

NEW YORK UNIVERSITY Stern School of Business
Financial Reporting and Disclosure - Summer 2013

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Text – Financial Reporting and Analysis by Revsine, Collins, Johnson and Mittelstaedt (McGraw-Hill), *Fifth Edition*.

Course Content: This course concentrates on issues that affect the nature and quality of financial reporting. Topics introduced previously are developed in more depth. Additional topics are also developed. Accounting choices and financial instruments are major themes across many of the topics. The primary focus is on the impacts of the choices and estimation on financial statements and financial reports.

A few course-related questions:

- How do firms manipulate their financial statements?
- What happened to accounting and control at **WorldCom**?
- What are the revenue accounting issues associated with the **HP-Autonomy** debacle?
- 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 paying management in options rather than cash?

Attendance: Attendance is essential. You should **attend every class** to get a good understanding of the course materials.

Tentative grading: Two exams **80%** (**Best exam 47%**, **Other exam 33%**, **Attendance 4%**, **Cases 4%**). There will also be two 15 minute quizzes (Best quiz 8%, second quiz 4% – total of **12%**) to soften the impact of having two exams. **Quizzes will be on dates in bold. There are no make-up exams or quizzes or incompletes. However, you may take them early if you cannot make it to class.** If you take **both** quizzes, then the poorest exam will count 25% and the quizzes will count 20% if it will help your average. See Blackboard for more detail. All exams and quizzes are open book and open notes. Computers or cell phones are not permitted.

Cases: The cases used here been developed by Deloitte to reflect real world issues. Cases will NOT be part of course exams. Handing in a short (½ - 1 page) **TYPED** case writeup is **required**. One paragraph should describe the issues and considerations associated with the case. A second paragraph should include your opinions about the issues. See the grade guide below.

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 Blackboard or ask questions in class.

Support materials: Visit Blackboard. 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.

Default policies: Policies not outlined here will be covered by the Stern default policies document attached to this syllabus.

Before break		After break	
Readings	In Class Discussion	Readings	In Class Discussion
Overview; 1*		Revenue Recognition; 3	E3-2, E3-3*
Revenue Recognition; 3 cont'd	E3-12	Inventories; 9	E9-8, E9-13
Inventories; 9 (+ App. B & C) cont'd	E9-9, E9-17/ Case-Velocity Cellular	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- Minority & Majority Investments; 16 (through 961) cont'd	E16-1, E16-4	Financial Instruments- Liabilities; 11 (through 627, 641-643)	E11-8, E11-9
Midterm Exam [through minority investments]			
Financial Instruments- Liabilities; 11 (through 627, 641-643) cont'd	E11-3, 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 / Case-Bear Minimum	Taxes; 13	E13-6, E13-10
Taxes; cont'd	E13-3, E13-13, E13-14	Pensions; 14	E14-11, E14-4, E14-11, E14-13
Pensions; cont'd	E14-14, E14-20 quiz on taxes	Owners' equity & EPS; 15 (no quiz) (889-911)	E15-6, E15-14
EPS & Executive Compensation; 15 (911-924)	E15-15	Review	
Final Exam			

Assignment
P3-5, P3-6
E9-12, E9-16, E9-18
E8-13, E8-15
E16-13, E16-14
P11-2, P11-3
E12-5, E12-11
E13-1, E13-12, E13-14
E14-6, E14-12, E14-17, E14-21
E15-13, P15-6

A Sampling of Selected Topics:

Revenue recognition	Reporting irregularities
	Percent of Completion
	Installment Sales
	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
Leases	Lessee
	Lessor
	Guarantees
	Sale-leasebacks
Taxes	Temporary deferrals
	Permanent deferrals
	Tax loss carrybacks and carryforwards
	Tax valuation allowance
	Uncertain tax positions
Pensions	Pension trust fund
	Projected obligations
	Service costs
	Assumptions
	Accruals vs. fair & present value
Owners' equity	Treasury stock
	Simple EPS
	Diluted EPS
	Security conversions
	Executive compensation

Case guide outline:

Cases must be typed. Written material will not be accepted or reviewed. The amount of credit will be guided by this summary. Be concise; assume you are summarizing the relevant issues for management. Use at least 1½ line spacing, normal page borders and size 11 font.

Dimension	Poor	Average	Excellent
Statement of the Issues and driving Forces	Partial recognition of the factors	Identification of the factors	Thorough identification of the factors and their impacts
Opinion Based on the Above	Failure to link factors to your opinion	Partial integration of the identified factors into your opinion	Full integration of the factors into your opinion