these assignments because it allowed me to understand financial information and how to deal with certain situations.

I learned a lot just from reading Sue Orman's book. I now have a better understanding of personal finance concepts.

I really liked these assignments. Suze is interesting and doesn't expect readers to know everything.

The Suze Orman book was an additional source to understand financial accounting. Great way to rotate things we are learning in class to real life concepts.

Interesting, informative read.

I enjoyed the book and will take away a lot of the knowledge that I wish I knew earlier. I would read the material again to learn more.

An easy reading book, written at the perfect level for college students that improve interest in personal finance.

I think the way this project was handled was the best way to understand and learn.

Suze Orman taught me a lot about managing my money and how to use it wisely.

This book was very relevant to my life right now. I recently obtained a credit card and this book helped me to understand so much about credit cards.

Great motivation to learn about personal finance.

These assignments really show the reader good strategies that can be used in everyday life. This book should be used every year because it relates to everyone.

The book was very good. Would buy the book in the future for reference to help me keep my money straight.

I enjoyed reading this book.

Even though it was homework I still liked doing the assignments because I felt I got a lot out of it.

I would have liked to have read the whole book.

I loved the book.

It was good to learn real life problem solving.

It is definitely beneficial for college students to learn more personal finance topics.

Suggestions for Improvement

I found the slide about "advice for parents to be difficult, they are anything but Young, Fabulous, or Broke. Maybe this slide should be reconsidered for a different question.

The whole book should have been read.

Possibly come up with different assignments based on each chapter instead of PowerPoint© each time.

Do more chapters because these assignments are straight forward and help boost your grade.

Overall, students agreed the readings from Suze Orman's *Money Book for the Young Fabulous & Broke* and subsequent writing assignments were an effective way to learn important personal finance concepts. Student responses indicated the assignments were interesting, enjoyable, and improved their interest in personal finance.

Assignment Benefits/Costs/Limitations

This instructional tool can easily be adapted to introductory Financial Accounting or Managerial Accounting courses at the undergraduate level. The strength of these assignments is the ability to introduce personal finance concepts using an active writing/presentation skill approach and draw linkages to Financial Accounting topics in an efficient manner without using much class time. These assignments introduce students to important personal finance concepts they need to know as a college student and later as a working adult. The assignments also provide the opportunity for students to connect with parents on personal finance topics deemed important to both. Given the significant research calling for personal finance to be integrated into the business school curriculum (NFCC, 2010), this assignment provides an option for most accounting instructors and is very easy to implement into a course. Instructors will find these assignments to be a relatively straightforward and efficient way to teach several personal finance concepts in an undergraduate financial accounting course and simultaneously make the course relevant.

Naturally, some limitations exist and should be recognized. One is the time constraint the assignments places on the professor in grading five additional writing assignments during the semester. The grading is made easier than open-ended writing assignments as students are directed to answer specific questions in a concise manner, where there are a finite number of possible answers. Another possible limitation is the assignments may not be reusable every semester due to potential leakage of assignments among fellow students. Instructors can overcome this problem by either changing each of the four questions assigned or by assigning different chapters of the book each semester.

Conclusion

This article describes an innovative approach for accounting instructors to help improve financial literacy of freshman business students by integrating and showing linkages of selected personal finance ideas to the accounting concepts taught in the introductory Financial Accounting course. These assignments meet the calls for more personal finance education, while also addressing the calls in the accounting and business education literature for more active learning and writing assignments. Results of student surveys show these assignments improved students' interest in personal finance and makes connections to the Financial Accounting course more interesting and relevant. This financial literacy education, while effective in the short term, needs to continue beyond the freshman year in order to effectively educate our students as responsible and knowledgeable financial decision makers.

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Teaching Note

This teaching note provides instructors with additional detailed guidance on suggested solutions and grading issues.

Suggested Solution

There are certain answers for some questions, although two of the questions allow for creativity in how the students may apply the concepts learned to their own life both now and in the future and in the advice they may give their parents. Sample solutions for each assigned chapter are provided and also suggested connections to the introductory financial accounting course are included.

Grading Rubric

Exhibit 1 provides a suggested grading rubric instructors may use to evaluate student submissions. Grading scales or weights should be selected by each individual instructor to tailor the assignment to their own educational objectives.

EXHIBIT 1: Sample Grading Rubric

	Point Value		
	3	2	1
Significance of the Topic Discussed in the Reading			
Content is comprehensive, accurate, and persuasive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lessons Learned from the Reading			
Content is comprehensive, accurate, and persuasive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Application to Student's Life			
Content is comprehensive, accurate, and persuasive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advice to Parents			
Content is comprehensive, accurate, and persuasive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PowerPoint® Slide Structure			
Professional language and tone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Correct grammar and spelling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organization/Flow of PowerPoint® slides	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Total _____

Scoring:

- 0 - 14 points: Does not meet expectations
- 15 - 18 points: Meets expectations
- 19 - 21 points: Exceeds expectations

The grading rubric reflects the aspects of the assignments given to students. It divides the grading of student work into five categories to assess the significance of the topic, what was learned from the readings, apply what was learned to the student's life, advice provided to parents, and PowerPoint® slide structure and content. Points are awarded for each of these areas based on whether the content of the written explanation is comprehensive, accurate, and persuasive. Writing skills are stressed in many college courses and are important for all business people. This grading rubric enables instructors to provide feedback on the writing quality of each submission. Collectively, this grading rubric provides students with insight into the basis of their overall grade.

In addition to providing valuable feedback to students, the data provided from the grading rubric is useful for accreditation purposes. This rubric is consistent with the assessment rubrics which accreditation agencies (AACSB, 2013) are encouraging business school faculty to employ (Suskie, 2004).

Chapter 1 Sample Solution

Chapter Significance (Slide #1)	<ul style="list-style-type: none"> The importance of understanding a FICO score. Everybody has a FICO score from 3 sources, Equifax, Trans Union, and Experian. FICO scores range from the best at 720-850 to the worst of 500-559. The FICO score can impact the ability to get a job or a low interest rate loan.
What did I Learn? (Slide #2)	<ul style="list-style-type: none"> Canceling credit cards will erase all the history from that credit card which lowers your FICO score. It's better to just cut them up and not use them. How to get a copy of my credit report and how to fix any blemishes on the report. Apply for a credit card now so you can start to build credit. Making on-time payments on a cell phone bill, utility bills, and loans, will increase your FICO score. Keeping a low debt- credit ratio will improve your FICO score and will help when applying for a loan.
Application to Life	A. Strategy for College years.

(Slide #3)	<ul style="list-style-type: none"> • Review your credit report on an annual basis. • Apply for a credit card to establish some new credit. • Make sure all bills are paid on time. <p>B. Strategy for future (after graduation)</p> <ul style="list-style-type: none"> • Monitor my credit score.
Advice for Parents (Slide #4)	<ul style="list-style-type: none"> • I would tell them not to cancel credit cards they don't use as doing so causes a drop in your FICO score and erases the credit history from that card. • It is very important that both parents are aware of each other's FICO score because if one has poor credit it can affect the interest rate on a loan or ability to get a loan altogether. • As long as they have good credit, they can help build my credit score by putting me on their credit card.
Connections to Financial Accounting	
<ul style="list-style-type: none"> • Company's credit history determines their interest rate on borrowing. Independent firms provide information on companies credit worthiness (Dun & Bradstreet, Standard & Poor,& Moody's are examples) • Credit is the lifeblood of businesses since most companies buy and sell on credit. • Credit is the foundation for accrual accounting. Selling on credit creates an Accounts Receivable and buying on credit results in Accounts Payable. • Show hidden cost of accepting credit cards (1-3%) with company not getting pay the full amount for items sold. • When discussing bond financing compare bond ratings to FICO ratings. Impact of financial statements to bond ratings (earnings and liquidity concepts) • Debt to credit limits ratio can be compared to debt to equity ratio or managing credit lines. • Paying bills on time linked to cash management (cash flow importance). 	

Chapter 2 Sample Solution

Chapter Significance (Slide #1)	<ul style="list-style-type: none"> • Choose the career that will make you happy not the one that will make you the most money. • You should invest in yourself and follow your "dream" career. • Careers moves need to be carefully thought out, not a rash decision.
What did I Learn? (Slide #2)	<ul style="list-style-type: none"> • You are working to make your boss look good. • How to ask for a raise. • How to build up your resume. • Don't rush to make career changes (i.e. don't leave a job suddenly without having another job secured).
Application to Life (Slide #3)	<p>A. Strategy for College years.</p> <ul style="list-style-type: none"> • Start networking now. • Perform volunteer service. <p>B. Strategy for future (after graduation)</p> <ul style="list-style-type: none"> • Work in a job/career that makes you happy and productive. • Make sure that you are working in a job that improves your resume.
Advice for Parents (Slide #4)	<ul style="list-style-type: none"> • Continue to build your network and resume. • Make sure they have happiness and satisfaction in their job.
Connections to Financial Accounting	
<ul style="list-style-type: none"> • Our curriculum requires all freshman students create a personal portfolio (this is a prelude to building a resume which occurs in their next semester). The portfolio lists students' special talents and skills, meaningful job experiences held, leadership experiences, community services and career related activities. This snapshot of their life so far allows them to think about future skills and experiences they might need to pursue their life's dream. • Connect to careers in accounting which are often described in first chapter in most introductory accounting texts. • Understand benefits of joining and accepting leadership positions in student clubs. • Attending professional presentations on campus – networking with presenters who most probably are involved in on-campus recruiting for firms. Networking with upperclassmen that often come back with recruiting teams after graduating. 	

Chapter 3 Sample Solution

Chapter Significance (Slide #1)	<ul style="list-style-type: none"> • Suze devoted a whole chapter to this subject because she is trying to explain to the young readers the pros and cons of credit cards as well as how to use them wisely.
What did I Learn? (Slide #2)	<ul style="list-style-type: none"> • You can use a credit card to help yourself through tough times, if you do it wisely. • Only make purchases that you can pay for that month. • The cost of a purchase can double or triple if you only pay the minimum balance each month. • Always pay on time and know when your billing cycle begins and ends. The due date of your bill can change. • Never cosign on a friend's credit card, it can backfire and you can end up having the credit card company coming after you. • Never dip into your 401k to pay off your credit debt.
Application to Life (Slide #3)	<p>A. Strategy for College years.</p> <ul style="list-style-type: none"> • Obtain a credit card and use it wisely. <p>B. Strategy for future (after graduation)</p> <ul style="list-style-type: none"> • Continue to build your FICO score through wise use of a credit card. • Do not open and close credit card accounts as it hurts your credit score.
Advice for Parents (Slide #4)	<ul style="list-style-type: none"> • Review your monthly credit card statements. • Pay the monthly credit card bill in full and on time.
Connections to Financial Accounting	
<ul style="list-style-type: none"> • Reviewing credit card statements for accuracy can be related to how internal controls are used by firms to review and approve invoices for payment. How to take advantage of discounts (discuss credit terms). Unauthorized invoices and potential frauds can add excitement to this discussion. • Credit needs to be managed in any environment. Connections can be made to getting loans, terms of loans and interest rates. Managing cash is king. • Discuss budgeting as appropriate planning tool. • Do not mismatch asset financing (show students buying a company truck lasting 10 years should not be financed with a 20 year loan). • Discuss how start-up companies get financing from non-traditional sources (family, friends, venture capital, and using their own credit cards) but probably not banks. • Discuss differences between debit and credit cards and reemphasize debits and credits by showing how a bank accounts for handling a debit card. The bank owes holders of debit cards money so they have a liability on their books- when debit cards are used the bank will "debit" their liability thereby reducing what they owe on debit cards. Students can see the relevance of debits and credits when linked to how their debit cards actually work. 	

Chapter 4 Sample Solution

Chapter Significance (Slide #1)	<ul style="list-style-type: none"> • A whole chapter is devoted to this topic because student debt is an obstacle that many students face.
What did I Learn? (Slide #2)	<ul style="list-style-type: none"> • The importance of making timely student loan payments. • The difference between subsidized and unsubsidized student loans. • Different repayment methods available for student loans. • The pros and cons of consolidating our student loans.
Application to Life (Slide #3)	<p>A. Strategy for College years.</p> <ul style="list-style-type: none"> • The cost of a college education is a great investment and worthy of incurring student loan debt. • School selected must be within the family's means to avoid taking on too much debt. <p>B. Strategy for future (after graduation)</p> <ul style="list-style-type: none"> • If you have a low interest rate student loan, take your time in paying it off...you can use excess cash for retirement savings.
Advice for Parents (Slide #4)	<ul style="list-style-type: none"> • Educate your children about the pros and cons of student loans.

	<ul style="list-style-type: none"> • Student debt is an investment in the child's future. However, don't let your children dig themselves into too large of a hole upon graduation by taking on too much student debt.
Connections to Financial Accounting	
<ul style="list-style-type: none"> • Show benefits of debt financing – firms can grow faster by using leverage. But the dangers of too much debt must be discussed. • The simple accounting equation (Assets = Liabilities and Equity) is an excellent approach to showing the impact of debt related to total assets. We often use the equation to show buying a home and how a mortgage allows a person to afford something now (with a small down payment) that they can pay for later. As the debt is paid down the equity increases. • Discuss short term versus long term borrowing. • Show how firms refinance their debt when interest rates change. • Discuss tax advantages of debt financing versus equity financing. 	

Chapter 5 Sample Solution

Chapter Significance (Slide #1)	<ul style="list-style-type: none"> • Suze Orman dedicates this whole chapter on how to spend money the right way as well as the importance of saving money. • There are numerous ways to cut costs in order to help save money.
What did I Learn? (Slide #2)	<ul style="list-style-type: none"> • Reconcile your bank and credit card accounts monthly. • Raise your insurance deductible. • Cancel your home phone service if you rarely use it. • Scan your bank and credit card statements to make sure all transactions are legitimate. • Try to minimize your spending by changing other small stuff such as: bring lunch from home, take public transportation, or wash clothes more and dry-clean less. • Change your lifestyle by getting a roommate, stay at home to watch movies, or drive your car longer. • If you need your money in less than five years, do not invest in the stock market.
Application to Life (Slide #3)	<p>A. Strategy for College years</p> <ul style="list-style-type: none"> • Start saving immediately by reducing costs: bring lunch from home, wait a week or two to get a haircut, or maybe spend less on shopping. <p>B. Strategy for future (after graduation)</p> <ul style="list-style-type: none"> • Just because you are making more money, do not spend it foolishly, make an effort to save. • Make contributions to a retirement plan.
Advice for Parents (Slide #4)	<ul style="list-style-type: none"> • Maximize retirement plan contributions. • Reconcile bank statements on a monthly basis. • Drive cars longer instead of getting a new car every few years.

Connections to Financial Accounting	
<ul style="list-style-type: none"> • Saving money can link to what a company does with net income. Do they save it (retained earnings) within the company or do they return it to owners (dividends). • Discuss financing internally versus using external sources. • Taking more risk with higher deductibles might save money. Can be discussed with prepaid insurance topic. • What does a company do with excess cash? Discuss cash management and potential overnight investment options. • Reconciling bank statements is a key internal control in any business. • Discuss internal controls a company has over expenditures. Lean and mean is the hallmark of many successful businesses. • Discuss benefits of leasing versus owning. Technology might be cheaper leasing due to advances that outdates current models. • When discussing liabilities, specifically payroll, benefits of outsourcing should be considered. 	