

Principles of Financial Accounting

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In general terms, financial accounting is the measurement of economic activity for decision-making. Financial statements are a key product of this measurement process and an important component of firms' financial reporting activities.

The objective of this course is not to train you to become an accountant but rather to help you develop into an informed user of financial statement information. While financial statement users face a wide variety of decisions, they are often interested in understanding the implications of financial statement information for the future cash flows and earnings potential of a firm. We will focus on understanding the mapping between underlying economic events and financial statements, and on understanding how this mapping affects inferences about future profitability. Because annual reports are somewhat formidable, we will spend time familiarizing ourselves with how firms present the information for various accounts in the financial statements, including the footnotes. We also will discuss the role of the various institutions involved in the reporting process. By understanding the environment in which financial reporting takes place you will be in a better position to evaluate critically the disclosures made by firms in published financial statements.

Several features of the course are used to facilitate these learning objectives. The textbook provides a conceptual foundation for the course by introducing the accounting framework and by characterizing accounting principles and alternative methods. Class time will be allocated to a combination of short lectures and discussions of the assigned materials. The assigned cases serve as a basis for class discussion and provide a challenging test of your understanding of the topic. They are based on corporate financial statements and illustrate the issues associated with various accounting methods and the manner in which the related information is disclosed. In addition, the assigned cases demonstrate the "real life" magnitude of income and balance sheet differences under alternative accounting methods, as well as a variety of financial reporting discretion practices.

Organizational Matters

1. Textbook: Libby, Libby and Short (LLS), Financial Accounting, 8th Edition or the NYU Custom Edition.

You can also use the 7th edition of the textbook (LLS) or the 9th edition (LLH), however, there might be some slight differences in the assigned reading.

2. At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty has adopted a grading guideline for core courses in which approximately 35% of students will receive an “A” or “A-“ grade.

Final grades will be determined as follows:

Homework Assignments	15%
Quiz 1	25%
Quiz 2	25%
Quiz 3	25%
Classroom Performance	10%

There is no possibility of earning extra credit or of changing the above weights.

Classroom performance: Classroom performance comprises participation in class discussions, preparation for class, and attendance during class. I view class discussion as an integral part of the learning experience of the course. Your class participation grade will be based on contribution to class discussion, not based on the amount of time you talk. I recognize that students with different backgrounds will contribute differently to class discussion. Contributions can take many forms, including, but not limited to, insightful comments and thoughtful questions.

Meaningful class participation requires adequate preparation of the assignments for each class.

Homework Assignments: Homework assignments need to be submitted before the beginning of class. Your write-up of the case should be concise and computer generated. The assignments will be graded based mostly on effort displayed. You are allowed to discuss the homework assignments and prepare the write-ups in groups of no more than two students. By having your name on a submitted assignment, you confirm that you contributed to the homework assignment.

You can skip one homework assignments without any “penalty”.

Please also bring a copy of your homework to class for the case discussion.

CLASS SCHEDULE - SUBJECT TO CHANGE

DATE	TOPICS	READINGS	HW DUE
22-Jan	Introduction to Course	Chapter 1	
24-Jan	Double entry bookkeeping	Chapter 2	
29-Jan	Fundamentals of Financial Statements	Chapter 3	HP
31-Jan	Fundamentals of Financial Reporting	Chapter 4	
5-Feb	Economic Events to Financial Statements		Radiation Shields Part I
7-Feb	Revenue and Expense Recognition		
12-Feb	Financial Statements as a Management Planning Tool		<i>Hanson Ski Products</i>
14-Feb	<i>Integrating Financial Statements</i>		Radiation Shields Part II
19-Feb	<i>No Class – President’s Day</i>		
21-Feb	Review for Quiz 1		
26-Feb	Quiz 1		
28-Feb	Statement of Cash Flows – Indirect Method	Chapter 12	
5-Mar	Statement of Cash Flows, Accounts Receivable	Chapter 6	Alpha and Beta Corporations
7-Mar	Accounts Receivable		
12-16 Mar	<i>Spring Break, No Classes</i>		
19-Mar	Accounts Receivable	Chapter 7	Sears, Roebuck & Co.
21-Mar	Accounting for Inventories and Cost of Goods Sold (COGS)		
26-Mar	Property, Plant, and Equipment (Fixed Assets)	Chapter 8	
28-Mar	Property, Plant, and Equipment		Depreciation at Delta and Singapore Airlines
2-Apr	Review for Quiz 2		
4-Apr	Quiz 2		

DATE	TOPICS	READINGS	HW
9-Apr	<i>Intangible Assets</i>		
11-Apr	<i>Intangible Assets</i> Liabilities	(Chapter 9)	
16-Apr	Shareholder's Equity	Chapter 11	
18-Apr	Shareholder's Equity		Dell Computer
23-Apr	Financial Securities and Fair Value Accounting		TBD
25-Apr	Financial Securities and Fair Value Accounting		
30-Apr	Financial Ratios		
2-May	Review for Quiz 3		
7-May	Quiz 3		