NEW YORK UNIVERSITY Stern School of Business

Financial Reporting and Disclosure **Spring 2013**

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Text – Financial Reporting and Analysis by Revsine, Collins, Johnson and Mittelstaedt, *Fifth Edition*.

Course Content*:* This course concentrates on issues that affect the nature and quality of financial reporting. Selected topics that introduced previously are developed in more depth. Additional topics are also developed. Accounting choices and financial instruments are major themes across many of the topics. The primary focus is on the impacts of the choices, mechanics and problem solving. Some analysis is included.

A few course-related questions:

What are the revenue accounting issues associated with the **HP-Autonomy** debacle?
How do joint products (e.g. sale with service support) contribute to revenues and expenses?
When can inventory be reported at its sales value rather than its accumulated cost?
How do retailers estimate their costs?
How does factoring improve a company's cash flow and balance sheet?
How does a company's intent affect its reporting of investments?
Can an asset have a negative salvage value?
What is the impact of lease reporting on operating cash flows?
Is estimation of off-balance sheet liabilities meaningful?
Why do profitable companies have tax valuation allowances (for losses) and how do they deal with uncertain tax positions?
How do companies like **Google** reduce their tax obligations?
Can pension estimates be manipulated and what is the impact on the financial statements?
How has **IBM** changed its pension policies?
What are the financial and tax impacts for the company and its investors of paying management in options rather than cash?

Attendance: Attendance and completion of homework are essential. You should **attend every class** to get a good understanding of the course materials.

Exams: There are two midterms and a final. Exams are open book and open notes. There are **no make-up exams**. If you cannot take an exam when scheduled you are expected to take it **early**. The exams will be given on the stated dates. The topics may change if the course falls behind schedule.

Quizzes: There will be several 15 minute quizzes. Quizzes are open book and open notes. Quizzes **cannot** be rescheduled. There are **no make-up quizzes**. Quizzes are scheduled for the first class following a given chapter and will focus on that chapter. The dates of the quizzes may change if our experience deviates from this schedule. Quizzes are 6% of the grade, but can become up to 18% of the grade if your quiz average exceeds your score on your poorest exam.

Cases: Handing in a short (½ - 1 page) **TYPED** case writeup is **required**. One paragraph should describe the issues and considerations associated with the case. A second and/or a third paragraph should include your opinions about the issues and 'real world' issues that might further impact your opinion. See the grade guide below.

Suggested exercises: These exercises focus on the primary topics in the course and may help you prepare for the quizzes. They do **NOT** have to be handed in. Work the exercises in your own way and then review the answer that is on Blackboard or ask questions in class.

Extra credit - classroom performance: Readings and classroom exercises should be reviewed before class. **You are expected to be able to contribute to discussions about the exercises as well as other classroom discussions.**. Positive contributions include questions and well-intended responses irrespective of their accuracy.

Support materials: Visit Blackboard early and often. It has announcements, class notes, slide shows, spreadsheets, sample exams and miscellaneous articles. Many of the relevant materials will be provided as handouts.

Tentative Grading:		
Test 1		28 points
Test 2		28 points
Test 3		28 points
Quizzes		6 points
Cases		6 points
Attendance		4 points
Classroom participation		Extra credit

Schedule:

Topic	Readings	Classroom Discussion	Suggested Exercises
Overview/Revenue Recognition		**WorldCom**	
Revenue Recognition	2* (60-71), 3	E3-2, E3-3 (**HP**)	
Revenue Recognition	3	E3-7, E3-12, P3-6	***Case-Velocity Cellular***
Inventories	9	E9-8, E9-9	E3-20, P3-5, **(Quiz-Chp 3)**
Inventories	9 (inc App. B & C)	P9-16[1-2]	
Inventories	9 (inc App. B & C)	E9-13, C9-2	
FI-Receivables	8*(from 421 to end)	E8-6, P8-8	E9-10, E9-14, E9-17, E9-19 (**Quiz Chp 9**)
FI-Receivables	8*(from 421 to end)	E8-14, P8-11, P8-13	
FI-Minority (Noncontrolling) Investments	16 (939-950) (inc App A)	E16-2, E16-3	E8-13, E8-15**, (Quiz-Chp 8)**
FI-Noncontrolling& Majority (Controlling) Investments	16 (939-950) & 16 (958-961)	E16-4, E16-5	
FI-Majority investments	16 (958-961)	E16-7, E16-9	
FI-Liabilities/Review	11 (through 631)	E11-6, E11-8	E16-1, E16-10
Midterm Exam	**(Revenue recognition through investments)**		
FI-Liabilities	11 (through 631 & 649 -652)	E11-3, E11-9, E11-12, P11-7, P11-11	
FI-Leases	12(inc Appendix)	E12-3, E12-4, E12-12	E11-11, P11-1
FI-Leases	12	E12-1, E12-6, E12-7, E12-15	
FI-Leases	12	E12-13,P12-18	***Case-Bear Minimum***
FI-Pensions	14	E14-1, E14-2	E12-2, E12-5, E12-8, **(Quiz-Chp 12)**
FI –Pensions/Review	14	E14-7, E14-11, P14-7	
Midterm Exam	**(Liabilities through leases)**		
FI-Pensions	14	E14-8, E14-13, E14-14 (**IBM**)	***Case-Rump Organization***
Taxes	13	E13-3	E14-6, E14-9, E14-12, E14-20, P14-3
Taxes	13	E13-6, E13-13	**(Quiz-Chp 14)**
Taxes	13	E13-14 (**Google**)	
Owners' equity and EPS	15 (873-895, 908-913)	E15-12, E15-13, E15-14	E13-1, E13-2, E13-15 **(Quiz-Chp 13)**
Executive Compensation	15 (895-908)	E15-16	E15-15, P15-4
Review			
Final Exam	(**Pensions through executive compensation**)		

*It is assumed that you are familiar with the materials in the appendices to chapters 2 and 8.

Case guide outline:
Cases must be typed. Written material will not be accepted or reviewed. The amount of credit will be guided by this summary. Be concise; assume you are summarizing the relevant issues for management. Use at least 1½ line spacing, normal page borders and size 11 font.

Dimension	Poor	Average	Excellent
Statement of the Issues and driving Forces	Partial recognition of the factors	Identification of the factors	Thorough identification of the factors and their impacts
Opinion Based on the Above	Failure to link factors to your opinion	Partial integration of the identified factors into your opinion	Full integration of the factors into your opinion

Default policies: Policies not outlined here will be covered by the Stern default policies document attached to this syllabus.

You are expected to follow the undergraduate code of conduct and the graduate honor code throughout the semester.

Selected Topics:

Revenue recognition	Joint Products
	Percent of Completion
	Installment Sales
	Commodities
Inventory	LIFO-FIFO (multiyear)
	Writedowns
	Dollar Value LIFO
	Retail Methods
Accounts receivable	Factoring
	SPEs (Special Purpose Entities)
	Discounts
	Troubled Debt Restructuring
Minority investments	Fair Value Hierarchy
	Available for sale securities
	Trading securities
	Equity method
Majority Investments	Consolidations
Leases	Lessee
	Lessor
	Guarantees
	Sale-leasebacks
Taxes	Temporary deferrals
	Permanent deferrals
	Tax loss carrybacks and carryforwards
	Tax valuation allowance
	Uncertain Tax Positions
Pensions	Pension trust fund
	Projected obligations
	Service costs
	Assumptions
	Accruals vs. Fair & Present Value
Owners' equity	Treasury stock
	Simple EPS
	Diluted EPS
	Security conversions
	Executive compensation