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| NEW YORK UNIVERSITY Stern School of Business |
| **Financial Reporting and Disclosure Spring 2015** |
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| Phone:212-998-0027  | Class web site: NYU Classes |

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

***Course Content****:* This course concentrates on issues that affect the nature and quality of financial reporting. Selected topics introduced previously are developed in more depth from a management perspective. Additional topics are also developed. Accounting choices and financial instruments are major themes across many of the topics. The primary foci are on the impacts of management’s accounting policy choices, estimation on corporate reporting and problem solving.

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?

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?

What do probabilities have to do with a company’s financial statements?

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 10% of the grade, but can become up to 20% of the grade if your quiz average exceeds your score on your poorest exam. (The poorest exam becomes 16% of your grade).

***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 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. Try to work the exercises in your own way and, if you are stuck, try to understand 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 NYU Classes 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.

***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.**

***Tentative Schedule:***

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| Topic | Readings | Classroom Discussion | Suggested Exercises |
| Overview/Revenue Recognition |  |  |
| Revenue Recognition  | 2\* (60-72), 3 | E3-2, E3-3 |  |
| 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 | E8-6, P8-8 | E9-10, E9-14, E9-17, E9-19 (**Quiz Chp 9**) |
| FI-Receivables  | 8 | E8-14, P8-11, P8-13 |  |
| FI-Minority (Noncontrolling) Investments | 16 (953-966) (inc App A) | E16-2, E16-3 | E8-13, E8-15**, (Quiz-Chp 8)** |
| FI-Noncontrolling& Majority (Controlling) Investments | 16 (953-966 & 966-970) | E16-4, E16-5 |  |
| FI-Majority investments\*\* | 16 (958-961) | E16-7, E16-9 |  |
| FI-Liabilities/Review | 11 (601-633) | E11-6, E11-8 | E16-1, E16-10 |
| **First Exam** | **(Revenue recognition through minority investments)** |
| FI-Liabilities | 11 (601-633 & 652 -656) | E11-3, E11-9, E11-12, P11-7, P11-11 |  |
| FI-Hedges\*\*,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 |  |
| **Second Exam** | **(Liabilities through leases)** |  |  |
| Fl-Pensions | 14 | E14-8, E14-13, E14-14 | ***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 |  |
| Owners’ equity and EPS  | 15 (889-911. 924-931) | E15-12, E15-13, E15-14 | E13-1, E13-2, E13-15 **(Quiz-Chp 13)** |
| Executive Compensation | 15 (911-924) | E15-16 | E15-15, P15-4 |
| Review |  |  |  |
| **Third Exam** | (**Pensions through executive compensation**) |  |

\*It is assumed that you are familiar with the materials in the appendices to chapters 2 and the end of the text.

\*\* An introduction – not on any exam – presentation depends on meeting the course schedule.

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| ***Tentative Grading:*** |  |  |
| Test 1 |  |  26 points |
| Test 2 |  |  26 points |
| Test 3 |  |  26 points |
| Quizzes |  |  10 points |
| Cases |  |  6 points |
| Attendance |  |  6 points |
|  Classroom participation |  Extra credit |

**Selected Topics:**

|  |  |
| --- | --- |
| Revenue/expenserecognition | Joint Products |
|  | Percent of Completion |
|  | Installment Sales |
|  | Commodities |
| Inventory | LIFO-FIFO (multiyear) |
|  | Writedowns |
|  | Dollar Value LIFO |
|  | Retail Methods |
| Receivables | 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 |

**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. There is a one page limit per case.

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| --- | --- | --- | --- |
| 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 |