

## **Financial Accounting and Reporting**

**Ilan Guttman**

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**

#### Textbook:

Dyckman, T., M. Hanlon, R. Magee and G. Pfeiffer, Financial Accounting, 5th Edition, Cambridge Business Publishers, 2017.

You can also use older editions of the textbook, however, there might be some slight differences in the assigned reading. For most classes there will be assigned reading and suggested self-study problems from the textbook (the 5th edition of the textbook also offers short videos that summarize various concepts).

### Grading:

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 up to 35% of students can receive an “A” or “A-“ grade.

Final grades will be determined as follows:

Homework Assignments	15%
Quiz 1	30%
Quiz 2	45%
Classroom Performance	10%

### Quizzes:

The quizzes will be closed book and closed notes. Although Quiz 2 is cumulative, it will focus on materials covered after Quiz 1.

### 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. In the rare instance that an emergency precludes you from preparing adequately for a particular class, you should notify me before the class begins. Attendance is expected for all sessions. However, if for some reason you will miss class or will be late for class, send me an email before class. Tardiness, entering or leaving during class, and/or lack of attendance will have a negative effect on your classroom performance grade.

### Homework Assignments:

Homework assignments will be posted on NYUClasses.

Homework assignments need to be submitted in class, 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 three students. By having your name on a submitted assignment, you confirm that you contributed to the homework assignment.

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

Self-study Problems:

For every class I will be assigning self-study problems from the textbook. These problems are optional and intended for your use as a tool for self-assessment and additional practice. I will not discuss the self-study problems during class. Solutions will be posted on NYUClasses.

Course Website:

All course material will be posted on NYUClasses. Prior to each class, I will post the handouts for the class. Please either print the handouts before class, or download it to an electronic device that you can use during class. After each class I will post my slides from class. The homework assignment, solutions to the self-study problems and templates for some of the assigned cases will also be posted on NYUClasses.

Office Hour:

My office hour is on Monday 12:15pm - 1:15pm, KMC 10-76.

Teaching Assistants:

There are three teaching assistants for the three section that I am teaching this semester. To facilitate better access to the teaching assistants' office hours, you can attend the office hours of any of the teaching assistants. For any email correspondence and questions about grading of homework, please contact the teaching assistant assigned to your section.

Section 03, Wednesday 09:00-11:50 am:

Navita Gaur, email: [ng1677@stern.nyu.edu](mailto:ng1677@stern.nyu.edu)

Office hour - Tuesday 11:30 am - 12:30pm, location TBD

Section 05, Wednesday 1:30-4:20pm:

Daniel Sulkin, email: [ds5497@stern.nyu.edu](mailto:ds5497@stern.nyu.edu)

Office hour - Thursday at 3:30pm-4:30pm, location TBD

Section 06, Monday 1:30-4:20pm:

Shiyi Fan, email: [sf2742@stern.nyu.edu](mailto:sf2742@stern.nyu.edu)

Office hour – Wednesday 4:30pm-5:30pm, location TBD

## Course Overview (Subject to changes)

Session	Date	Topic	Homework
1	Sep 5	Introduction to Course and Financial Reporting	
2	Sep 12	Fundamentals of Financial Statements Statement of Cash Flows – Direct Method	Hewlett Packard
3	Sep 26	From Economic Transactions to Financial Statements	Radiation Shields - Part 1
4	Oct 3	Financial Statements as a Management Planning Tool Revenue and Expense Recognition	Hanson Ski Products
5	Oct 10	Revenue and Expense Recognition Integrating Financial Statements Review Session	Radiation Shields - Part 2
6	Oct 17	Quiz 1 Statement of Cash Flows – Indirect Method	
7	Oct 24	Statement of Cash Flows – Indirect Method Accounts Receivable	Radiation Shields - Part 3 Statements of Cash Flows: Three Examples
8	Oct 31	Accounts Receivable Accounting for Inventories Fixed Assets	Sears, Roebuck & Co.
9	Nov 7	Fixed Assets Intangible Assets	Depreciation at Deutsche Lufthansa
10	Nov 14	Intangible Assets Overview of Liabilities Shareholders' Equity	BMC Software Inc.
11	Nov 28	Shareholders' Equity Financial Securities and Fair Value Accounting	Dell Computer
12	Dec 5	Financial Securities and Fair Value Accounting Financial Ratios	TBD
13	Dec 12	Quiz 2	

## **Financial Accounting & Reporting Specific Assignments (Subject to Change)**

**1: Sep 5**  
**Introduction to Course and Financial Reporting**

*Reading/Videos*

Chapter 1, Chapter 2

*Self- Study*

Chapter 1: MC2-5, P1-36, P1-38, C1-48

Chapter 2: MC1-5, M2-19, M2-24, M2-25, P2-57

**2: Sep 12**

**2.A Fundamentals of Financial Statements**

*Reading/Videos*

Chapter 3 (pp. 100-116, skim pp. 116-126 / eLectures LO 3 and 6))

*Self-Study*

Chapter 3, E3-32;

*Assignment*

Hewlett Packard

**2.B Statement of Cash Flows – Direct Method**

*Reading/Videos*

(T) Chapter 4 (pp. 156-163)

**3: Sep 26**

**From Economic Transactions to Financial Statements**

*Assignment*

Radiation Shields Inc. - Part 1

**4: Oct 3**

**4.A F/S as a Management Planning Tool**

*Assignment*

Hanson Ski Products

**NOTE:** Don't be intimidated by the sea of numbers. Most of the numbers you need to construct the balance sheets are directly given in the case. You don't need to forecast future sales, develop a schedule for collections, or re-calculate interest expense, etc. All of this has been (implicitly) done for you in the projected balance sheets, income numbers, etc. There are only a few numbers you actually need to derive.

An Excel spreadsheet with a useful format for completing the assignment is included with the case and is also available on the course web site.

**4.B Revenue and Expense Recognition**

*Reading/Videos*

Chapter 6 (pp. 272-278 / eLectures LO 1-2 and pp. 298-300 / eLecture LO 8, skim pp. 279-280 / eLecture LO 3)

Chapter 7 (pp. 328-329 / eLecture LO 1)

*Self- Study*

Chapter 6: MC1-2, M6-24, E6-27, E6-41

**5: Oct 10**

**5.A Revenue and Expense Recognition**

**5.B Integrating Financial Statements**

*Assignment*

Radiation Shields Part 2

**5.C Review Session**

**6: Oct 17**

**6.A Quiz 1**

**6.B Statement of Cash Flows – Indirect Method**

**7: Oct 24**

**7.A Statement of Cash Flows – Indirect Method**

*Reading/Videos*

Chapter 4 (from pp. 163)

*Self-Study*

Chapter 4: MC2-4, M4-22, E4-35, E4-39, E4-44

*Assignment*

1. *Radiation Shields Part 3*
2. Statements of Cash Flows: Three Examples

**7.B Accounts Receivable**

*Reading/Videos*

Chapter 6 (pp. 281-294 / eLectures LO 4-6)

*Self-Study*

Chapter 6: MC5-6, M6-20, E6-34, E6-36

**8: Oct 31**

**8.A Accounts Receivable**

*Assignment*

Sears, Roebuck & Co.

**8.b Accounting for Inventories**

*Reading/Videos*

Chapter 7 (pp. 329-344 / eLectures LO 2-6)

*Self-Study*

Chapter 7: MC1-5, M7-20, E7-26, E7-29, P7-34

**8.C Fixed Assets**

*Reading/Videos*

Chapter 8 (pp. 374-387 / eLectures LO 1-4)

**9: Nov 7**

**9.A Fixed Assets**

*Reading/Videos*

Chapter 8 (pp. 374-387 / eLectures LO 1-4)

*Self-Study*

Chapter 8: MC1-4, E8-22, E8-24, P8-36

*Assignment*

Depreciation at Deutsche Lufthansa AG

**9.B Intangible Assets**

*Reading/Videos*

Chapter 8 (pp. 388-394 / eLectures LO 5-6)

**10: Nov 14**

**10.A Intangible Assets**

*Self-Study*

Chapter 8: MC5-6, E8-31, C8-42

*Assignment*

BMC Software, Inc.

**10.B Overview of Liabilities**

*Reading/Videos*

Chapter 9 (pp. 414-421)

**10.C Shareholders' Equity**

*Reading/Videos*

Chapter 11 (pp. 516-535 / eLectures LO 1-5)

*Self-Study*

Chapter 11: MC1-2, E11-40, E11-45, P11-55

**11: Nov 28**

**11.A Shareholders' Equity**

*Assignment*

Dell Computer

**11.B Financial Securities and Fair Value Accounting**

*Reading/Videos*

Chapter 12 (pp. 562-575 / eLectures LO 1-3)

**12: Dec 5**

**12.A Financial Securities and Fair Value Accounting**

Self-Study

Chapter 12: MC2, M12-13, E12-26

*Assignment*

TBD

**12.B Financial Ratios**

*Reading/Videos*

Chapter 5 (pp. 220-227, skim the remainder of the Chapter)

*Self-Study*

Chapter 5: E5-33, E5-34

**12.B Review**

**13: Dec 12**

**13.A Quiz 2**