In general terms, financial accounting is the measurement of economic activity for decision-making. Financial statements are a key product of this measurement process and an important component of firms’ financial reporting activities.

The objective of this course is not to train you to become an accountant but rather to help you develop into an informed user of financial statement information. While financial statement users face a wide variety of decisions, they are often interested in understanding the implications of financial statement information for the future cash flows and earnings potential of a firm. We will focus on understanding the mapping between underlying economic events and financial statements, and on understanding how this mapping affects inferences about future profitability. Because annual reports are somewhat formidable, we will spend time familiarizing ourselves with how firms present the information for various accounts in the financial statements, including the footnotes. We also will discuss the role of the various institutions involved in the reporting process. By understanding the environment in which financial reporting takes place you will be in a better position to evaluate critically the disclosures made by firms in published financial statements.

Several features of the course are used to facilitate these learning objectives. The textbook provides a conceptual foundation for the course by introducing the accounting framework and by characterizing accounting principles and alternative methods. Class time will be allocated to a combination of short lectures and discussions of the assigned materials. The assigned cases serve as a basis for class discussion and provide a challenging test of your understanding of the topic. They are based on corporate financial statements and illustrate the issues associated with various accounting methods and the manner in which the related information is disclosed. In addition, the assigned cases demonstrate the “real life” magnitude of income and balance sheet differences under alternative accounting methods, as well as a variety of financial reporting discretion practices.

Organizational Matters

Textbook:


You can also use older editions of the textbook, however, there might be some slight differences in the assigned reading. For most classes there will be assigned reading and suggested self-study problems from the textbook (the 5th edition of the textbook also offers short videos that summarize various concepts).
Grading:

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty has adopted a grading guideline for core courses in which up to 35% of students can receive an “A” or “A-” grade.

Final grades will be determined as follows:

- Homework Assignments: 15%
- Quiz 1: 30%
- Quiz 2: 45%
- Classroom Performance: 10%

Quizzes:
The quizzes will be closed book and closed notes. Although Quiz 2 is cumulative, it will focus on materials covered after Quiz 1.

Classroom performance:

Classroom performance comprises participation in class discussions, preparation for class, and attendance during class. I view class discussion as an integral part of the learning experience of the course. Your class participation grade will be based on contribution to class discussion, not based on the amount of time you talk. I recognize that students with different backgrounds will contribute differently to class discussion. Contributions can take many forms, including, but not limited to, insightful comments and thoughtful questions.

Meaningful class participation requires adequate preparation of the assignments for each class. In the rare instance that an emergency precludes you from preparing adequately for a particular class, you should notify me before the class begins. Attendance is expected for all sessions. However, if for some reason you will miss class or will be late for class, send me an email before class. Tardiness, entering or leaving during class, and/or lack of attendance will have a negative effect on your classroom performance grade.

Homework Assignments:

Homework assignments will be posted on NYU Classes. Homework assignments need to be submitted in class, before the beginning of class. Your write-up of the case should be concise and computer generated. The assignments will be graded based mostly on effort displayed. You are allowed to discuss the homework assignments and prepare the write-ups in groups of no more than three students. By having your name on a submitted assignment, you confirm that you contributed to the homework assignment.

Please also bring a copy of your homework to class for the case discussion.
Self-study Problems:
For every class I will be assigning self-study problems from the textbook. These problems are optional and intended for your use as a tool for self-assessment and additional practice. I will not discuss the self-study problems during class. Solutions will be posted on NYUClasses.

Course Website:
All course material will be posted on NYUClasses. Prior to each class, I will post the handouts for the class. Please either print the handouts before class, or download it to an electronic device that you can use during class. After each class I will post my slides from class. The homework assignment, solutions to the self-study problems and templates for some of the assigned cases will also be posted on NYUClasses.

Office Hour:
My office hour is on Monday 12:15pm - 1:15pm, KMC 10-76.

Teaching Assistants:
There are three teaching assistants for the three section that I am teaching this semester. To facilitate better access to the teaching assistants’ office hours, you can attend the office hours of any of the teaching assistants. For any email correspondence and questions about grading of homework, please contact the teaching assistant assigned to your section.

Section 03, Wednesday 09:00-11:50 am:
Navita Gaur, email: ng1677@stern.nyu.edu
Office hour - Tuesday 11:30 am - 12:30pm, location TBD

Section 05, Wednesday 1:30-4:20pm:
Daniel Sulkin, email: ds5497@stern.nyu.edu
Office hour - Thursday at 3:30pm-4:30pm, location TBD

Section 06, Monday 1:30-4:20pm:
Shiyi Fan, email: sf2742@stern.nyu.edu
Office hour – Wednesday 4:30pm-5:30pm, location TBD
# Course Overview (Subject to changes)

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1: Sep 17
Introduction to Course and Financial Reporting

Reading/Videos
Chapter 1, Chapter 2

Self-Study
Chapter 1: MC2-5, P1-36, P1-38, C1-48
Chapter 2: MC1-5, M2-19, M2-24, M2-25, P2-57

2: Sep 24

2.A   Fundamentals of Financial Statements

Reading/Videos
Chapter 3 (pp. 100-116, skim pp. 116-126 / eLectures LO 3 and 6))

Self-Study
Chapter 3, E3-32;

Assignment
Hewlett Packard


Reading/Videos
(T) Chapter 4 (pp. 156-163)

3: Oct 1

From Economic Transactions to Financial Statements

Assignment
Radiation Shields Inc. - Part 1
4: Oct 8

4.A F/S as a Management Planning Tool

Assignment
Hanson Ski Products

NOTE: Don’t be intimidated by the sea of numbers. Most of the numbers you need to construct the balance sheets are directly given in the case. You don’t need to forecast future sales, develop a schedule for collections, or re-calculate interest expense, etc. All of this has been (implicitly) done for you in the projected balance sheets, income numbers, etc. There are only a few numbers you actually need to derive. An Excel spreadsheet with a useful format for completing the assignment is included with the case and is also available on the course web site.

4.B Revenue and Expense Recognition

Reading/Videos
Chapter 6 (pp. 272-278 / eLectures LO 1-2 and pp. 298-300 / eLecture LO 8, skim pp. 279-280 / eLecture LO 3)
Chapter 7 (pp. 328-329 / eLecture LO 1)

Self-Study
Chapter 6: MC1-2, M6-24, E6-27, E6-41

5: Oct 15

5.A Revenue and Expense Recognition

5.B Integrating Financial Statements

Assignment
Radiation Shields Part 2

5.C Review Session

6: Oct 22

6.A Quiz 1

7: Oct 29


Reading/Videos
Chapter 4 (from pp. 163)

Self-Study
Chapter 4: MC2-4, M4-22, E4-35, E4-39, E4-44

Assignment
  1. Radiation Shields Part 3
  2. Statements of Cash Flows: Three Examples

7.B Accounts Receivable

Reading/Videos
Chapter 6 (pp. 281-294 / eLectures LO 4-6)

Self-Study
Chapter 6: MC5-6, M6-20, E6-34, E6-36

8: Nov 5

8.A Accounts Receivable

Assignment
Sears, Roebuck & Co.

8.b Accounting for Inventories

Reading/Videos
Chapter 7 (pp. 329-344 / eLectures LO 2-6)

Self-Study
Chapter 7: MC1-5, M7-20, E7-26, E7-29, P7-34

8.C Fixed Assets

Reading/Videos
Chapter 8 (pp. 374-387 / eLectures LO 1-4)
9: Nov 12

9.A Fixed Assets

Reading/Videos
Chapter 8 (pp. 374-387 / eLectures LO 1-4)

Self- Study
Chapter 8: MC1-4, E8-22, E8-24, P8-36

Assignment
Depreciation at Deutsche Lufthansa AG

9.B Intangible Assets

Reading/Videos
Chapter 8 (pp. 388-394 / eLectures LO 5-6)

10: Nov 19

10.A Intangible Assets

Self-Study
Chapter 8: MC5-6, E8-31, C8-42

Assignment
BMC Software, Inc.

10.B Overview of Liabilities

Reading/Videos
Chapter 9 (pp. 414-421)

10.C Shareholders’ Equity

Reading/Videos
Chapter 11 (pp. 516-535 / eLectures LO 1-5)

Self-Study
Chapter 11: MC1-2, E11-40, E11-45, P11-55
11: Nov 26

11.A Shareholders’ Equity

Assignment
Dell Computer

11.B Financial Securities and Fair Value Accounting

Reading/Videos
Chapter 12 (pp. 562-575 / eLectures LO 1-3)

12: Dec 3

12.A Financial Securities and Fair Value Accounting

Self-Study
Chapter 12: MC2, M12-13, E12-26

Assignment
TBD

12.B Financial Ratios

Reading/Videos
Chapter 5 (pp. 220-227, skim the remainder of the Chapter)

Self-Study
Chapter 5: E5-33, E5-34

12.B Review

13: Dec 10

13.A Quiz 2