

New York University  
Stern School of Business  
Undergraduate College

Principles of Financial Accounting (ACCT-UB.0001.05)  
Fall 2012  
M/W, 3:30-4:45 p.m., UC-25

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**Instructor Information**

Ian Stewart

Office: Tisch Hall 502, Telephone: (212) 998-0184 (Office), (805) 708-6160 (Cell);

E-mail: [istewart@stern.nyu.edu](mailto:istewart@stern.nyu.edu)

Office Hours: M/W, 4:45-6:00 p.m. & by appointment.

**Teaching Assistant:****What this Course Promises You**

Welcome to Principles of Financial Accounting. As you're no doubt aware, America and several European nations continue to work out from under a massive overhang of debt. The ongoing sovereign debt crisis in several European countries has focused attention again on banks' balance sheets and the amount of capital they have. We will begin by examining why this is such an important issue, and later discuss the role that accounting plays in a free market economy. What is that role? Why is it so important? What kinds of information do accountants provide? How reliable is that information? How is the information used?

In this course you will have the opportunity to explore these fundamental questions. In the process, you will develop an understanding of (1) basic accounting concepts and terms; (2) the financial statements---the balance sheet, income statement, and the statement of cash flows---that firms use to describe their businesses; (3) the approach used to construct the major elements of the financial statements; and (4) some ratios that capture key aspects of the firm's performance. This will begin to help you make sense of company financial statements and start to use them to analyze a company's performance. Of course, financial reporting is but one source of information needed by those who make investment, credit, and similar resource allocation decisions. Users of financial reports also need to consider pertinent information about general economic conditions or expectations, political events and political climate, and industry outlook. However, you will be able to read the financial press and financial statements with more understanding and make more knowledgeable decisions as a result of having taken this course.

Our emphasis will be in knowing how to interpret and use accounting information in making business decisions. However, if you're to grasp what the financial statements are about, you will need to be clear about the core concepts of accounting. There are two types of core concepts that we will be studying simultaneously. The first set of concepts relate to what it means to "do accounting." Here we will focus on the heart of accounting---the analysis of transactions. The second class of concepts involves understanding the elements of financial statements---assets, liabilities, revenues, expenses etc. The first five chapters of the text discuss these foundational ideas of accounting. Of the remaining chapters, 6-11 discuss individual sections of the financial statements in more depth, and the final chapter, chapter 13, is devoted to an in-depth look at the Statement of Cash Flows. The one page graphic on page 4 shows this overall structure and sets out the logical progression of the course through the topics laid out in our textbook.

**By the end of the course, you should:** (1) understand the core concepts of financial accounting including how accountants analyze and record the effects of individual transactions, and the concepts that are essential to understanding financial reports such as assets, liabilities, owners' equity, revenues, expenses and cash flows; (2) be able to interpret annual report information and analyze a company's performance using this information; and (3) be fluent in the language of business.

### **What will you be doing to realize these promises?**

To realize these promises you must take responsibility for your own learning. I cannot simply 'transmit' knowledge to you; you have to take an active role in the learning process. To do this you must be willing to spend your own study time on your *initial exposure* to new material. The textbook authors have done an excellent job in introducing you to financial accounting. For me to present all that information again in-class would be a poor use of your time. If you prepare for class by reading the designated pages from the text and completing a pre-class worksheet we can then use class time together to develop a deeper understanding of the material.

During class, I will provide you with short lectures on key concepts and information that will also help you learn. In addition, I will supply a handout each week which will give you a brief orientation to the topic, what it is that's important for you to know and be able to do, and an outline of the material or process to help you master the concepts effectively with plenty of space for you to add your own notes and/or complete some exercises to develop your proficiency. No previous accounting knowledge is necessary to succeed in the class.

The text is by Robert Libby, Patricia Libby and Daniel Short, *Financial Accounting* 7<sup>th</sup> Ed., (Custom Edition for New York University), McGraw Hill, New York, 2011. All assigned readings and homework are from this text.

### **How Will We Understand the Nature and Extent of Your Progress?**

The final grade will assess your ability analyze and record transactions, to interpret annual report information and use that information to analyze a company's performance. To evaluate your progress in reaching these goals (and to provide you with feedback on your learning) we will look at the following items:

(1) <i>Pre-class Reading &amp; Worksheets</i>	10
(2) <i>Homework Problems</i>	10
(3) <i>Tests (Two at 15 points each)</i>	30
(4) <i>Final exam</i>	35
(5) <i>Annual Report Project</i>	15
<i>Total</i>	<u>100 %</u>



## Grades are determined following the Undergraduate Grading *Guidelines* for Core Courses:

- 25 – 35% A's – awarded for excellent work
- 50 – 70% B's – awarded for good or very good work
- 5 – 15% C's (or below) – awarded for adequate or below work.

### Pre-Class Reading Assignments & Worksheets

Each class meeting will be preceded by a pre-class reading assignment and worksheet. To complete each reading assignment you will need to read typically about half a chapter from the textbook and then work an exercise from the back of the chapter for which I will provide a worksheet. I do not expect you to fully understand everything before coming to class. The goal is to prepare for class. So I will be grading the worksheets on **preparation effort**, not on whether your answers are correct or not. The grading will simply be credit (1) or no credit (0). There are 21 of these pre-class assignments; you can drop 2 of them. Completion of 19 will earn 10 percentage points, 18, 9.5 points etc. What counts is convincing us that you have read the text for understanding and are beginning to apply the information in a coherent manner. Typically, I will be asking you to review these exercises in-class in small groups.

### Homework Problems

Homework problem sets will consist of more challenging problems and these will be due in the week *after* we have concluded our class discussion of the relevant chapter. I want to encourage you to do the homework **in small groups of 4-6 people**. **If you do this, you will find yourself far more engaged and far better prepared for class, and you will learn significantly more.**

**During some portion of class time you will be working in small groups to tackle more challenging problems. One of the best ways of clarifying your understanding and remembering a concept or process is to explain it to someone else. Since you will be engaged in the most difficult processing of information in class, your success depends critically on your presence in class. This is your chance to get help when you need it most from your peers and me.** Please make every effort to arrive to class on time and stay to the end of the period. I would appreciate knowing if you are going to come to class late, and, if you are going to be late, please enter as unobtrusively as possible. I hope you will be an active participant in class. I will do everything I can to make the classroom a hospitable place where you will feel comfortable expressing your ideas. I will be inviting you to contribute to the discussion even when you don't volunteer. However, I will only call on you when I have given you time to prepare, for example, I might ask you how you tackled the pre-class worksheet exercise or an in-class problem that I've already given you time to work on. We all make mistakes when we learn. Indeed, that is part of how we learn. If you make a mistake, bet your life half the class has made it too. The important thing is to find out how to do it without mistakes next time, and really understand this. So let's support each other and help each other learn. Research shows that the helper learns at least as much as the helped. I would really appreciate it if you would silence your cell phone, and refrain from using laptops, cell phones, smart phones and other electronic devices during class. Thanks so much!

**I will not accept late homework** unless due to documented serious illness or family emergency. I will make an exception to this policy for reasons of religious observance or civic obligation *only* when the homework cannot reasonably be completed prior to the due date and you make arrangements for late submission with me in advance.

**Your homework** should be neat and orderly. Please place your name, the names of people you collaborated with and the assignment number in the top left hand corner. It would be appreciated if you would do your work on 8.5 x 11" sheets, stapled together, with your problems in numerical order. Please use excel or word processors to complete your homework. There are 9 homework sets for the course as a whole, completion of all 9 will earn you 10 points.

**Please understand that doing these homework problems is the key to success in the course.** I will be doing my best to help and encourage you to tackle these homework problems between one class and the next. I will be posting on Blackboard, solutions to all the homework problems. Please understand that to be efficient, I am not able to provide written comments on your homework, except those that include particularly personal material and seem to require a response from me. When I return the homework, I will, however, identify the common mistakes and use this as a starting point for new instruction.

### **Two Mid-terms and Final Exam**

**The two tests and the final exam are cumulative.** Everyone is required to take the two mid-term tests. There are no make-up tests. If you miss a mid-term exam for a documented illness or family emergency, the points from the missed exam will be added to the final exam. **If you miss one of the midterms for any other reason, you will get a score of 0.** The questions on the midterms will be similar to the homework problems and the problems that we have worked in class. If you are diligent in completing the homework and the in-class problems you will have plenty of practice in the type of questions you can expect on the tests. The tests and the final cover all the material in the textbook that has been assigned as reading (even if the subject was never discussed in class or included in a previous assignment). The tests and final exam will be closed book. You are allowed to bring a calculator. Laptops, cell phones and other hand-held devices with internet access are not permitted during the tests or the final exam.

**Re-grading** In line with the Grading Guidelines for the NYU Stern Undergraduate College, the process of assigning grades is intended to be one of unbiased evaluation. I encourage you to respect the integrity and authority of the grading system and discourage you from pursuing arbitrary challenges to it. If you feel that an inadvertent error has been made in grading your test paper or in assessing an overall course grade, you may submit a request to have the grade re-evaluated. Please submit such requests in writing to me within seven days of receiving the grade, including a brief statement of why you believe that an error in the grading has been made.

### **The Annual Report Project**

This is the subject of a separate handout.

**Academic honesty and disability access:**

**Plagiarism** is the act of representing somebody else's work as one's own. This is a type of fraud or deception similar to the way some company executives have misrepresented the health and soundness of their firms. The Stern School does not tolerate this sort of behavior. You are expected to adhere to the **Stern Code of Conduct** (<http://www.stern.nyu.edu/uc/codeofconduct>) A student's responsibilities include, but are not limited to, the following:

- 1) A duty to acknowledge the work and efforts of others when submitting work as one's own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
- 2) A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

**If you are a student with a disability** and you feel you need accommodations, you must register with the Moses Center for Students with Disabilities. They are located at 726 Broadway, 2<sup>nd</sup> floor, and can be reached at 212-998-4980 or [mosescsd@nyu.edu](mailto:mosescsd@nyu.edu).

**Course Topics and Assignments:**

The following is a “tentative” schedule of readings and assignments. I reserve the right to make adjustments in the event of extenuating circumstances, by mutual agreement, and/or to ensure better student learning.

<u>Lecture Dates</u>	<u>Topics</u>
9/5 W	<b>Overview of Financial Statements &amp; Business Decisions (Ch. 1)</b>  <i>For 9/10 please read: Libby, Libby &amp; Short (LLS), pp. 18-23, and prepare Qs 17 &amp; 18 on p. 28.</i>
9/10 M	<b>Overview of Financial Statements &amp; Business Decisions (Ch. 1)</b>  <i>For 9/12 please read: LLS, pp. 42-56, and prepare E2-5.</i>
9/12 W	<b>Investing, Financing &amp; the Balance Sheet (Ch. 2)</b>  <i>For 9/17 please read: LLS, pp. 57-71, and prepare E2-7.</i>
9/17 M	<b>Investing, Financing &amp; the Balance Sheet (Ch. 2)</b>  <i>For 9/19 please read: LLS, pp. 100-113, and prepare E3-10.</i>
9/19 W	<b>Operating Decisions &amp; the Income Statement (Ch. 3)</b>  <i>For 9/24 please read: LLS, pp. 113-127, and prepare E3-16. P2-3 &amp; 4.</i>
9/24 M	<b>Operating Decisions &amp; the Income Statement (Ch. 3)</b>  <i>For 9/26 please read: LLS, pp. 162-176, and prepare: E4-6. P3-4 &amp; 5.</i>
9/26 W	<b>Adjustments, Financial Statements &amp; the Quality of Earnings (Ch. 4)</b>  <i>For 10/1 please read: LLS, pp. 177-186, and prepare: E4-18 &amp; 19.</i>
10/1 M	<b>Adjustments, Financial Statements &amp; the Quality of Earnings (Ch. 4)</b>  <i>For 10/3 please prepare: AP4-3 &amp; AP4-7</i>
10/3 W	<b>Review</b>
10/8 M	<b>FIRST MID-TERM EXAM (chs. 1-4)</b>



*For 10/10 please read: LLS, pp. 636-655, and prepare: E13-7.*

10/10 W

**Statement of Cash Flows (Ch. 13)**

*For 10/17 please read: LLS, pp. 652-657, & Supp. B (pp. 664-5)  
and prepare: E13-13.*

10/15 M

**NO CLASS**

10/17 W

**Statement of Cash Flows (Ch. 13)**

*For 10/22 please read: LLS, pp. 657-660, & Supp. A (pp. 660-3),  
and prepare: E13-21.*

10/22 M

**Statement of Cash Flows (Ch. 13)**

*For 10/24 please read: LLS, pp. 469-477, and prepare: E9-15,  
P13-4 & 5*

10/24 W

**Reporting & Interpreting Liabilities (Ch. 9)**

*For 10/29 please read: LLS, Supp. B. (pp. 480-481),  
& Supp. C (pp. 481-483) and prepare: E9-25.*

10/29 M

**Reporting & Interpreting Liabilities (Ch. 9)**

*For 10/31 please read: LLS, pp. 504-519, and prepare: E10-9,  
Prepare P9-10 & 11.*

10/31 W

**Reporting & Interpreting Bonds (Ch. 10)**

*For 11/5 please read: LLS, pp. 519-525, and prepare: E10-17.*

11/5 M

**Reporting & Interpreting Bonds (Ch. 10)**

*For 11/7 please read: LLS, p. 530, and prepare: E10-23.*

11/7 W

**Reporting & Interpreting Bonds (Ch. 10)**

*For 11/12 please prepare: P10-7, 10 & 15.*

11/12 M

**Review**

11/14 W

**SECOND MID-TERM EXAM, (chs. 13, 9-10)**

*For 11/19 please read: LLS, pp. 550-559, and prepare: E11-9.*

11/19 M **Reporting & Interpreting Owners' Equity (Ch. 11)**

*For 11/21 please read: LLS, pp. 560-567, and prepare: E11-13.*

11/21 W **Reporting & Interpreting Owners' Equity (Ch. 11)**

*For 11/26 please read: LLS, pp. 284-295, and prepare: E6-9 & 12, AP11-2 & AP11-4*

11/26 M **Reporting & Interpreting Receivables (Ch. 6)**

*For 11/28 please read: LLS, pp. 330-345, and prepare: E7-5, P6-4 & 5.*

11/28 W **Reporting & Interpreting Cost of Goods Sold & Inventories (Ch. 7)**

*For 12/3 please prepare: LLS, pp. 346-358, and prepare: E7-16.*

12/3 M **Reporting & Interpreting Cost of Goods Sold & Inventories (Ch. 7)**

*For 12/5 please read: LLS, pp. 386-406, and prepare: E8-8, P7-5 & 6*

12/5 W **Reporting & Interpreting Property, Plant & Equipment (Ch. 8)**

*For 12/10 please read: LLS, pp. 406-419.*

12/10 M **Reporting & Interpreting Property, Plant & Equipment (Ch. 8)**

*For 12/12 please hand in the Annual Report Project*

12/12 W **Review**

TBA **FINAL EXAMINATION**

**Student Biographical Information**

Your name (please print) \_\_\_\_\_

Please also supply its phonetic pronunciation \_\_\_\_\_

Your hometown \_\_\_\_\_

Please tell me about your major area of study and your career and life goals at this point.

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What do you expect to learn from the course?

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Please tell me something about your knowledge and experiences that may be relevant to financial accounting.

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Please identify two or three values that are personally important to you and explain why these values matter to you.

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What other information do you think it might be helpful for me to know about? Are there any areas where you might appreciate special assistance?

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*Thank you. All information you supply on this form will be held in strict confidence.*