

## Financial Accounting & Reporting

FALL 2020 [Syllabus]

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### Prof. Mary Billings

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### Class Times, Locations & Support

**Class Times:** Monday 8-10:50a.m. EST and Monday 2-4:50p.m. EST. via Zoom (on NYUClasses).

[Note: Our first class meets on WEDNESDAY 9/9/20.]

**Office Hours:** By appointment and also at times TBD based on class feedback.

[I will also announce expanded office hours (& review sessions) prior to exams.]

### Course Description

This course provides an introduction to the principles of financial accounting and reporting. We learn about the four basic financial statements from the perspective of a financial statement user. In so doing, we place particular emphasis on managerial discretion and how it shapes the information environment of a company. That is, managers can use the flexibility afforded by accounting rules to allow their company's financial statements to better communicate the underlying economics of the firm. Or, managers can potentially exploit the rules in order to manipulate earnings opportunistically. Managers can also use their discretion to guide the market's expectations of earnings numbers via their voluntary disclosures. Understanding where accounting rules afford discretion helps stakeholders form opinions about the quality of the financial statements and the extent to which they appropriately reflect the underlying economic value of the entity.

Throughout the course, we look at some "good" examples — and some "horrible" warnings — using the financial statements that public companies file with the SEC as well as examining shareholder lawsuits where investors allege wrongdoing by companies (and often their accountants). To place the issues in a broader construct, we also access analyst reports, firm disclosures (management forecasts, conference call transcripts, press releases, etc.), media articles and insider transactions.

### Course Objectives

Ultimately, knowing when and how managers have discretion over the application of accounting rules (and examining when they might have incentive or ability to abuse that discretion) helps you be a better-informed investor, customer, lender or other stakeholder in the economy. Specific objectives include:

1. Recognizing the role that financial statements and related documents play in shaping business decisions;
2. Identifying the basic financial statements, their interrelationships and the information that they provide to decision makers;

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3. Understanding basic vocabulary, definitions, measurement methods, and double-entry procedures associated with accounting and financial management;
4. Articulating how business transactions affect the financial statements; and
5. Becoming familiar with common analytical methods to measure business performance in order to identify where and when discretion factors into commonly used outputs.

Achievement of these goals requires an understanding of the basic principles that underlie accrual accounting, as well as an appreciation of the amount of judgment required in applying these principles, which is the focus of this course.

### Class via Zoom

You'll need to be logged into your NYU Zoom account before you join class each week. You should **not** use your Stern email address to login to NYU Zoom. Instead, always choose to "Sign in with SSO" and authenticate with your NYU NetID. If you encounter difficulty, please access this [Zoom Guide for NYU Students](#).




Class Sessions




Please make every effort to [attend the live class session](#) (though all sessions will be recorded). You are welcome to attend either section (8AM or 2PM). [I will take attendance.]

Please [turn on your camera](#) so that we can see each other. This will help keep all of us engaged & minimize distractions. [Also: It's awkward to talk to a dark screen! 😊 And, flamboyant facial gestures 🤪 provide valuable feedback as we navigate conversations in our virtual classroom!]



Before each class session, please [watch the short "advanced prep" videos](#) that talk through the basics of the week's material. Then, keep an eye on NYUClasses for the weekly Zoom slide deck that I will post before class.

During our Zoom class, we'll dig deeper into the material, discuss current events, work through selected case material & solve practice problems. I aim to make our Zoom class interactive & valuable. Your [advanced prep & active participation are crucial](#).

### Materials

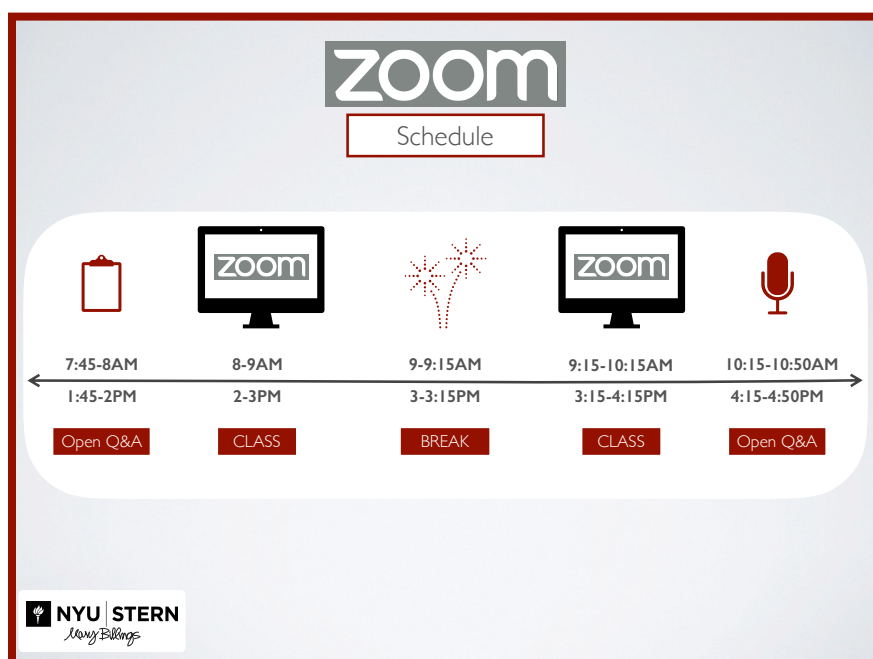
**This course does not require or use a textbook.** I post short videos, slide decks, practice problems, cases and other handouts on NYUClasses. I expect you to check for postings and announcements daily. If you wish to refer to an introductory financial accounting text, I recommend obtaining a recent (i.e., 10<sup>th</sup> or 11<sup>th</sup>) edition of *Introduction to Financial Accounting* by Charles Horngren, Gary Sundem, John Elliott and Donna Philbrick.

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### Structure of Our Zoom Class Sessions

Prior to each week's Zoom session, I will post a "Zoom Session" slide deck that will guide our discussion during that week's class. Then, we will structure our weekly Zoom sessions as follows:



### Grading

This course follows a format that consists of a combination of lectures (via short videos + live Zoom sessions), class discussions and applied problem solving. I will also provide supplementary practice problems and solutions that you can work through on your own should you like additional practice to master the material. I will assign grades based on my overall evaluation of your performance, as measured by the following:

Professionalism*	15%
Mini-Cases♦	20%
Midterm Exam■	30%
Final Exam■	35%
	100%

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\* Professionalism: Each session builds upon the previous sessions; as such, I cannot overemphasize the need for regular attendance (with your camera turned on during our Zoom sessions), advanced preparation and participation. I expect (and encourage) you to ask questions – via email, during our live Zoom sessions, via the private or public chat feature, etc.

♦ Mini-Cases: I will use your 5 best scores of 8 assigned mini-cases to determine your grade. The case instructions and related files are accessed via the “Mini-Cases” tab on NYUClasses. You may work in groups (of no more than six students); you may also work the cases individually. In order to receive credit for the cases, you (or a teammate) must submit the case before the 11 PM Sunday deadline via the “Assignments” tab in NYUClasses. If you work in a group, please only submit one case for the group – making sure that all group members are identified (full names, section) on the cover.

▪ Exams: I expect you to take the exams during the scheduled times. If you must miss an exam, you must notify me before the exam is given. Failure to do so or lack of a valid reason for missing the exam will result in a score of zero for the missed exam.

### Grading Concerns

If you discover what you believe to be an error in the grading of an exam question, you must notify me via email within 48 hours of receiving your graded exam. If you would like any exam question re-graded, please supply a written request that clearly states your reasoning. In response to your request, I may choose to re-grade the exam in its entirety.

### Qualified Disabilities & Other Assistance

If you have a qualified disability and require accommodation during this course, please contact the [Moses Center for Students with Disabilities](#) (CSD, 212-998-4980) and provide me with a letter from them verifying your registration and outlining the accommodations they recommend. To access the University's extensive health and mental health resources, contact the NYU Wellness Exchange via its private hotline (212-443-9999), which is available 24 hours a day, seven days a week, to reach out to a professional who can help to address day-to-day challenges as well as other health-related concerns.

### Academic Honesty

I expect that you will not lie, cheat or steal to gain an academic advantage, or tolerate those who do. Upon enrollment in this course, you agree to adhere to the [Stern Code of Conduct](#) and accept the consequences of your actions should you violate that code. I will report any instances of academic misconduct to the appropriate University authorities.

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### Schedule

Below I provide a tentative schedule for the course. **I often adjust the cases (or write different cases/questions) based on class discussion and current events.** As such, please keep an eye on the “Assignments” tab on NYUClasses (and pay attention to in-class announcements) for any changes to the cases.

Class	Date [CLASS SESSIONS VIA ZOOM]	Topic	Case Due [SUNDAYS@11PM EST]
<b>1</b>	SEPTEMBER 9 <sup>th</sup> [WEDNESDAY]	Introduction & Overview	
<b>2</b>	SEPTEMBER 14 <sup>th</sup>	The Accounting Process	
<b>3</b>	SEPTEMBER 21 <sup>st</sup>	Accrual Accounting & Revenue Recognition	<b>#1:</b> JetBlue
<b>*</b>	SEPTEMBER 28 <sup>th</sup>	<b>NO CLASS</b>	
<b>4</b>	OCTOBER 5 <sup>th</sup>	Sales & A/R	<b>#2:</b> Panera
<b>5</b>	OCTOBER 12 <sup>th</sup>	Review & Practice Problems	<b>#3:</b> GAP
<b>6</b>	OCTOBER 19 <sup>th</sup>	<b>MIDTERM</b>	
<b>7</b>	OCTOBER 26 <sup>th</sup>	Inventory & Cost of Goods Sold	
<b>8</b>	NOVEMBER 2 <sup>nd</sup>	Long-Lived Assets	<b>#4:</b> NIKE
<b>9</b>	NOVEMBER 9 <sup>th</sup>	Liabilities	<b>#5:</b> Heartland
<b>10</b>	NOVEMBER 16 <sup>th</sup>	Stockholders' Equity	<b>#6:</b> Peloton
<b>11</b>	NOVEMBER 23 <sup>rd</sup>	Statement of Cash Flows	<b>#7:</b> GoPro
<b>12</b>	NOVEMBER 30 <sup>th</sup>	Special Topics & Review [INVESTMENTS, INSIDER TRADING, OTHER TOPICS TBD BASED ON CLASS FEEDBACK 🤔]	<b>#8:</b> Hertz
<b>13</b>	DECEMBER 7 <sup>th</sup>	<b>FINAL EXAM</b>	

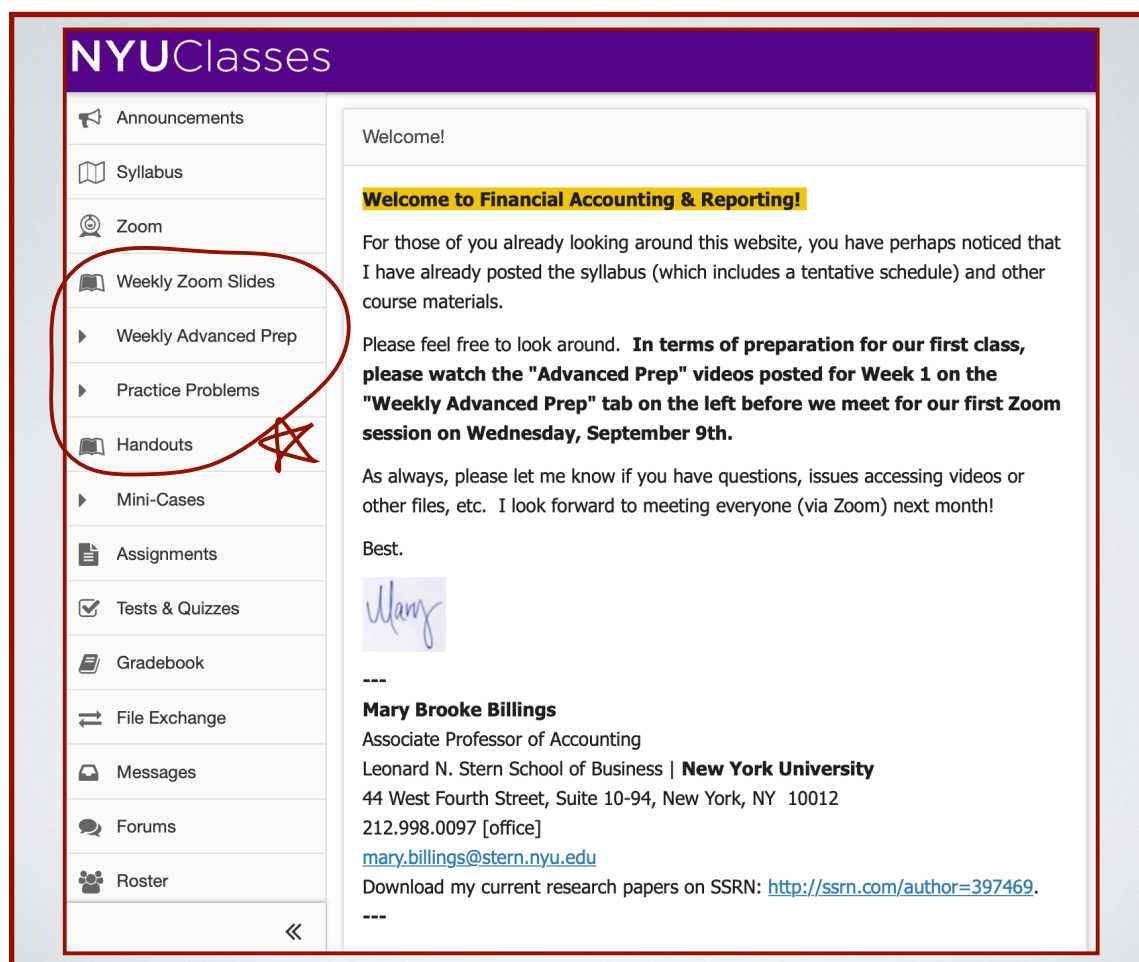
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## Weekly Preparation & Class Structure

In preparation for each week's class session, please watch the "advanced preparation" videos (linked below). Prior to each week's Zoom class, I will post a "Zoom Session" slide deck that will guide our discussion during that week's class session — expanding on the content discussed in the advanced prep videos (hence, it's crucial to watch the videos **before** class), discussing related current events, talking through selected parts of the assigned cases & helping you solve selected practice problems. I will construct ungraded practice quizzes and review slides (used in review sessions) based on class discussion and your input/questions throughout the semester.

- > Access videos via the hyperlinks below or via the "Weekly Advanced Prep" tab on NYUClasses.
- > Access all other files via their respective tabs on NYUClasses.



**NYUClasses**

Announcements

Syllabus

Zoom

Weekly Zoom Slides

Weekly Advanced Prep

Practice Problems

Handouts

Mini-Cases

Assignments

Tests & Quizzes

Gradebook

File Exchange

Messages

Forums

Roster

Welcome!


**Welcome to Financial Accounting & Reporting!**

For those of you already looking around this website, you have perhaps noticed that I have already posted the syllabus (which includes a tentative schedule) and other course materials.

Please feel free to look around. **In terms of preparation for our first class, please watch the "Advanced Prep" videos posted for Week 1 on the "Weekly Advanced Prep" tab on the left before we meet for our first Zoom session on Wednesday, September 9th.**

As always, please let me know if you have questions, issues accessing videos or other files, etc. I look forward to meeting everyone (via Zoom) next month!

Best.



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Download my current research papers on SSRN: <http://ssrn.com/author=397469>.

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## Detailed Course Outline

### Week 1: Wednesday, 9/9/20

#### Overview & The Information Environment of the Company

- Videos (+ accompanying slide decks)
  - 1.1 – [Overview](#) (Introduction to the four basic financial statements)
  - 1.2 – [Managerial Discretion](#)
  - 1.3 – [Communication During Crisis](#)
- Handouts (You will use these throughout the semester.)
  - Summary of the 4 financial statements & how they articulate
  - List of commonly used accounts
  - Financial accounting glossary
  - Accessing analyst reports (using your NYU credentials in the NYU Virtual Business Library)
- Practice Problems
  - PepsiCo
  - Mary's Mosquitoes
- Zoom Session Week 1 Slide Deck – *To be posted before class*

### Week 2: Monday, 9/14/20

#### The Accounting Process

- Videos (+ accompanying slide decks)
  - 2.1 – [Rules of Debit & Credit](#) (L&M Lawn Part 1)
  - 2.2 – [Adjusting & Closing Process](#) (L&M Lawn Part 2)
- Handouts
  - Rules of debit & credit summary sheets
  - Transactions & t-account summary sheet for June L&M
- Practice Problems
  - July L&M (comprehensive problem)
- Zoom Session Week 2 Slide Deck – *To be posted before class*



Week 2 is heavy on content! We're setting the stage for the rest of the course. Fear not; it's only the start of the conversation. We'll slow down & unpack some of the trickier content in Week 3. And, there will be plenty of time for practice & questions! IN SHORT: Stick with me! It gets more fun (less painful) after we get the mechanics behind us & we can move on to talk about current topics!

**[DEADLINE: Case #1 (JetBlue) is due by 11PM EST on Sunday, 9/20/20.]**

### Week 3: Monday, 9/21/20

#### Accrual Accounting & Revenue Recognition

- Videos (+ accompanying slide decks)
  - 3.1 – [SoulCycle](#) (Revenue Recognition)
  - 3.2 – [Marz Sprays & Shark Tank](#) (Bad Debts)
- Handouts
  - SoulCycle lawsuit complaint
  - Marz vs. Walgreens court ruling
- Practice Problems
  - Mary's Mosquitoes

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- Abercrombie & Fitch (comprehensive problem) [*Hint: A&F is very similar to Case #2.*]
- Zoom Session Week 3 Slide Deck – *To be posted before class*

**\* NO CLASS ON Monday, September 28<sup>th</sup> \***

**[DEADLINE: Case #2 is due by 11 PM EST on Sunday, 10/4/20.]**

### **Week 4: Monday, 10/5/20**

#### Sales & A/R

- Videos (+ accompanying slide decks)
  - 4.1 – [Nordstrom](#) (Sales Returns)
  - 4.2 – [Skechers](#) (Credit Sales & Bad Debts)
- Practice Problems
  - Under Armour
  - Quicksilver
- Zoom Session Week 4 Slide Deck – *To be posted before class*

**[DEADLINE: Case #3 is due by 11 PM EST on Sunday, 10/11/20.]**

### **Week 5: Monday, 10/12/20**

#### Review & Practice Problems

- Practice quizzes – *To be posted before class*
- Zoom Session Week 5 Slide Deck – *To be posted before class*

**[NO CASE DUE]**

### **Week 6: Monday, 10/19/20**

- MIDTERM – *Details to be discussed in our Week 5 Zoom Session*

**[NO CASE DUE]**

### **Week 7: Monday, 10/26/20**

#### Inventory & COGS

- Videos (+ accompanying slide decks)
  - 7.1 – [Apples](#) (Inventory Flow)
  - 7.2 – [Exxon](#) (LIFO Reserves)
  - 7.3 – [Blackberry](#) (Inventory Writedowns)
- Practice Problems
  - Cars
  - ConocoPhillips
- Zoom Session Week 7 Slide Deck – *To be posted before class*



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**[DEADLINE: Case #4 is due by 11PM EST on Sunday, 11/1/20.]**

### **Week 8: Monday, 11/2/20**

#### Long-lived Assets

- Videos (+ accompanying slide decks)
  - 8.1 – [Tangible Assets](#) (Numerical Example)
  - 8.2 – [Waste Management](#) (Fraud & Tangible Assets)
  - 8.3 – [Intangible Assets](#) (Coca-Cola, Google, YouTube, GE, Boeing)
- Practice Problems
  - Mary's Mosquitoes
  - Zappos/Amazon
- Zoom Session Week 8 Slide Deck – *To be posted before class*

**[DEADLINE: Case #5 is due by 11PM EST on Sunday, 11/8/20.]**

### **Week 9: Monday, 11/9/20**

#### Liabilities

- Videos (+ accompanying slide decks)
  - 9.1 – [JetBlue](#) (Lease Liabilities)
  - 9.2 – [Numerical Lease Example](#)
  - 9.3 – [Apple & Honda](#) (Contingent Liabilities)
- Handouts
  - Time Value of Money Calculations
- Practice Problems
  - Southwest Airlines
  - iRobot
- Zoom Session Week 9 Slide Deck – *To be posted before class*

**[DEADLINE: Case #6 is due by 11PM EST on Sunday, 11/15/20.]**

### **Week 10: Monday, 11/16/20**

#### Stockholders' Equity

- Videos (+ accompanying slide decks)
  - 10.1 – [Equity & Share Buybacks](#) (Amazon, Apple, Harley-Davidson, Peloton)
  - 10.2 – [Price Appreciation & Stock Splits](#) (Amazon, Apple, Berkshire-Hathaway)
  - 10.3 – [Equity Incentives](#) (Bally & Skechers)
- Practice Problems
  - Mary's Mosquitoes
- Zoom Session Week 10 Slide Deck – *To be posted before class*

**[DEADLINE: Case #7 is due by 11PM EST on Sunday, 11/22/20.]**

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### Week 11: Monday, 11/23/20

#### Statement of Cash Flows

- Videos (+ accompanying slide decks)
  - [GAP](#) (CF Stmt Purpose)
  - [Tootsie Roll](#) (CF Stmt Example)
- Practice Problems
  - Rocky Mountain Chocolate Factory
- Zoom Session Week 11 Slide Deck – *To be posted before class*

**[DEADLINE: Case #8 is due by 11PM EST on Sunday, 11/29/20.]**

### Week 12: Monday, 11/30/20

#### Special Topics + Review

- Videos (+ accompanying slide decks)
  - 12.1 – [Insider Trading](#)
- Practice quizzes – *To be posted before class*
- Zoom Session Week 12 Slide Deck – *To be posted before class*

**[NO CASE DUE]**

### Week 13: Monday, 12/7/20

- FINAL EXAM – *Details to be discussed in our Week 12 Zoom Session*