

NEW YORK UNIVERSITY  
Stern School of Business

Principles of Financial Accounting  
C10.0001/ ACCT-UB.0001  
Fall 2012

**Instructor**

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**Course Description**

Accounting information is used in valuation, in contracting, by investors, by creditors, by managers and by the government. A good understanding of accounting is one of the basic building blocks of business education. This course focuses on the development, analysis and use of these reports. It provides an understanding of what these reports contain, what assumptions and concepts accountants use to prepare them, and why they use those assumptions and concepts. The course is divided into two parts. Part I of the course is designed to develop your appreciation of fundamental accounting concepts. Part II focuses on the application of your accounting knowledge on earnings quality issues and earnings management activities related to assets, liabilities, and equity. Topics covered include: accounts receivables, inventory, long-term assets, bonds, leases, income taxes, and investments in corporate securities.

**Goals**

By the end of the course, you should: (1) understand the core concepts of financial accounting including how accountants analyze and record the effects of individual transactions, and the concepts that are essential to understanding financial reports such as assets, liabilities, owners' equity, revenues, expenses and cash flows; (2) be able to interpret annual report information and analyze a company's performance using this information; and (3) be fluent in the language of business.

**Teaching Philosophy**

I believe the most efficient use of class time aims at reinforcing what the student has tried to achieve on an individual basis before entering the classroom. In the classroom learning is achieved by (a) whole-hearted and serious studying of the assigned readings and solving the assigned problems or cases; (b) discussions of the material by the students and teacher in class; and (c) my underscoring of important points via short lectures. In light of this, adequate preparation for the class and participation during class are essential.

### **Preparing for Class**

We have considerable amount of material to cover in the course in a relatively short period of time. For most efficient use of class time, it is critical that you prepare adequately for each and every class. It is your responsibility to read the class schedule provided on pages 5 and 6 of this document carefully to find out reading assignments required for each class session. To ensure that pre-class reading assignments are done, each class meeting will be preceded by a pre-class reading assignment and worksheet. To complete reading assignments you will need to read assigned pages from the textbook and then work an exercise from the back of the chapter prior to the class session. Worksheets for pre-class exercises will be provided where necessary. The goal is to prepare adequately to for class and you are not expected to fully understand the material prior to coming to class. Consequently, pre-class reading assignments will be graded on preparation effort and not on the correctness of your answers. What counts is convincing me and the rest of the class that you have read the text and you are ready to apply the information in a coherent manner. The grading will simply be credit (1) or no credit (0). There are 22 of these pre-class assignments; you can drop 2 of them. Completion of 20 will earn all 10 percentage points, completion of 19 will earn you 9.5 points etc.

### **Group Homework Assignments**

All homework assignments should be completed by the due date listed in course schedule. Homework assignment are to be done in groups of 4-5 students. I expect each group to submit one solution for the group. Solutions to homework assignments are to be submitted online through the **TURNITIN** digital drop box facility on Blackboard. Late homework will not be accepted under any circumstances. I however will make an exception to this policy for reasons of religious observance or civic obligation *only* when the homework cannot reasonably be completed prior to the due date and you make arrangements for late submission with me in advance. Your homework should be neat and orderly. Please place the names of people in your group with and the assignment number in the top left hand corner. There are 10 homework sets for the course as a whole worth 10 percentage points total.

### **Exams**

There will be two midterm exams and a final exam. The midterm exams and the final exam will be closed book but you are allowed to bring into the exam one double sided 8 ½" x 11" page of your own notes (cheat sheet). Due to the cumulative nature of the course material, all exams will necessarily be cumulative unless indicated otherwise. You are allowed to bring a calculator. Laptops, cell phones and other hand-held devices with internet access are not permitted during the midterms or the final exam.

### **The Annual Report Project (ARP)**

**The ARP** is designed to give you practice in interpreting and analyzing company financial information. I would like you to complete the project in groups. The report should be prepared in good form, using proper grammar, paragraph, and sentence structure. It should be typed, double-spaced, with approximately 1" margins. Number the pages. Use headings and subheadings to separate major sections of the report. Include citations for sources of information. A reference should be provided for any information that is not your own idea. Write in your own words. Use

quotations sparingly. Provision will be made to submit a copy of the paper online through **TURNITIN** in addition to a hardcopy submission.

**Audience:** Write the report as though you were advising a relatively knowledgeable investor who is considering purchasing stock in your company. Your objective is to inform the investor of those attributes of your company you believe the investor should consider in making an investment decision. Your objective is not to sell your company. Be objective. Identify the type of investor who might want to invest in your company (for example, be willing to take risk in a high growth company, wants stable dividends in a mature company, etc.). See course pack for additional instructions.

**Class Attendance/Presence:**

Class Attendance is required and part of grade. Absences may be excused only in the case of documented serious illness, family emergency, religious observance, civic or important work obligation. If you will miss class for religious observance or civic obligation, you must inform me no later than the first week of class. Recruiting activities and business trips are not acceptable reasons for absence from class. You are responsible for knowing what goes on in class, which may include material not covered in the readings, modifications to the syllabus, and announcements concerning exams. Most course announcements will be made as announcements on blackboard. Sometimes email will be sent, but to the Blackboard email address only. It is your responsibility to ensure that this is correct, to check the email and/or make sure that it is correctly forwarded to an address that you do check on frequent basis. Also, it is your responsibility to check the Blackboard course web site regularly and often. From past experience, here is my advice: do not plan on missing classes on a regular basis. Class material is often not covered in the course pack or textbook. In-class participation is essential in getting a good grade in the course.

**Arriving Late, Leaving Early, Coming & Going**

Students are expected to arrive to class on time and stay to the end of the class period. Arriving late or leaving class early will have impact on the course grade. Students may enter class late only if given permission by me and can do so without disrupting the class. I would appreciate knowing if you are going to come to class late, and, if you are going to be late, please enter as unobtrusively as possible. You are encouraged to participate in class and I will be inviting you to contribute to the discussion even when you don't volunteer. You should refrain from using laptops, cell phones, smart phones and other electronic devices during class and during exams.

**Textbook**

The required textbook for the class is Financial Accounting 7<sup>th</sup> Ed. McGraw-Hill by Libby, Libby and Short (LLS). The text is by Robert Libby, Patricia Libby and Daniel Short, *Financial Accounting 7<sup>th</sup> Ed.*, (Custom Edition for New York University), McGraw Hill, New York, 2011. All assigned readings and homework are from this text. Lecture notes, solutions, and other course documents are included in a course pack available on Blackboard. The course pack contains templates for all class slides and illustrative cases and extra practice problems and solutions and you are expected to bring relevant sections to class.

**Grading Policy**

Pre Class Reading and Prep	10%
Homework Assignments	10%
Midterm Exam 1	15%
Midterm Exam 2	15%
Final Exam	35%
Annual Report Project	15%

**Grading Guidelines:**

Grades are determined following the Undergraduate Grading Guidelines for Core Courses:

25 – 35% A's – awarded for excellent work

50 – 70% B's – awarded for good or very good work

5 – 15% C's (or below) – awarded for adequate or below work.

**Academic honesty and disability access:**

Plagiarism is the act of representing somebody else's work as one's own. This is a type of fraud or deception similar to the way some company executives have misrepresented the health and soundness of their firms. The Stern School does not tolerate this sort of behavior. You are expected to adhere to the Stern Code of Conduct <http://www.stern.nyu.edu/uc/codeofconduct>. A student's responsibilities include, but are not limited to, the following:

- 1) A duty to acknowledge the work and efforts of others when submitting work as one's own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
- 2) A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

If you are a student with a disability and you feel you need accommodations, you must register with the Moses Center for Students with Disabilities. They are located at 726 Broadway, 2nd floor, and can be reached at 212-998-4980 or [mosescsd@nyu.edu](mailto:mosescsd@nyu.edu).

## Class Schedule

Date	Topic	Reading Assignment	Class Prep
<b>Overview of Financial Statements and Reporting Process</b>			
9/5		None	None
9/10		LLS Ch1 pp. 1-19	Prepare qns. 3 & 8 on p. 27
9/12		LLS Ch2 pp.43-50	
9/13	Group HW Assignment 1 Due		
<b>Recording Transactions &amp; Preparing Financial Statements</b>			
Cases: Partco Company, Planet of the Grapes			
9/17		Course Pack Ch. 2 LLS Ch2 pp. 50-60	Prepare E2-5 on page 84
9/19		LLS Ch2 pp. 61-65	Prepare E2-8 on page 84-85
9/24		LLS Ch3 pp. 102-115	Prepare qns. E3-6 on pg. 143
9/25	Group HW Assignment 2 Due		
<b>Income Measurement and Accrual Accounting</b>			
Case: Village Appliance Shop			
9/26		LLS: Ch. 4 pp. 169-175	Prepare M4-2 on page 196
10/1		LLS: Ch. 4 pp. 177-182	Prepare E4-18 and E4-19 on page 208-209
10/2	Group HW Assignment 3 Due		
10/3	<b>Midterm Exam 1</b>	Covers material in Ch. 1-3 of Course Pack and LLS Ch. 1-4	
<b>Revenue Recognition and Accounts Receivable</b>			
10/8		LLS: Ch. 6 pgs. 279-288	Prepare Question. 4 on page 307 and E6-2 on page 310
10/10		LLS: Ch. 6 pgs. 286-294	Prepare E6-12 and E6-16 on page 313&314 <i>resp.</i>
10/11	Group HW Assignment 4 Due		
<b>Inventory and Cost of Goods Sold</b>			
10/17		Course Pack Ch. 5 LLS: Ch7 331-333; 336-338	Prepare Question #4 on p. 363 (not multiple choice question) and E7-1 on p. 366
10/22		LLS: Ch7 338-345	Prepare E7-5 and E7-10 on pgs. 367&369
10/24		LLS: Ch7 357-359	Prepare E7-20 p. 372
10/25	Group HW Assignment 5 Due		

## Valuation and Reporting Long Lived Tangible and Intangible Assets

10/29	Course Pack Ch. 6 LLS: Ch8 387-394	Prepare M8-3 on p. 424 and E8-1 on p. 426
10/31	LLS: Ch8 395-410	Prepare E8-15 on page 431
11/5	LLS: Ch8 411-419	Prepare M8-17 on page 431
11/6	Group HW Assignment 6 Due	

11/7 **Midterm Exam 2** Covers material in Ch. 4-6 of Course Pack and LLS Ch. 6-8

### 11/12 Investments

	Course Pack Ch. 8 LLS CH13	
11/13	Group HW Assignment 7 Due	

### Statement of Cash Flows

11/14	LLS: CH13 637-645	Prepare qn. 1 on page 669
11/19	LLS: CH13 646-658	Prepare E13-1 on page 672
11/20	Group HW Assignment 8 Due	

### Long Term Liabilities: Bonds & Capital Leases

11/21	Currants Liabilities LLS: CH9 455-468;	Prepare Qns 5,6 7 on page 485
11/26	<b>Time Value of Money</b> LLS: CH9 470-477;	Prepare M9-7, M9-8 on page 487
11/28	LLS: CH10 506-518	Prepare E10-7 on page 538
12/3	LLS: CH10 519-531	Prepare E10-13 on page 539
12/4	Group HW Assignment 9 Due	

### Reporting and Interpreting Owners' Equity

12/5	LLS: Ch 11 551-559	Prepare E11-4 on page 578
12/10	LLS: Ch 11 560-567	Prepare E11-11 on page 580
12/11	Group HW Assignment 10 Due	
12/12	<b>Review Session</b>	

