

**PRINCIPLES OF FINANCIAL ACCOUNTING**

FALL 2012

Tuesday and Thursday

ACCT-UB.0001.07, 9:30am-10:45am, T-UC25

ACCT-UB.0001.08, 3:30pm-4:45pm, T-UC25

**PROFESSOR MICHAEL JUNG** ([mjung@stern.nyu.edu](mailto:mjung@stern.nyu.edu))

**Office Hours:** Best times are after my morning class and before my afternoon class:

Tuesday 11:00-11:45am; 1:30-3:00pm

Thursday 11:00-11:45am; 1:30-3:00pm

I will have more office hours before exams.

You can make appointments for other times.

**Office Location:** KMC 10<sup>th</sup> Floor Accounting Suite, Room 10-82

**Overview:** The objective of the course is for you to learn how to read, understand, and analyze the financial statements of most publicly-traded companies. The course is intended for students with no previous exposure to financial accounting. This course takes an external user's perspective, as opposed to an accountant or internal user's perspective. External users include investors, creditors, customers, suppliers, government regulators, and business school students. A solid understanding of the fundamentals covered in this course should enable you to do well in more advanced finance and accounting courses, as well as interview intelligently for jobs in finance and consulting.

The course begins with the basic concepts of accounting. We begin by looking at the main financial statements: balance sheet, income statement, statement of cash flows, and statement of stockholders' equity. Particular attention is paid to how these four statements relate to each other and how they provide information about the financial health of a company. We then cover specific items from the financial statements and apply tools of analysis whenever possible.

**Topics Covered:** My plan is to cover the following topics in order. Keep in mind that some topics require only half a lecture to cover while other, more difficult topics require several lectures to cover.

1. The purpose of financial statements and its users
2. Accrual basis of accounting
3. How to recording economic transactions
4. How to prepare and present financial statements
5. Cash flow analysis
6. Working capital analysis
7. Margin analysis
8. Net present value computations
9. Pricing and accounting for bonds

10. Contingent liabilities
11. Operating and capital leases
12. Stock and options
13. Net sales and accounts receivables
14. Inventory accounting
15. Property, plant & equipment and intangible assets
16. Return analysis
17. Basic stock valuation

**Textbook:** Libby, Libby and Short, *Financial Accounting, 7<sup>th</sup> Edition*. The textbook covers the basic material in the course, including background information, accounting rules and conventions. I will assign the pages from the textbook that I expect you to read. Any material that I assign from the textbook is fair game for exams. **There is also an NYU Custom Edition that is fine to use.**

**Lecture Slides:** Most lectures will use the aid of Powerpoint slides, which will be available prior to each class on Blackboard. You should print your own copies prior to class in whatever format works best for you. Just like with the textbook material, any material included in the slides is fair game for exams.

**Homework:** There will be two types of homework assignments: textbook and non-textbook. I hand pick textbook problems that I think are useful to practice and that reinforce basic accounting proficiency, but they will not be submitted or graded. Conversely, non-textbook homework assignments will be submitted and graded. These assignments typically require you to gather information about a company (from the company or SEC website), carefully read over financial statements, possibly listen to a conference call, and conduct the analyses that we discuss in class. You must submit a hardcopy of your completed homework at the beginning of class on the date due; late homework will not be accepted. Solutions to textbook and non-textbook homework will be posted to Blackboard.

**Exams:** There will be three exams, two during the semester and one during finals. All exam questions are based on actual financial statements from a publicly-traded company, and the questions can resemble questions from homework (textbook and non-textbook), lectures, and even prior exams. Prior exams will be made available for your practice. The first two exams are tentatively scheduled for Oct. 4<sup>th</sup> and Nov. 13<sup>th</sup>, 2012.

Exam dates will not be rescheduled for any individual student. If you miss the first or second exam, extra weight will be added to the exam that you did take. If you miss the final exam, you will receive zero for that exam. **Do not schedule any travel plans before the final exam date, which could be as late as Friday, Dec. 21<sup>st</sup>.**

**Exam Re-Grading:** If you believe your exam is incorrectly graded, submit the entire original copy of the complete exam to me within one week of the return of the exam. Include a memo which legibly and fully explains your contention. Exams which have been altered in any way will not be re-graded, the exam score will be changed to a zero, and the Student Disciplinary Committee will be notified. Only exams written in pen will be accepted for a re-grade.

**Grading:** Your grade will be based on 15% homework, 15% first exam, 20% second exam, 35% final exam, and 15% class professionalism. Class professionalism will be fully explained during the first class

meeting, but in general, it is *not* the same as class participation. Professionalism means taking the course seriously and avoiding behaviors that are disruptive to the class.

Note: Some homework assignments include extra credit, so it is possible that you can earn “more than 100%” on homework assignments over the course of the semester. However, the most that homework will count towards your grade is 15%. For example, if you earn 208 out of 200 homework points, then you get  $(200/200)*15\%=15\%$ , **not**  $(208/200)*15\%=15.6\%$ . There will not be extra credit on exams.

**Code of Conduct:** As a student at Stern, you are expected to conduct yourself as a young business professional. The Stern School does not tolerate cheating, nor does your future employer. Please know that the penalty for cheating is an automatic grade of F for the course and appearance before the Student Disciplinary Committee. I am very strict on this issue. I will do what I can to help you learn the material in this course. All I ask is that you do not cheat yourself, your fellow classmates or the Stern School. Please see [www.stern.nyu.edu/uc/codeofconduct](http://www.stern.nyu.edu/uc/codeofconduct) for more information.

**Students with Disabilities:** If you have a disability that you feel may affect your class performance, please let me know early in the semester so that arrangements can be made, in consultation with the Henry and Lucy Moses Center for Students with Disabilities, to accommodate your needs. Please see [www.nyu.edu/csd](http://www.nyu.edu/csd) for more information.

**Life after this course:** I am often asked to provide letters of recommendation for students applying for internships, leadership programs, and even transfers to other universities. I am happy to provide such letters. I base my evaluations on your course grade, but more importantly, your class professionalism demonstrated over the fourteen weeks of the semester.

**Small Group Lunches:** This is completely voluntary. I am treating for lunch once a week for up to 5 students at a time to chat in an informal setting. We go on Thursdays and usually to the Torch Club, which is two blocks from Stern. To sign up, open the Google Docs Excel file (link below) and write your name into a date and time slot (be sure to save the file). If later you find out that you are unable to attend, you must remove your name from the slot ASAP so that someone else may sign up. “No shows” are considered a mark against class professionalism.

<https://docs.google.com/spreadsheets/cc?key=0AlaP-yZcplpodHJ5VnhSYnlNTUpwV2c4SjBUUnNkNIE>