

NEW YORK UNIVERSITY Stern School of Business
Financial Reporting and Disclosure
Summer 2013

Professor John S. Bildersee
Phone: 212-998-0027

10-79 KMC
Email: jbilders@stern.nyu.edu

Tuesday & Thursday classes

Class web site: NYU Classes

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 are developed in more depth from a management perspective. Accounting choices and financial instruments are major themes across many of the topics. The primary focus is on the impacts of choices and estimation on corporate reporting.

Students also receive an **introduction to consolidated statements and risk management through hedging**.

A few course-related questions:

- What happened to accounting and control at **WorldCom**?
- What are the revenue accounting issues associated with the **HP-Autonomy** debacle?
- Is **Tesla** really profitable?
- 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?

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

Attendance: Attendance is essential. You should **attend every class** to get a good understanding of the course materials.

Tentative grading: Two exams 80%, (**Best exam 45%; second exam 35%**), two 15 minute quizzes (**Best quiz 9%, second quiz 6%** – total of **15%**) and attendance 5%. **Quizzes will be on dates in bold. There are no make-up exams or quizzes or incompletes. However, you may take them early if you cannot make it to class.** See NYU Classes for more detail. All exams and quizzes are open book and open notes. Computers or cell phones are not permitted.

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.

Suggested exercises: These exercises focus on the primary topics and may help you prepare for the quizzes. They do **NOT** have to be handed in. Try to work the exercises on your own and, if you are stuck, try to understand the answer that is on NYU Classes or ask questions in class.

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

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

Before break		After break	
Readings	In Class Discussion	Readings	In Class Discussion
Overview; 1*		Revenue Recognition; 3	E3-2, E3-3*
Revenue Recognition; 3 cont'd	E3-12	Inventories; 9	E9-8, E9-13
Inventories; 9 (+ App. B & C) cont'd	E9-9, E9-17/ Case-Velocity Cellular	Financial Instruments- Receivables; 8 (425 – end)	P8-11, P8-13
Financial Instruments- Receivables; 8 (425 – end) cont'd	E8-14 - quiz on inventories	Financial Instruments- Minority Investments; 16 (through 961)	E16-2, E16-3
Financial Instruments- Majority Investments; 16 (961-970) – [Introduction]	E16-1, E16-4	Financial Instruments- Liabilities; 11 (through 626, 641-643)	E11-8, E11-9
Midterm Exam [through minority investments]			
Financial Instruments- Liabilities (Risk Management – Hedges); 11 (643-656) – [Introduction]	E11-3, E11-6	Financial Instruments- Leases (Lessee); 12 (693-712)	E12-3, E12-4
Financial Instruments- Leases (Lessor); 12 (712-725) cont'd	E12-6, E12-7, E12-13 / Case-Bear Minimum	Taxes; 13	E13-6, E13-10
Taxes; cont'd	E13-3, E13-13, E13-14	Pensions; 14	E14-11, E14-4, E14-11, E14-13
Pensions; cont'd	E14-14, E14-20 quiz on taxes	Owners' equity & EPS; 15 (889-911)	E15-6, E15-14
EPS & Executive Compensation; 15 (911-924)	E15-15	Review	
Final Exam			

Extra questions for review	
Topic	Assignment
Revenue recognition	P3-5, P3-6
Inventories	E9-12, E9-16, E9-18
Receivables	E8-13, E8-15
Minority Investments	E16-13, E16-14
Liabilities	P11-2, P11-3
Leases	E12-5, E12-11
Taxes	E13-1, E13-12, E13-14
Pensions	E14-6, E14-12, E14-17, E14-21
EPS	E15-13, P15-6

A Sampling of Selected Topics:

Revenue recognition	Reporting irregularities
	Percent of Completion
	Installment Sales
	Commodities
	Joint products
Inventory	LIFO-FIFO (multiyear)
	Writedowns
	Dollar Value LIFO
	Retail Methods
Accounts receivable	Factoring
	SPEs (Special Purpose Entities)
	Discounts
	Troubled Debt Restructuring
Minority investments	Available for sale securities
	Trading securities
	Equity method
Majority investments	Consolidation on acquisition
Liabilities	Warranties
	Accruals
	Long term debt
Risk Management	Hedges, Swaps
Leases	Lessee
	Lessor
	Guarantees
	Sale-leasebacks
Taxes	Temporary deferrals
	Permanent deferrals
	Tax loss carrybacks and carryforwards
	Tax valuation allowance
Pensions	Pension trust fund
	Projected obligations
	Service costs
	Assumptions
Owners' equity	Treasury stock
	Simple EPS
	Diluted EPS
	Security conversions
	Executive compensation