



WARNING: This course requires constant attention and consistent effort. Batch processing will almost surely be inefficient, frustrating, and unproductive. I urge you to keep up with the class schedule.

Course Descriptions and Syllabus

Your instructor

Professor: Julian Yeo
Email: jy eo@stern.nyu.edu
Office: 10-179 KMC
Consultation hours: 12.00pm to 1.00pm Monday & Wednesday
Teaching Assistant: TBA

Course Descriptions

Accounting reports are an important means of communication with investors. This course focuses on the development, analysis and use of these reports. It provides an understanding of what these reports contain, what assumptions and concepts accountants use to prepare them, and why they use those assumptions and concepts.

The course uses simple examples to provide students with a clear understanding of accounting concepts. It stresses the ability to apply these concepts to real world cases, which by their very nature are complex and ambiguous. In addition to text-oriented materials, the classes also include cases so that students can discuss applications of basic concepts, actual financial reports, and articles from newspapers. In addition to traditional introductory topics other topics may include mergers and acquisitions, residual income and financial statement analysis.

The course is divided into two parts. Part I of the course is designed to develop your appreciation of fundamental accounting concepts. You will understand why professional judgments and discretions are required when preparing financial statements. Part II of the course focuses on the application of your accounting knowledge on earnings quality issues and earnings management activities related to assets, liabilities, and equity. Topics covered include: accounts receivables, inventory, long-term assets, bonds, leases, pension plans, income taxes, and investments in corporate securities.

Important Dates

In-class Mid-term Exam: Oct 29
In-class Final Exam: TBA
Due date for Assignment I: Oct 15, at the start of class
Due date for Assignment II: Dec 10, at the start of class

Course Objectives

By the end of the course, you should be able to:

- Appreciate how business activities are captured by financial statements.
- Understand the difference between cash and accrual accounting.
- Interpret Balance Sheets, Income Statements, and Statement of Cash Flows.
- Prepare simple financial statements.
 - Explain how components of financial statements are linked together.
 - Prepare simple journal entries, ledgers, trial balances, and end-of-period adjusting entries.
- Identify issues related to revenue recognition. Some of these issues include (but not limited to): accounting for frequent flyer programs, trade/promotional coupons, activation/installation fees, long-term contracts, when to report gross or net revenue.
- Discuss issues related to assets, liabilities, equities. Some of these issues include (but not limited to): when to capitalize or expense, setting allowance using the balance sheet or income statement approach, impairment of assets, LIFO reserve, why is debt reported on the balance sheet approximates market value of the debt, capital or operating leases, accounting for deferred taxes.
- Have a basic understanding of how financial statement analysis is tied to valuation.
- Appreciate the relationship between stock prices (or stock returns) and accounting information
- Apply ratio analysis to companies in different industries
- Aware of ways companies engage in earnings management activities by topics that we covered.

Prescribed Text

There is no prescribed text for this course. You will find all materials sufficiently covered in your class notes. For students who have no accounting background, you may consider purchasing the recommended text.

Recommended Text (optional)

Easton, P., Wild, J., Halsey, R., and M. McNally, 2010, Financial Accounting for MBAs, 4th edition, Cambridge Business Publishers.

Class Handouts

Class notes, class exercises, solutions to class exercises, review questions, solutions to review questions, sample exams and all other lecture-related materials will be distributed in class. All materials are also available in electronic-format on *Blackboard*.

Assessments

Your final grade is the best out of the following two options:

	<u>Option I</u>	<u>Option II</u>
2 Assignments	20	20
5 Mini Tests (Highest 4)	20	20
Mid-term Exam	20	10
Final Exam	40	50

Assignments (individual submission, collaboration allowed)

There are 2 assignments for this course. All assignments must be submitted at the start of the class. You can find the due dates of your assignments on our class schedule. **You are allowed to work on the assignments in groups; however, each individual is to submit his or her own written version of the assignment.**

Mini Tests (individual assessment, collaboration NOT allowed)

To ensure that you put in consistent effort into the course, 5 mini tests are designed to test your accounting knowledge in selected topics. You can find the test dates on our class schedule. I will drop the lowest score of the 5 mini tests (i.e., only count 4) that you have taken when calculating your final grade. **You are NOT allowed to work through the questions in groups for your mini tests.**

Exams

Your mid-term exam is a closed-book exam (you are allowed with you a 3 double-sided page of notes). The mid-term exam will cover all materials in Part I of the tentative class schedule. Your final exam is an opened-book exam. The final exam will cover the full course (both Parts I and II). Both mid-term and final exams are 3 hours long.

Class Schedule

At the end of this document, you will find a class schedule. You will find it beneficial to read (or skim) the assigned handouts. For those without accounting background, you may want to read (or skim) the assigned background readings from the recommended text. When reviewing the handouts, you will find class exercises assigned for selected topics. Discussions of class-exercises have been scheduled during class time and will take place typically after a new topic is introduced. These class-exercises are designed to consolidate your understanding of key accounting concepts and apply your accounting knowledge to situations/cases with a dimension of realism. Solutions to class exercises will be distributed in class (and will be posted on Blackboard). 'Review questions with solutions' are additional questions that you can attempt to better grasp the accounting concepts/issues.

Tentative Class Schedule

Date	Class Content	Hand-out	Background Reading from Text (Optional)	Assessment Date (Mini-tests: M; Assignment A)
(1) 9/10 Mon	Introduction; ΔCash vs Net Income	1	Chps 1 & 2	
(2) 9/17 Mon	Rosh Hashana – No Class			
(3) 9/24 Mon	Balance Sheet and the Accounting Equation; Accounting Cycle	2 & 3	Chps 2 & 3	
(4) 10/1 Mon	Review			
(5) 10/8 Mon	Adjusting Entries and Completing the Accounting Cycle; Statement of Cash Flows	4	Chps 2& 3; Appendix B (end of book)	M#1 due 10/8 at the start of class
(6) 10/15 Mon	More on Income Statement Structured Approach to Financial Statement Analysis	5 & 6	Chp 4	A#1 due 10/15 at the start of class
(7) 10/22 Mon	Revenue Recognition	7	Chp 5	M#2 due 10/22 at the start of class
(8) 10/29 Mon	Mid-Term Exam			
(9) 11/5 Mon	Assets: Accounts Receivables	8	Chp 5; Chp 6 (pp.3-12)	
(10) 11/12 Mon	Assets: Long-Lived Assets	9	Chp 5 (pp.11-17) Chp 6 (pp.26-37)	M#3 due 11/12 at the start of class
(11) 11/19 Mon	Assets: Inventory	10	Chp 6 (pp.13-26)	
(12) 11/26 Mon	Liabilities: Bonds Liabilities: Leases and Retirement Benefits	11	Chp 8 (pp.1-26); Chp 8 (appendix A); Chp 10	M#4 due 11/26 at the start of class
(13) 12/3 Mon	Accounting for Income Tax Accounting for Investments in Corporate Securities;	12, 13 & 14	Chp 5 (pp.17-24 + appendix pp.29-31); Chp 7 (pp.1-28); Chp 9 (pp.1-22)	M#5 due 12/3 at the start of class
(14) 12/10 Mon	More on Financial Statement Analysis; Earnings Management			A#2 due 12/10 at the start of class

(15) 12/14- 12/21 (TBA)	In-Class Final Exam			
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Enjoy the accounting experience, let the fun begin!