|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| NEW YORK UNIVERSITY Stern School of Business | | | | | | |
| **Financial Reporting and Disclosure**  **Summer 2015** | | | | | | |
|  |  | | | | |  |
| Professor John S. Bildersee | |  | | | 10-79 KMC | |
| Phone: 212-998-0027 | | | | Email: jbilders@stern.nyu.edu | | |
|  |  | |  | | | |
| Tuesday & Thursday classes | | | Class web site: NYU Classes | | | |

|  |
| --- |
| Text – Financial Reporting and Analysis by Revsine, Collins, Johnson and Mittelstaedt,  *Sixth Edition*.  ***Course Content****:* This course concentrates on issues that affect the nature and quality of financial reporting. Selected topics are developed in more depth from a management perspective. Accounting choices and financial instruments are major themes across many of the topics. **A primary focus is on the impacts of choices and estimation on corporate reporting.**  Students also receive an **introduction to consolidated statements and risk management through hedging**. These presentations for informational purposes only – they will not be tested.  A few course-related questions:  What happened to accounting and control at **WorldCom**?  How do **joint products** (e.g. sale with service support) contribute to revenues and expenses?  When can **inventory be reported at its sales value** rather than its accumulated cost?  How do retailers estimate their costs?  How does factoring improve a company’s **cash flow** and balance sheet?  How does a company’s **intent affect its reporting** of investments?  Can an asset have a **negative salvage value**?  What is the impact of lease reporting on operating **cash flows**?  Is estimation of **off-balance sheet liabilities** meaningful?  Why do profitable companies have tax valuation allowances (for losses) and how do they deal with uncertain tax positions?  How do companies like **Google** reduce their tax obligations?  Can pension estimates be manipulated and what is the impact on the financial statements?  How has **IBM** changed its pension policies?  What are the financial and tax impacts for the company and its investors of p**aying management in options** rather than cash?  ***Default policies:*** We follow Stern’s default policies for anything not covered here.  ***Attendance:*** You should **attend every class** to get a good understanding of the course materials.  ***Tentative grading:*** Two exams 80%**, (Best exam 50%; second exam 30%)**, two 15 minute quizzes (**Best quiz 9%, second quiz 6%** – total of **15%**) and attendance 5%. **There are no make-up exams or quizzes. However, you may take them early if you cannot make it to class**. See NYU Classes for more detail. All exams and quizzes are open book and open notes. Computers or cell phones are not permitted.  ***Extra credit - classroom performance:*** Readings and classroom exercises should be reviewed before class. **You are expected to be able to contribute to discussions about the exercises as well as other classroom discussions.**. Positive contributions include questions and well-intended responses irrespective of their accuracy.  ***Suggested exercises:*** These exercises focus on the primary topics and may help you prepare for the quizzes. They do **NOT** have to be handed in. Try to work the exercises on your own and, if you are stuck, try to understand the answer that is on NYU Classes, ask questions in class or email me.  ***Support materials:*** Visit NYU Classes. It has announcements, class notes, slide shows, spreadsheets, sample exams and miscellaneous articles. Many of the relevant materials will be provided as handouts.  **You are expected to follow the undergraduate code of conduct and the graduate honor code throughout the semester.** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Tentative Schedule | | | | |
| Before break | | | After break | |
| Readings | | In Class Discussion | Readings | In Class Discussion |
| Overview; 1\* | |  | Revenue Recognition; 3 | E3-1,E3-2\* |
| Revenue Recognition; 3 cont’d | | E3-12, E3-14 | Inventories; 9 | E9-8, E9-12, E9-13 |
| Inventories; 9 (+ App. B & C) cont’d | | E9-9, E9-16, E9-17 | Financial Instruments-Receivables; 8 (425 – end) | P8-11, P8-13 |
| Financial Instruments-Receivables; 8 (425 – end) cont’d | | E8-14 - **quiz on inventories** | Financial Instruments- Minority Investments; 16 (through 961) | E16-2, E16-3 |
| Financial Instruments- Majority Investments; 16 (961-970) – [Introduction] | | E16-1, E16-4 | Financial Instruments- Liabilities; 11 (through 626, 641-643) | E11-8, E11-9 |
| *Midterm Exam [through minority investments]* | |  |  |  |
| Financial Instruments- Liabilities (Risk Management – Hedges); 11 (643-656) **– [Introduction]** | | E11-4, E11-6 | Financial Instruments- Leases (Lessee); 12 (693-712) | E12-3, E12-4 |
| Financial Instruments- Leases (Lessor); 12 (712-725) cont’d | | E12-6, E12-7, E12-13 | Taxes; 13 | E13-2, E13-6, E13-10 |
| Taxes; cont’d | | E13-12, E13-14 **quiz on leases** | Pensions; 14 | E14-1, E14-2, E14-12, E14-13 |
| Pensions; cont’d | | E14-14, E14-20 | EPS & Executive Compensation; 15 (911-924) | E15-13, E15-15 |
| ***Final Exam*** | |  |  |  |
| **[Introduction] – The Majority Investments and Risk management – Hedges topics are both advanced topics. They are presented here to offer you a view and understanding of the basic issues. They will not be tested.**  **\*It is assumed that you can apply the materials in the appendices to chapters 2 and at the end of the text.** | | | | |

|  |  |  |  |
| --- | --- | --- | --- |
|  | | | |
| Extra questions for review | |
| Topic | Assignment |
| Revenue recognition | P3-5, P3-6 |
| Inventories | E9-12, E9-16, E9-18 |
| Receivables | E8-13, E8-15 |
| Minority Investments | E16-13, E16-14 |
| Liabilities | P11-2, P11-3 |
| Leases | E12-5, E12-11 |
| Taxes | E13-1, E13-12, E13-14 |
| Pensions | E14-6, E14-12, E14-17, E14-21 |
| EPS | E15-13, P15-6 |

**A Sampling of Selected Topics:**

|  |  |
| --- | --- |
| Revenue recognition | Reporting irregularities |
|  | Percent of Completion |
|  | Commodities |
|  | Joint products |
| Inventory | LIFO-FIFO (multiyear) |
|  | Writedowns |
|  | Dollar Value LIFO |
|  | Retail Methods |
| Accounts receivable | Factoring |
|  | SPEs (Special Purpose Entities) |
|  | Discounts |
|  | Troubled Debt Restructuring |
| Minority investments | Available for sale securities |
|  | Trading securities |
|  | Equity method |
| **Majority investments** | **Consolidation on acquisition** |
| Liabilities | Warranties |
|  | Accruals |
|  | Long term debt |
| **Risk Management** | **Hedges, Swaps** |
| Leases | Lessee |
|  | Lessor |
|  | Guarantees |
|  | Sale-leasebacks |
| Taxes | Temporary deferrals |
|  | Permanent deferrals |
|  | Tax loss carrybacks and carryforwards |
|  | Tax valuation allowance |
| Pensions | Pension trust fund |
|  | Projected obligations |
|  | Service costs |
|  | Assumptions |
| Owners’ equity | Treasury stock |
|  | Simple EPS |
|  | Diluted EPS |
|  | Security conversions |
|  | Executive compensation |