



Accounting Department
Fall 2013

ACCT-GB.6335.01 International Reporting and Analysis

MW 9:30 - 10:45 am Room: T-201

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E&Y center

Course Description and Learning Goals

Global competition and the continuing integration of the world's financial markets mean that you will increasingly have to read and interpret the financial statements of non-U.S. reporting entities. While you live and work in the United States, you will have to analyze financial data that are frequently expressed in a foreign currency, prepared according to non-U.S. measurement rules and influenced by institutions that often differ from those in the U.S. This invariably requires an ability of understanding and interpretation.

The objective of this course is to give you an overview of the main topics in international accounting and to introduce you to the international dimensions of financial statement analysis. You will learn about differences in financial measurement and reporting practices that exist internationally, the reasons for these differences, their resultant financial statement effects and methods that you can employ to cope with such differences. You will also learn about the international financial reporting standards (IFRS) movement and the implications of reading financial statements based on IFRS.

Method of Instruction

This course will use a variety of teaching methods including lectures, readings, case analyses, web searches, and group assignments. This is a cross-listed course and is open to graduate students. We will conduct this class as though it were a graduate seminar. To ensure a lively class, please read the assigned readings and cases *before* class.

You will get out of this class what you put into it. While your practical experience may be limited, the insights you have gained during your summer internships should prove helpful.

There is a new, easy-to-use tool in NYU classes called **Forums** that will allow us to communicate and interact with each other. This tool can be used to post your notes of the attendance in class according to an assigned calendar. Your notes will be part of your in class participation grading and they are a summary of the topics discussed in class useful for your mid-terms and final.

Should you need any assistance, please contact citl@stern.nyu.edu. Their team will assist us throughout the semester.

Grading

Your course grade will reflect the following emphases:

Assignments	10%
In class participation (including notes)	10%
I mid-term	20%
II mid-term	20%
Final project	40% (15% presentation, 25% paper)

Assigning grades that reward excellence and reflect differences in performance is important to ensuring the integrity of our curriculum.

Note that the actual distribution for this course and your own grade will depend upon how well each of you actually performs in this course.

Required course materials

- Choi and Meek (CM), *International Accounting*, 7th ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 2011).
- Other materials (notes, solutions, and other course documents) will be available on NYU classes.

Financial Analysis Group Project

Financial statement analysis is today a well-established tool for performance evaluation, credit appraisal and security analysis. While financial ratios do not capture all variables affecting enterprise performance, they are an important basis for investor perceptions of risk and return.

International ratio comparisons are subject to a number of pitfalls. When doing a time series analysis, ratio comparisons are complicated by foreign exchange rate changes and changing prices. Inter-country comparisons are also complicated by differences in national accounting principles. Even when the financial statements underlying ratio analyses have been adjusted to international financial reporting standards, investors can misinterpret them if they do not understand a particular foreign environment in terms of institutions and business practices that influence all financial measures in that environment.

Your assignment is designed to give you practice in interpreting and analyzing company financial information.

The intended learning outcomes are as follows:

- 1) to interpret annual report information and to analyze a company's performance using that information;
- 2) to build teamwork skills and
- 3) to gain familiarity with many of the sources of business and financial information.

Your goal is to select a given country, and adopting a user's perspective, to compare the risk and return attributes of a large non-U.S. **manufacturer** relative to those of an American counterpart. You are to make an assessment as to which you feel is the "better" company and why. It will be necessary for you to adjust for currency and price differences, as well as significant differences in accounting principles. Your study should be done on a pre-tax basis to eliminate the effects of differences in tax practices internationally. You should also identify environmental variables, such as differences in social/cultural, financial and legal considerations that might further account for observed profitability and risk differences. Knowledge gained with regard to such environmental differences will sharpen your ability to properly evaluate the risk and return features of foreign security investments. A suggested outline follows:

Outline of your project

Summary The first page should summarize those attributes you believe are most important to a prospective investor. What are the major strengths and weaknesses of your companies?

- 1) Company description: Presentations of the two companies and their business. Identify the major products and segments where stock is traded, name of the auditor.
- 2) Country analysis
 - a) Macro-economic analysis
 - b) Political analysis
 - c) Market analysis
- 3) Industry analysis
 - a) Porter's 5 forces
 - b) Life cycle of the industry and the company's position with respect to the industry.
 - c) strengths and weaknesses or specific risks of the industry
- 4) Company specific analysis
 - a) GAAP adjustments
 - b) Ratio analysis
 - c) Cash flow analysis; i.e. free cash flows
 - d) Disclosure: analysis of the disclosure provided by the company

For the interpretation of the company-specific information you should consider the environmental (institutional) context (i.e., cultural, financial mores, legal, tax..)

5) Prospective analysis, conclusion and recommendations

Group study teams, after having selected a country, an industry and a reporting entity domiciled in that country, together with a U.S. counterpart, for their financial statement analysis project have to provide a one-page rationale for your country, industry and company choices at the end of our first group session on **September 16. (You have to email me and the TA the information.)** Your analysis will require two presentations: an oral presentation and a written paper. Group presentations should not exceed 20 minutes and the formal paper, to be submitted on the last day of class (**December 11**), should not exceed 20 pages (not including appendices). Please submit a hard copy as well as an electronic version. Papers will be read by the TA and myself independently.

In our first group session I'll provide further information about the group project.

Professional Responsibilities For This Course

Attendance

- Class attendance is essential to your success in this course and is part of your grade. An excused absence can only be granted in cases of serious illness, grave family emergencies, or religious observance and must be documented. Job interviews and incompatible travel plans are considered unexcused absences. Where possible, please notify me in advance of an excused absence.
- Students are responsible for the course materials, including lectures, from the first day of this class, forward. It is the student's obligation to bring oneself up to date on any missed coursework.
- Most course announcements will be made as announcements on NYU classes. Sometimes E-mail will be sent, but to the NYU classes e-mail address only. It is your responsibility to ensure that this is correct, to check the e-mail and/or make sure that it is correctly forwarded to an address that you do check. Also, it is your responsibility to check the NYU classes frequently.

Participation

In-class contribution is a significant part of your grade and an important part of our shared learning experience. Your active participation helps me to evaluate your overall performance. You can excel in this area if you come to class on time and contribute to the course by:

- Providing strong evidence of having thought through the material.
- Advancing the discussion by contributing insightful comments and questions.
- Listening attentively in class.
- Demonstrating interest in your peers' comments, questions, and presentations.
- Giving constructive feedback to your peers when appropriate.
- Posting your notes on the NYU classes after any class according to the assigned calendar.

Assignments

Assignments must be **typed** and not handwritten.

All homework assignments should be completed by the due date listed in the course schedule. Late assignments will either not be accepted or will incur a grade penalty unless due to

documented serious illness or family emergency. Exceptions to this policy for reasons of religious observance or civic obligation will only be made available when the assignment cannot reasonably be completed prior to the due date and you make arrangements for late submission in advance. You need to let me know prior to the class. Also, I cannot accept late submissions when the solutions are already posted online. The readings and assignments for the course are on the NYU classes. **Make sure you keep a copy of your assignments.**

E-mail policy

You may ask the TAs or myself any questions by e-mail. Your message **MUST** include a subject and your name, clearly identifying yourself as my student. Please make sure your Email queries are self contained, and detailed, that is, please pretend that we are with no books or documents in sight when we receive your email. Thanks.

Classroom Norms

- Arrive to class on time and stay to the end of the class period. Chronically arriving late or leaving class early is unprofessional and disruptive to the entire class. Repeated tardiness will have an impact on your grade. Students may enter class late only if given permission by the instructor and can do so without disrupting the class.
- Network connectivity during class: none, unless required for the course. Turn off all electronic devices prior to the start of class. Laptops, cell phones and other electronic devices are a distraction to everyone.

Academic Integrity

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here:

Undergraduate College: <http://www.stern.nyu.edu/uc/codeofconduct>

Graduate Programs: http://w4.stern.nyu.edu/studentactivities/involved.cfm?doc_id=102505

To help ensure the integrity of our learning community, prose assignments you submit to NYU classes will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

Students with Disabilities

If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.

Tentative outline		
Date	Assignments	
September 4		Ch. 1, 2 International Accounting Diversity What is international accounting? Why is it important? What are the basic issues? What are some methods for coping with accounting and corporate reporting differences?
September 9		Ch. 3, 4 Comparative Accounting Europe – Asia and America
September 11		A successful example of internationalization: Lavazza Guest Lecturer: Alfredo D’Innocenzo - Lavazza US <i>This seminar aims to provide a big picture of an international business, useful for your project</i>
September 16		Group Project Teams Formation (bring your laptop) Teams of six should be formed and each team should select a country, an industry and a reporting entity domiciled in that country, together with a U.S. counterpart, for their financial statement analysis project. A one-page rationale of country, industry and company choices, together with the names of team members, are due by mid-night. Please e-mail me and the TA the information
September 18		Ch. 6 Foreign currency translation
September 23		Ch. 6 Foreign currency translation - case
September 25	Exercises 6.4 6.5 6.7	Ch. 5 and Ch. 10 (p. 379-380) Reporting and Disclosure
September 30		Reporting and Disclosure - continued
October 2	Prepare Infosys case on NYU classes	Infosys case (discussion)
October 7		Management commentary IFRS (Dec 2010) Materials on NYU classes
October 9		Review session
October 16		Midterm I
October 21		Accounting standard conversion – how accounting affects business Guest Lecturer: Philip Ryan – Swiss Re American holding <i>This seminar aims to provide a picture from the top management perspective anytime there is a conversion</i>
October 23	Prepare the case for global accounting on NYU classes	US GAAP and IFRS convergence: a Roadmap Materials on NYU classes the case for global accounting - discussion
October 28		Main differences between US GAAP and IFRS

October 30		Main differences between US GAAP and IFRS - Bessrawl Case Read Bessrawl case on NYU classes
November 4	Exercise posted on NYU classes	The convergence process between US GAAP and IFRS - the status quo. Guest Lecturer: Gregory Johnson - PWC <i>You will have an overview of the very up to date agenda of the FASB-IASB convergence process</i>
November 6		Ch. 7 Financial reporting and changing prices Icelandic case Read Icelandic case
November 11	Exercises 7.1 7.3 7.4	Group project preparation (bring your laptop)
November 13		Ch. 9 International Ratios analysis What is involved in comparing the risk and return profiles of non-domestic companies? Are measurement issues the only concern when attempting cross-border comparisons? Swisscom Case Read Swisscom case on NYU classes
November 18		Review session
November 20		Midterm II
November 25		Ch. 12 International Taxation and Transfer Pricing I Guest lecturer: Horacio Pena - PWC <i>The seminar provides an overview of the main challenges in terms of transfer pricing, a very hot topic!</i>
November 27		Group project preparation (bring your laptop)
Nov 28 – Dec 1		Thanksgiving break
December 2	Group presentations I	
December 4	Group presentations II	
December 9	Group presentations III	
December 11	Group presentations IV	Projects Due