

NEW YORK UNIVERSITY
Leonard N. Stern School of Business

B01.1306.91(35)
Financial Accounting and Reporting
Spring 2012

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COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	<u>Readings</u>	<u>Class Assignment</u>
I. PRELIMINARIES			
02/06/12 (02/08/12)	A. Financial information: users, uses, and vulnerabilities. The reporting framework: generally accepted accounting principles (GAAP).	Ch. 1	1. 1-47 <u>Reality check:</u> A disconcerting letter from Satyam's chairman
II. STATEMENT OF FINANCIAL POSITIONS: THE BALANCE SHEET			
	B. The balance sheet: A snapshot of assets, liabilities, and owners equity; historical and fair values of assets and liabilities.		
	C. Accounting procedures: Double entry and asset/liabilities' records.		
III. STATEMENT OF OPERATIONS: THE INCOME STATEMENT			
02/13/12 (02/15/12)	A. Enterprise performance measurement: Accrual earnings vs. cash flows.	Ch. 2*	1. Cisco's 2011 performance evaluation 2. Exercise on current assets and current liabilities 3. 2-46, 2-57, 3-24, 3-42
	B. Earnings measurement: Revenue and expense recognition rules. The matching process. The income statement.		<u>Reality Check:</u> "Death by accounting."
	C. Double entry records: Debits and credits, Journal entries and T-accounts.	Ch. 3 (pp.88-97)	

* Optional reading: The portfolio, pp. P1-P6. And Appendix 2, pp. 70-73.

<u>Date</u>	<u>Topic</u>	<u>Readings</u>	<u>Class Assignments</u>
02/27/12 (02/22/12)	Preparing the financial statements: Trial balance and adjusting entries.	Ch. 3 (pp.97-115) Ch. 4 (pp. 136-152)	1. Exercise on income management 2. 4-47, 4-58 <u>Reality Check:</u> "Auditing firms urge new ways..."
03/05/12 (02/29/12)	What does it all mean? Analyzing enterprise performance and risk.	Ch. 4 (pp. 152-165) Ch. 12 (pp. 521-544)	1. Exercise on income management II 2. 4-41, 12-63 <u>Reality Check</u> "GE: Tail wags the dog..."
IV. SPECIFIC ASSETS, LIABILITIES, EQUITIES			
03/19/12 (03/07/12)	Sales and accounts receivable. Revenue recognition in unusual circumstances.	Ch. 6 [†]	1. Exercise on accounts receivable 2. 6-33, 6-68 3. Handout Question (different recognition rules) <u>Reality Check</u> "Banks turn their Reserves to Profits"
03/26/12 (03/21/12)	A. MID-TERM EXAM. B. From retail to manufacturing operations.	Appendix 7B (pp. 305-307)	
04/02/12 (03/28/12)	Inventory valuation methods.	Ch. 7 [‡]	1. Exercise on inventory valuation. 2. 7-37, 7-76 <u>Reality Check:</u> "LIFO Conformity"

[†] Optional reading: Overview of internal control, pp. 249-253. Also Appendix 6, pp. 254-257.

[‡] Optional reading: Comparing accounting procedures..., pp. 283-285.

<u>Date</u>	<u>Topic</u>	<u>Readings</u>	<u>Class Assignments</u>
04/09/12 (04/04/12)	Physical assets and depreciation. Intangible capital and intellectual property.	Ch. 8	1. Handout Question (R&D Capitalization) 2. 8-54, 8-62 <u>Reality Check:</u> "Softbank's accounting..."
04/16/12 (04/11/12)	Investment in securities and in other companies. Fair value accounting.	Ch. 11 [§]	1. Exercise on marketable securities 2. 11-38, 11-39. <u>Reality check:</u> 1. "Volcker calls for new look..." 2. "Could bank rules end..." "
04/23/12 (04/18/12)	The statement of cash flows, preparation and interpretation.	Ch. 5 ^{**}	1. 5-52, 5-63, 5-68 <u>Reality check:</u> "Herz tries too hard..."
04/30/12 (04/25/12)	Liabilities (short- and long-term), off-balance sheet financing, and shareholder equity.	Ch. 9 ^{††} Ch. 10 ^{‡‡}	1. Exercise on operating and capital leases. 2. 9-63, 9-74, 10-37 <u>Reality check:</u> "Option expensing..."
05/07/12 (05/02/12)	FINAL EXAM		

[§] Not required: Consolidated financial statements, pp. 494-502.

^{**} Not required—"Direct Method," pp. 194-195.

^{††} Not required—"Other Long-term Liabilities," pp. 402-407

^{‡‡} Optional reading: "Stock Splits and Stock Dividends, etc." pp. 449-461.

PLEASE NOTE:

Class attendance is required. One or two missed classes for health reasons or unexpected travel will be accepted.

Textbook: Hongren, Sundem, Elliott and Philbrick, Introduction to Financial Accounting, 10th edition, 2011, Pearson/Prentice Hall.

Financial Report: Print Cisco's 2011 financial report (on Blackboard) and bring to each class. Relevant pages from p. 78 on.

Exercises and Reality Checks for class discussion are posted on Blackboard.

Grading: Final grade will be primarily based on the midterm and final exams, as well as on the quality of weekly assignments and class discussion.

Midterm Exam is on 03/26/12 (03/21/12)

Final Exam is on 05/07/12 (05/02/12).

Office Hours: Mondays and Wednesdays, 5:00-6:00 pm, Henry Kaufman Management Center, 10-92, and by appointment (212-998-0028).

<u>Date</u> <i>(To be handed in class)</i>	<u>Homework Assignment</u>
02/13/12 (02/15/12)	1-37, 1-41, 1-44
02/27/12 (02/22/12)	2-48, 2-49, 3-41
03/05/12 (02/29/12)	3-49, 4-38, 4-39
03/19/12 (03/07/12)	4-48, 4-49, 12-35
03/26/12 (03/21/12)	6-67, 6-72, 6-73
04/02/12 (03/28/12)	Handout question
04/09/12 (04/04/12)	7-44, 7-59, 7-81

Date
(To be handed in class)

Assignment

04/16/12
(04/11/12)

8-41, 8-43, 8-68

04/23/12
(04/18/12)

11-27, 11-28, 11-32

04/30/12
(04/25/12)

5-54^{§§}, 5-58, 5-61

05/07/12
(05/02/12)

9-36, 9-60, 9-77, 9-84

^{§§} Use the Indirect method. Also comment on the changes in the cash flow statement if the fixed assets were sold for € 200 (rather than €100).