

Financial Accounting & Reporting

SPRING 2020 [Syllabus]

Prof. Mary Billings

New York University | Leonard N. Stern School of Business

44 West Fourth Street, Suite 10-94 | New York, NY 10012

(212) 998 - 0097 | mary.billings@stern.nyu.edu

Class Times, Locations & Support

Class Times & Locations: M 6-9p.m. (KMC3-55), T 6-9p.m. (KMC2-70), W 6-9p.m. (KMC3-50)

[Note: Class 2 on Tuesday 2/18 will meet in KMC2-60.]

Office Hours: By appointment; I will announce additional office hours (& review sessions) prior to exams.

Teaching Fellow: Kevin Hsueh (khsueh@stern.nyu.edu)

Course Description

This course provides an introduction to the principles of financial accounting. We learn about the preparation of 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.

Along the way, 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;
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;
5. Becoming familiar with common analytical methods to measure business performance in order to identify where and when discretion factors into commonly used outputs.

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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.

Materials

This course does **not** require or use a textbook. I have included all of the required material in the course packet (+ additional handouts). When/if necessary, I will post additional material (practice problems, solutions, 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., 10th or 11th) edition of *Introduction to Financial Accounting* by Charles Horngren, Gary Sundem, John Elliott and Donna Philbrick.]

Grading

This course follows a format that consists of a combination of lectures, 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:

Professionalism [♦]	10%
Mini-Cases [*]	15%
Midterm Exam [*]	35%
Final Exam [*]	40%
	100%

[♦] Professionalism: Each session builds upon the previous sessions; as such, I cannot overemphasize the need for regular attendance, preparation and participation. I expect (and encourage) you to ask questions. Research indicates that laptop use in large lecture/discussion courses detracts from student learning. Consequently, I expect you to limit your laptop use to before/after class and/or during scheduled class breaks.

^{*} Mini-Cases: I will use the top 5 of 8 assigned mini-cases to determine your grade. You may work in groups (of no more than six students) and should hand in only one copy per group. You may also work the cases individually. In order to receive credit for the cases, they need to be turned in before class begins. I strongly prefer that you turn in a hard copy at the beginning of class. I will, however, accept emailed solutions beforehand. If you do email me your case, you must make sure that your name and section appear on the attached document itself (not just in your email).

^{*} Exams: I expect you to take all exams during the scheduled times. If you must miss an exam, you must notify the professor before the exam is given. Failure to do so or lack of a valid reason for your absence will result in a score of zero for the missed exam. The format of the exams will be discussed in class. I expect to include multiple choice questions, short answers and problems on your exams. I will post practice quizzes with detailed solutions at least 10 days prior to the exam and I will host a Q&A review session the weekend prior to the exam.

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Grading Concerns

If you discover what you believe to be an error in the development or grading of an exam question, you must notify me before exiting the classroom on the day I return the exam. At that time, if you would like any exam question re-graded, I will ask you to supply a written request that clearly states your reasoning within the next two days. 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

The following schedule supplies a tentative outline 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 NYUClasses (and pay attention to in-class announcements) for changes to the cases.

Class	Date	Topic	Case Due (@ beginning of class)
1	FEB 10, 11, & 12	Overview & Income Measurement	
2	FEB [*] , 18 & 19	Recording Transactions & Accrual Accounting	
3	FEB 24, 25 & 26	Vocabulary, Ratios, Review & Practice	#1: JetBlue
4	MARCH 2, 3 & 4	Sales & A/R	#2: Panera
5	MARCH 9, 10 & 11	MIDTERM	
	MARCH 16, 17 & 18	Spring Break	
6	MARCH 23, 24 & 25	Inventory & Cost of Goods Sold	#3: GAP
7	MARCH 30, 31 & APRIL 1	Long-Lived Assets	#4: NIKE
8	APRIL 6, 7 & 8	Liabilities	#5: Heartland
9	APRIL 13, 14 & 15	Stockholders' Equity	#6: Peloton
10	APRIL 20, 21 & 22	Statement of Cash Flows	#7: GoPro
11	APRIL 27, 28 & 29	Special Topics & Review	#8: Hertz
12	MAY 4, 5 & 6	FINAL EXAM	

* The University is closed for holiday on Monday, February 17. The Monday section may attend Class 2 with the Tuesday 2/18 or Wednesday 2/19 class. Class 2 on Tuesday 2/18 will meet in a larger classroom (KMC2-60). This schedule allows students in the Monday section to stay on pace with the other sections, which means: (1) In the event of a class absence, they can still attend either of the remaining T/W sessions that week and (2) their midterm falls before Spring Break.