NEW YORK UNIVERSITY

Leonard N. Stern School of Business

B01.1306.91(35) Financial Accounting and Reporting Spring 2012

Professor Baruch Lev Office: KMC 10-92 Tel: 212-998-0028 blev@stern.nyu.edu www.baruch-lev.com

COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	Readings	Class Assignment	
I. PRELIMINARIES				
02/06/12 (02/08/12)	A. Financial information: users, uses, and vulnerabilities. The reporting framework: generally accepted accounting principles (GAAP).	Ch. 1	1. 1-47Reality check:A disconcerting letter from Satyam's chairman	
II. STATEMENT OF FINANCAIL POSITIONS: THE BALANCE SHEET				
	B. The balance sheet: A snapshot of assets, liabilities, and owners equity; historical and fair values of assets and liabilities.			
	C. Accounting procedures: Double entry and asset/liabilities' records.			
III. STATEMENT OF OPERATIONS: THE INCOME STATEMENT				
02/13/12 (02/15/12)	A. Enterprise performance measurement: Accrual earnings vs. cash flows.	Ch. 2*	 Cisco's 2011 performance evaluation Exercise on current assets and current liabilities 2-46, 2-57, 3-24, 3-42 Reality Check: "Death by accounting." 	
	B. Earnings measurement: Revenue and expense recognition rules. The matching process. The income statement.			
	C. Double entry records: Debits and credits, Journal entries and T-accounts.	Ch. 3 (pp.88-97)		

^{*} Optional reading: The portfolio, pp. P1-P6. And Appendix 2, pp. 70-73.

<u>Date</u>	<u>Topic</u>	Readings	Class Assignments
02/27/12 (02/22/12)	Preparing the financial statements: Trial balance and adjusting entries.	Ch. 3 (pp.97- 115) Ch. 4 (pp. 136- 152)	 Exercise on income management 4-47, 4-58 Reality Check: "Auditing firms urge new ways"
03/05/12 (02/29/12) IV. SPECIFIC ASSETS, LIAB	What does it all mean? Analyzing enterprise performance and risk. ILITIES, EQUITITES	Ch. 4 (pp. 152- 165) Ch. 12 (pp. 521- 544)	 Exercise on income management II 4-41, 12-63 Reality Check "GE: Tail wags the dog"
03/19/12 (03/07/12)	Sales and accounts receivable. Revenue recognition in unusual circumstances.	Ch. 6 [†]	 Exercise on accounts receivable 6-33, 6-68 Handout Question (different recognition rules) Reality Check "Banks turn their Reserves to Profits"
03/26/12 (03/21/12)	A. MID-TERM EXAM.B. From retail to manufacturing operations.	Appendix 7B (pp. 305-307)	
04/02/12 (03/28/12)	Inventory valuation methods.	Ch. 7 [‡]	 Exercise on inventory valuation. 7-37, 7-76 Reality Check: "LIFO Conformity"

[†] Optional reading: Overview of internal control, pp. 249-253. Also Appendix 6, pp. 254-257. † Optional reading: Comparing accounting procedures..., pp. 283-285.

<u>Date</u>	<u>Topic</u>	Readings	Class Assignments
04/09/12 (04/04/12)	Physical assets and depreciation. Intangible capital and intellectual property.	Ch. 8	1. Handout Question (R&D Capitalization) 2. 8-54, 8-62
			Reality Check: "Softbank's accounting"
04/16/12 (04/11/12)	Investment in securities and in other companies. Fair value accounting.	Ch. 11 [§]	 Exercise on marketable securities 11-38, 11-39.
			Reality check:1. "Volcker calls for new look"2. "Could bank rules end" "
04/23/12 (04/18/12)	The statement of cash flows, preparation and interpretation.	Ch. 5**	1. 5-52, 5-63, 5-68
			Reality check: "Herz tries too hard"
04/30/12 (04/25/12)	Liabilities (short- and long-term), off-balance sheet financing, and shareholder equity.	Ch. 9 ⁺⁺ Ch. 10 ⁺⁺	 Exercise on operating and capital leases. 9-63, 9-74, 10-37
			Reality check: "Option expensing"
05/07/12 (05/02/12)	FINAL EXAM		

Not required: Consolidated financial statements, pp. 494-502.

** Not required—"Direct Method," pp. 194-195.

†† Not required—"Other Long-term Liabilities," pp. 402-407

‡‡ Optional reading: "Stock Splits and Stock Dividends, etc." pp. 449-461.

PLEASE NOTE:

<u>Class attendance</u> is required. One or two missed classes for health reasons or unexpected travel will be accepted.

<u>**Textbook**</u>: Hongren, Sundem, Elliott and Philbrick, <u>Introduction to Financial Accounting</u>, 10th edition, 2011, Pearson/Prentice Hall.

<u>Financial Report:</u> Print Cisco's 2011 financial report (on Blackboard) and bring to each class. Relevant pages from p. 78 on.

Exercises and Reality Checks for class discussion are posted on Blackboard.

<u>Grading</u>: Final grade will be primarily based on the midterm and final exams, as well as on the quality of weekly assignments and class discussion.

<u>Midterm Exam</u> is on 03/26/12 (03/21/12) <u>Final Exam</u> is on 05/07/12 (05/02/12).

<u>Office Hours</u>: Mondays and Wednesdays, 5:00-6:00 pm, Henry Kaufman Management Center, 10-92, and by appointment (212-998-0028).

<u>Date</u> (To be handed in class)	Homework Assignment
02/13/12 (02/15/12)	1-37, 1-41, 1-44
02/27/12 (02/22/12)	2-48, 2-49, 3-41
03/05/12 (02/29/12)	3-49, 4-38, 4-39
03/19/12 (03/07/12)	4-48, 4-49, 12-35
03/26/12 (03/21/12)	6-67, 6-72, 6-73
04/02/12 (03/28/12)	Handout question
04/09/12 (04/04/12)	7-44, 7-59, 7-81

<u>Date</u> (To be handed in class)	Assignment
04/16/12 (04/11/12)	8-41, 8-43, 8-68
04/23/12 (04/18/12)	11-27, 11-28, 11-32
04/30/12 (04/25/12)	5-54 ^{§§} , 5-58, 5-61
05/07/12 (05/02/12)	9-36, 9-60, 9-77, 9-84

^{§§} Use the Indirect method. Also comment on the changes in the cash flow statement if the fixed assets were sold for $\notin 200$ (rather than $\notin 100$).