

Stern School of Business, New York University
ACCT-UB 1.003: Principles of Financial Accounting
Spring 2021

M/W 9:30-10:45 (regular class sessions start February 1 and end May 10)

All Class Sessions are by Zoom and Recorded

Professor Stephen Ryan (sr1@stern.nyu.edu, 212-998-0020)

Recitation/Common Office Hours (Recorded): F 9:30-10:45

Other Office Hours (Not Recorded): MW 11-12:30 and by appointment

PLEASE READ!

Course Description: This course will introduce you to financial accounting. The overarching goal of the course is to help you become intelligent readers of the three main financial statements—the balance sheet, income statement, and cash flow statement—as well as the simpler notes to these statements. The ability to read financial statements is required for most subsequent accounting and many other business courses at Stern, and also for many business careers.

To achieve this goal, you need to understand the extensive language, fundamental concepts and relationships, primary accrual and cash measurement principles, and basic bookkeeping procedures of accounting. For example, to understand the accounting by a merchandising firm for a credit sale, a single common and straightforward transaction, you need to understand the following things, among others. (1) At the time of sale, accounts receivable (an asset that is recognized on the balance sheet) and sales (a revenue that increases income and is recorded on the income statement) increase by the same amount (a requirement of double-entry bookkeeping). (2) The accrual accounting effects described in (1) occur even though the firm has not yet received cash from the customer, because the firm has fully performed its obligation to the customer at the time of sale. (3) Also at the time of sale, cost of goods sold (an expense that reduces income and is recorded on the income statement) increases and inventory (an asset) decreases (i.e., is derecognized from the balance sheet) by the same amount (again because of double-entry bookkeeping). Lastly, (4) the accrual accounting effects described in (3) occur at the time of sale even though the firm very likely does not pay for the inventory at that time (it usually does so either before or afterwards), because the firm has given up control of the inventory at the time of sale.

A large firm engages in and must account for many transactions of many distinct types during each fiscal period, and financial accounting must capture all of these transactions in a fashion that allows for efficient and error-free preparation of financial statements. As a result, an introductory financial accounting course necessarily conveys a lot of information that takes both effort and time for students to absorb and integrate. This is particularly the case for undergraduate students without much prior business experience, for whom many of the types of transactions may be unfamiliar. To succeed in this course, it is absolutely critical that you stay on top of the readings, work the assigned problems as scheduled (and more if these problems do not

suffice for you to feel comfortable with the material), and come to class prepared. For the vast majority of students, relying on cramming before exams is a recipe for disaster.

This is the case despite the fact that, belying a common misperception, financial accounting is not really a mathematical course. The mathematical operations involved in financial accounting are limited to arithmetic, mostly addition and subtraction. Financial accounting is more like the law, a complex and interrelated set of concepts and requirements that students must both solidly internalize and apply with care. Unlike the law, however, these concepts and requirements are applied to and yield numerical amounts.

As we proceed through the course, I will also try to provide you with some appreciation for the various ways in which financial statements provide information to decision-makers both inside and outside the firm. The most important users of financial statements, particularly for publicly traded firms, are the current and potential debt and equity investors in the firm. Investors analyze firms' financial statements using ratio analysis and in various other ways to help them determine whether investments the firm will on average yield an appropriate risk-adjusted rate of return. Firms' financial statements thus directly influence whether and at what cost the firm can raise capital. In addition, managers, competitors, customers, suppliers, labor unions, regulators, and many other parties use financial statement information to make various decisions. Financial statements thus can have varied and pervasive effects on reporting firms. For example, a firm that reports higher profits and growth will more likely be subject to competition and labor union demands. This firm will also probably find it easier to attract and retain managers, customers, and suppliers. The firm may also be more likely to be subject to certain kinds of regulation (e.g., antitrust) but less likely to be subject to other kinds of regulation (e.g., solvency). Sophisticated readers of financial reports consider the likely effects of financial statements on decisions by parties inside and outside reporting firms.

Due to the pervasive effects of financial statements on reporting firms, the setting of financial accounting standards is a highly political process that often yields conceptually muddy or needlessly complicated generally accepted accounting principles ("GAAP"). The Financial Accounting Standards Board ("FASB"), a private-sector body, has determined GAAP in the U.S. In setting each standard, the FASB follows a due process in which it solicits feedback from the public since 1974. Much of this feedback comes from reporting firms, who view their financial statements in much the same way as students view their report cards. In the same way that students prefer higher and more predictable grades, firms prefer accounting standards that yield more favorable and predictable financial statement numbers. As we proceed through the course, I will also try to provide you with some appreciation for the politics involved in standard setting.

The financial statements of public firms appear in financial reports that include other important information, most importantly, the management discussion and analysis (MD&A). We will not discuss this other information in this introductory class much if at all. Often, however, the best way to read a firm's financial report is to read the MD&A before the financial statements.

Required Text: Libby, Libby, and Hodge, *Financial Accounting*, 10th edition with McGraw-Hill Education Connect® access (hereafter "Connect"). Connect provides full access to both the eBook and the SmartBook interactive reading experience described below, as well as the

homework assignments, so you do need not to purchase a print text. If you choose to purchase a print text, you still need to purchase Connect access to complete and submit homework assignments.

Two primary options are available for students to purchase the text with Connect access:

- Online - All DIGITAL (most affordable option): You can purchase Connect with the complete eBook and access to all course content for \$99 from the McGraw Hill (not NYU Classes) course website, <https://connect.mheducation.com/class/s-ryan-spring-2021-mw930am> for \$99 and
- Print Version at NYU Bookstore: If you would like a print version of the text and access to Connect, the bookstore sells a discounted bundle for \$146. ISBN # 978-126-408216-2.

Connect has pretty good functionality but it is by no means perfect. If you have technical issues with Connect that are not solved by getting out of the system, waiting a few hours, and trying again (this sometimes works), contact McGraw Hill Technical Support at 1-800-331-5094 or www.mhhe.com/support.

SmartBook: Connect includes SmartBook, an adaptive reading experience that guides you to spend more time on material that you understand less well. SmartBook works best if you read all of the material, not just the material highlighted in yellow, and answer all questions. Each time you answer a question, Smartbook will prompt you to rate your confidence in your answer. Honest responses about your confidence level will yield more efficient learning.

While I believe most or even all of you will benefit from using SmartBook, you may read each chapter using either Smartbook or the eBook, whichever you find best suits your learning style. Regardless of which approach you select, you should read each chapter by 11:59 pm of the day prior to the first class covering that chapter. I have set the McGraw Hill website so that I will be able to observe whether or not you have finished each chapter using Smartbook by that time. I will not use this information to directly alter your grade; however, if I find that you have not consistently read chapters by the assigned times, then I will be not be sympathetic if you find yourself lost later in the term.

Graded Homework: You will complete and submit your homework to be graded on Connect. After submission, you will receive your score, the correct answer and how it is derived, and access to additional resources. Each chapter's homework assignment will be graded out of 10 points. Your lowest score will be dropped in determining your course grade. While the time to complete assignments will vary across sessions and students, you should plan to spend 2-3 hours on homework for each class session. Please ensure that you register for Connect using the same name and Stern email address as appears in NYU Classes. Once you purchase the registration code, you will need this URL to register: [to be provided]

You should start working on assigned homework problems as we discuss each chapter in class, rather than waiting until the last minute to begin these assignments. The due date for each assignment is indicated both on Connect and in the course syllabus. It is your responsibility to

ensure that you submit by the due date (you can submit earlier, of course). Assignments will not be accepted late. You may discuss and work on homework problems with your classmates, but the answers that you submit must be yours and submitted by you. Be aware that Connect (as opposed to the text) presents the same problems using different numbers for different students, so your answers will differ from those of your classmates. The homework problems listed on the course syllabus indicate the problems at the end of the chapter of the text.

Extra Practice Problems: The syllabus indicates additional practice problems that I recommend you complete to ensure sufficient understanding of the material. If these additional problems do not suffice, your textbook and Connect include many further problems that you can solve.

Other Course Materials: My Powerpoint slides and any non-text problems or other materials in class are available on NYU Classes. I emphasize that my slides generally will not serve as an adequate substitute for reading the text, in part because my slides are terse, and in part because the text covers considerable useful background material that we will not discuss in class.

Class Preparation, Zoom Participation, and Professionalism: You should read each chapter in advance of the corresponding class meeting, as class time will be devoted to understanding and applying the most important material. Your success in this course depends critically on your presence and active participation in class. Unless you have a good reason, such as family members or roommates unavoidably in the background, you should keep your webcam on but your mic muted until you wish to say something. I emphasize that I generally am unable to monitor the chat in Zoom and I do not reliably respond to virtual hand raising. I will frequently pause to ask if there are questions. I emphasize that do not mind being interrupted by questions, and would prefer you to do so if anything important is unclear. In this and other regards, I expect you to act professionally in class, and failure to do so may have adverse effects on your grade.

Exams and Course Grade: There will be two midterms and a final. All examples are open book, and you may use a calculator or spreadsheet program for calculations, though I generally make the required calculations simple enough so that technology is not needed to perform them. The midterms will be as noncumulative as possible given accounting is an inherently cumulative subject, but the final exam will be cumulative. Absent a credible doctor's excuse or prior approval from me (which will be granted only for exceptionally good reasons), there will be no make-ups for missed exams.

Midterm exams

Your final grade will be determined using the following weighting scheme, looking for natural breaks in the weighted-average numerical grades to determine letter grades:

Homework problems (completed using Connect)	20%
Midterm I (date)	25%
Midterm II (date)	25%
Final (date)	30%

I reserve the right to adjust your final grade up by one quarter grade based on your participation in class and down by either one or two quarter grades based on lack of professionalism in class.

To ensure fairness in grading, the Stern faculty have adopted a grading guideline for undergraduate core courses with enrollments of more than 25 students. Approximately 35% of students will receive “A” or “A-” grades.

NYU Classes: I will post class slides, other course materials, and course announcements on NYU Classes. I will also use NYU Classes send e-mail to the class. Hence, please make sure that you are registered on NYU Classes, and check the course site on NYU Classes on a regular basis.

Cloud Recordings: Each class and recitation section will be recorded and will appear in Cloud Recordings in the Zoom section of NYU Classes for the course with a delay of a few hours. Unless you live on the other side of the earth, you should not view the recordings as a substitute for attending class.

Recitations: Rather than having a TA, I will conduct recitation sessions each Friday from 9:30-10:45. These sessions will be recorded. While attendance at these sessions is entirely voluntary, I strongly recommend them for anyone having any difficulty with the course material. I will primarily work problems from the book or that I have written or construct in real time. I will do so at a much slower rate of speed than in class sessions, which will allow you and other students to ask questions at each step of problems. I will also answer any questions posed by students based on the material covered during the course sessions that week. I emphasize that when I taught the class last year, the students attending the recitations on average performed considerably better on exams than the students who did not.

Accounting Standards Codification: While not a natural component of an introductory financial accounting course, you should be aware that, as of September 2009, all extent GAAP can be found in the Accounting Standards Codification (ASC). The ASC is a single, searchable database of GAAP with hyperlinks to implementation guidance and examples. The ASC also includes a master glossary with hyperlinks to all uses of terms in GAAP that you might find useful. At some point during the course, I will log on to ASC and briefly demonstrate how it can be used. Interested students can obtain full access to the ASC at <http://www2.aaahq.org/ascLogin.cfm>, with username AAA51819 and password nPG7H5y.

Academic Integrity: All students must agree to abide by the entire NYU Stern Student Code of Conduct (www.stern.nyu.edu/uc/codeofconduct). Most importantly, students must agree to:

- Exercise integrity in all aspects of one’s academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one’s own. Ideas, data, direct quotations (which should be designated with quotation

marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.

- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. This includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

Professional Conduct: Students are also expected to maintain and abide by a high standard of professional conduct. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Disruptive Behavior Policy (<http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html>).

Students with Disabilities: Such students must notify me at the beginning of the course and provide a letter from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying the students' registration and indicating their accommodations.

Class Sessions: The dates and assignments for the class sessions and optional recitations are listed on the following three pages. These dates and assignments are subject to change.

Class Sessions and Assignments

Date	Chapter (Indicating main topics) or Exam	Assignments (Submit grade problems on Connect)
M Feb 1	Course overview and Chapter 1 (Overview of financial statements and types of transactions), including Supplement A (Types of business entities)	Read chapter 1 (by Tu Feb 2 11:59pm)
W Feb 3	Chapter 1 continued	
M Feb 8	Chapter 1 continued	Graded (submit by Tu Feb 9 11:59pm): E1-2, E1-4, E1-5, E1-7, P1-1 Additional: P1-3, CP1-4
W Feb 10	Chapter 2 (Balance sheet, investing and financing transactions, fundamental accounting equation, bookkeeping)	Read chapter 2 (by Tu Feb 9 11:59pm)
M Feb 15	No class, Presidents Day	
W Feb 17	Chapter 2 continued. Chapter 3 (Income Statement, operating transactions, revenue and expense recognition, accrual accounting, accruals versus deferrals, operating and cash cycles, more bookkeeping)	Graded (submit by Tu Feb 16 11:59pm): E2-5, E2-7, P2-5, P2-6 Additional: E2-3 Read chapter 3 (by Tu Feb 16 11:59pm)
M Feb 22	Chapter 3 continued	Graded (submit by Tu Feb 23 11:59pm): M3-2, E3-8, P3-4 Additional: M3-5, M3-6, M3-9, E3-13, E3-14
W Feb 24	Chapter 4 (Accounting cycle, accrual adjustments, closing the books)	Read chapter 4 (by Tu Feb 23 11:59pm)
M Mar 1	Chapter 4 continued	Graded (submit by Su Feb 28 11:59pm): E4-10, E4-16, E4-18, E4-20, E4-21 Additional: E4-8, E4-19, AP4-1 (not on Connect)
W Mar 3	Working Transactions Analysis Problems	Read “Solving Transactions Analysis Problems” class presentation slides. After class work through Hoistem (easiest), A Cruel World, Bassackwards, and Hall of Mirrors (hardest) (answers are provided to all problems)

M Mar 8	Chapter 5 (Miscellaneous background) and Review for midterm	Skim chapter 5 (by Su Mar 7 11:59pm), which mostly contains background information. The brief discussion of the cash flow statement is important, although we will cover the cash flow statement in considerably more depth at the end of the course. Graded (submit by Tu Mar 9 at 11:59 pm): E5-15, E5-16
W Mar 10	MIDTERM 1	9:30-10:45 EST for students residing in Atlantic, Eastern, or Central time zones; other times to be determined
M Mar 15	Chapter 6 (Sales revenue, accounts receivable, sales returns, bad debt expense, allowance for doubtful accounts)	Read chapter 6 (Su Tu Mar 14 11:59pm)
W Mar 17	Chapter 6 continued	Graded (submit by Su Mar 21 11:59pm): E6-4, E6-5, E6-9, E6-20, E6-23, E6-27 Additional: E6-8, E6-9, E6-14, P6-4
M Mar 22	Chapter 7 (Cost of goods sold, merchandising and manufacturing inventory, cost flow assumptions)	Read chapter 7 (by Su Mar 21 11:59pm)
W Mar 24	Chapter 7 continued	
M Mar 29	Chapter 7 continued	Graded (submit by Tu Mar 30 11:59pm): E7-2, E7-8, E7-12, P7-9, P7-10 Additional: E7-5, P7-5
W Mar 31	Chapter 8 (Depreciation and amortization expense, long-lived tangible and intangible assets, asset disposals)	Read chapter 8 (by Tu Mar 30 11:59pm)
M Apr 5	Chapter 8 continued	Graded (submit by Tu Apr 6 11:59pm): E8-7, E8-8, E8-21, E8-25, P8-6 Additional: M8-1, E8-1, E8-3, E8-10, E8-14, E8-17, E8-18, E8-22
W Apr 7	Chapter 9 (Operating and financing liabilities, interest expense, present value)	Read chapter 9 (by Tu Apr 6 11:59pm)
M Apr 12	Chapter 9 continued	Graded (submit by Tu Apr 13 11:59pm): E9-1, E9-2, E9-13, E9-14, E9-21, P9-6, P9-9, P9-13 Additional: E9-9, P9-4, P9-12

W Apr 14	Chapter 10 (Bond liabilities, effective interest rate, amortized cost accounting, bond retirements)	Read chapter 10 (by Tu Apr 13 11:59pm)
M Apr 19	No Class	
W Apr 21	Chapter 10 continued	Graded (submit by Su Apr 25 11:59pm): P10-7, P10-10, P10-13 Additional: P10-3, P10-11
M Apr 26	MIDTERM 2 (as non-cumulative as feasible)	9:30-10:45 EST for students residing in Atlantic, Eastern, or Central time zones; other times to be determined
W Apr 28	Chapter 11 (Owners' equity and related transactions)	Read chapter 11 (by Tu Apr 27 11:59pm)
M May 3	Chapter 11 continued	Graded (submit by Tu May 4 11:59pm): E11-4, E11-8, E11-15, E11-23, P11-8 Additional: M11-10, E11-10, E11-12, E11-13, E11-18, P11-11
W May 5	Chapter 12 (Cash flow statement, cash flow classifications, direct versus indirect methods of calculating cash from operations)	Read chapter 12 (by Tu May 4 11:59pm)
M May 10	Chapter 12 continued	Graded (submit by W May 12 11:59pm): E12-4, E12-13, P12-1, P12-3, P12-5 Additional: E12-8, E12-11, E12-15, E12-21
Date to be Determined	FINAL EXAM (Cumulative!)	