

Financial Accounting NCC550

Spring 2008

Instructor Information:

First Half:

Holly Yang
401E Sage Hall
iy28@cornell.edu
607-255-7139
Office Hours: TBD

Second Half:

Vic Anand
301T Sage Hall
vva5@cornell.edu
607-254-8920
Office Hours: Mondays 1-4 in Sage 403
AND by appointment

Introduction:

The goal of this course is to introduce you to the fundamental concepts of financial accounting. Financial accounting information is commonly used by investors, regulators, customers, and suppliers. Investors include individual shareholders and bondholders, institutional investors (e.g. mutual funds, hedge funds, private equity firms), lenders (e.g., banks), and potential corporate acquirers. Regulators, such as the SEC, routinely review financial accounting information. Financial accounting information also plays a significant role in managerial performance evaluation.

The focus of this course will be on training you to be a knowledgeable consumer of accounting information, rather than a producer of such information. We will introduce you to the fundamental concepts of financial accounting information. We feel that a firm grasp of the fundamental mechanics is necessary to become an effective consumer of financial accounting information. Along the way, we will emphasize the uses and limitations of financial accounting information.

Anyone who expects to belong to an organization in which financial information is used to make decisions will benefit from this course. This includes students who plan to work in industry, investment banking, consulting, and even non-profits or government (the federal government recently mandated that its major agencies produce financial statements). In addition to financial accounting knowledge, we will convey some general business intuition, and will discuss how operational decisions affect financial accounting numbers.

Finally, this course is designed as an introductory course, aimed primarily at students with NO prior academic preparation in accounting.

Textbook

Libby, Libby and Short, *Financial Accounting*, 5th edition, 2005 is the required text and can be purchased at Center Sage in B24 Sage Hall. Additional material will be handed out in class.

Course Web Site

We will be using blackboard [<http://blackboard.cornell.edu/>] as an additional means of distributing material. A copy of this syllabus, as well as most handouts will be available electronically on the web site.

Other Resources

Another useful web page will be EdgarScan [<http://edgarscan.pwcglobal.com/servlets/edgarscan>]. This is an interface to the SEC's electronic filing system for a variety of accounting reports. We will also refer several times throughout the course to actual firm's Annual Reports. Instructions on how to download this information will be given at the appropriate time.

GRADING:

Class Participation and Professionalism (10%)

You should be prepared to discuss the assigned reading(s) and homework. You are strongly encouraged to ask questions at any time or about anything that is unclear or seems inaccurate. Please limit your in-class questions to those relating to the current day's topic. If the scope of your question is outside these boundaries, feel free to e-mail your question after class or ask it during office hours.

In general, please view each class as equivalent to an important business meeting. You are expected to come to class on time and to ***turn off your cell phone***. If you must arrive to class late or leave early, please sit in the back row. Do not enter class in the front of the room or cross the front of the room during class. ***Laptop use is not allowed during class***. Finally, please do not bring food to class. Drinks in covered containers are allowed.

We will offer extra credit (20% bonus to the participation grade) for students who participate in the Business Simulation Laboratory (BSL). The BSL conducts experiments related to the social sciences. Please contact one of us if you wish to participate in an experiment.

Homework Assignments (10%)

Homework problems are an essential building block in learning accounting. We assume in class that students have attempted to solve the homework problems. These assignments will aid you in understanding the class discussion. If you have not attempted them, class discussion will not be as useful. In addition, if you do not attempt to solve the problems on your own, you may find it more difficult to prepare for the exams. The midterm and final exams will be largely based on homework questions. Solutions to the homework problems will be made available within one week of their due date.

Quizzes (30%)

There will be four short in-class quizzes during the semester. The content of the quizzes will be similar to the homework problems. Two of the quizzes will be scheduled, and two of them may be unannounced.

Exams (50%)

There will be a midterm and a final exam. Each is worth 25% of the total grade. The final exam will focus strongly on material covered in the second half of the course. The exams will generally be problem-oriented, and similar to questions assigned as homework. Sample exams for both the midterm and the final, as well as solutions, will be provided during the course. You may bring a single sheet of notes (8.5 x 11" U.S. letter paper), with writing on the front and back, to the exam.

Grading Summary

Class Participation	10%
Homework Assignments	10%
Quizzes	30%
Midterm (1 8.5x11 page of notes, front & back)	25%
Final (1 8.5x11 page of notes, front & back)	<u>25%</u>
Total	<u>100%</u>

A Nickel's Worth of Free Advice

Financial Accounting can be a challenging course. Many of the concepts and even the language may be new to you. We will cover a lot of material in a short period of time. Ask about anything that is unclear as we go along. Accounting is not always logical. The processes we will encounter are a result of historical practice, political action, compromise, and in some cases seemingly arbitrary decisions. If you are having difficulties, please let us know. Come and see us. Usually we can help but only if we know you are having trouble.

Questions About Grades

If you have a question about any grade you receive, including your final course grade, it must be expressed in writing within one week of your receiving the grade. Please attach the entire original exam or quiz, along with a clear description of where you believe you deserve more points, and why. We reserve the right to regrade the entire exam, and not just the question(s) in dispute.

Course Add/Drop

All Add/Drop issues are handled through the Johnson School Registrar – 106 Sage Hall.

Class Schedule and Assignments:

If you miss class, you are responsible for the announcements made and material covered in class.

Class Session	Assignment
Class 1 – Jan. 22	Course Introduction LLS: Read Ch. 1 (pp. 3-6)
Class 2 – Jan. 24	Communicating Accounting Information LLS: Read Ch. 5 (pp. 231-243)
Class 3 – Jan. 29	Introduction to the Financial Statements LLS: Read Ch. 1 (pp. 6-25) Hwk 1a: E1-4, E1-7
Class 4 – Jan. 31	Balance Sheet - Concepts LLS: Read Ch. 2 (pp. 50-62) Hwk 1b: E2-1, P2-1
Class 5 – Feb. 5	Balance Sheet - Mechanics LLS: Read Ch. 2 (pp. 62-70) Hwk 2a: P2-5 Due: Hwk 1
Class 6 – Feb. 7	Income Statement LLS: Read Ch. 3 (pp. 105-126) Hwk 2b: M3-1, E3-10
Class 7 – Feb. 12	Adjustments LLS: Read Ch. 4 (pp. 165-186) Hwk 3: P4-8 Due: Hwk 2
Class 8 – Feb. 14	Short Quiz – covering all material through class 6
Class 9 – Feb. 19	Statement of Cash Flows - Mechanics LLS: Read Ch. 13 (pp. 657-683) Read Ch 13 Supplement B (685-687) Hwk 4a: AP13-1 Due: Hwk 3
Class 10 – Feb. 21	Statement of Cash Flows – Analysis

Hwk 4b: M13-4, E13-17

Class 11 – Feb. 26

Short-term Assets – Cash and Receivables
LLS: Read Ch 6 (pp. 284-306)
Hwk 5: P6-2
Due: Hwk 4

Class 12 – Feb. 28

Short Quiz – covering all material through class 11

Class 13 - Mar. 4

Midterm Review – covering all material through class 14
Due: Hwk 5

Midterm: March 4th 6:00-8:30PM B08

Class 14 – Mar. 6

Ratio Analysis
LLS: Read Ch. 5 (pp. 243-256)
Read Ch. 14 (pp.710-735)

End of 1st Half

Class 15 – Mar. 11

Inventory Mechanics
LLS: Read Ch. 7 (pp. 336-348)
Hwk 6a: E7-4, E7-8

Class 16 – Mar. 13

Inventory - Implications
LLS: Read Ch 7 (pp. 349-367)
Hwk 6b: E7-12, P7-8
Articles: WSJ – Ryerson and short selling
WSJ – Cisco
Cases: Honda
Kimberly-Clark (D)

SPRING BREAK!!!



Class 17 – Mar. 25

Property, Plant and Equipment
LLS: Read Ch. 8 (pp. 396-419)
Hwk 7a: E8-3, E8-7, E8-14, CP8-1 (1 and 3 only), ~~P8-1~~
Due: Hwk 6
Articles: WSJ – Strategy behind accounting scheme (WorldCom)
Forbes – Big bath? Or a little one?
Cases: Intel (A)

Class 18 – Mar. 27

PPE cont'd & Intangible Assets
LLS: Read Ch. 8 (pp.419-425)
Hwk 7b: E8-17, P8-9
Articles: Forbes – Gaps in GAAP

- Class 19 – Apr. 1 Liabilities – Introduction
 LLS: Read Ch. 9 (pp. 461-474)
 Hwk 8a: E9-1 (part 1 only), P9-1, P9-4 (parts 1 and 2 only)
 Due: Hwk 7
 Article: CFO – Unused gift cards
- Class 20 – Apr. 3 **Short Quiz** – focusing on material from classes 14-18
 Liabilities – Introduction
 LLS: Read Ch. 9 (pp. 475-483)
 Hwk 8b: E9-18, E9-19, E9-14, P9-12
- Class 21 – Apr. 8 Liabilities – Bonds I
 LLS: Read Ch. 10 (pp. 515-528)
 Hwk 9a: E10-1, E10-4, E10-9
 Due: Hwk 8
- Class 22 – Apr. 10 Liabilities – Bonds II
 LLS: Read Ch. 10 (pp. 529-536)
 Hwk 9b: E10-16, P10-12 (parts 1-4, 7-8), M10-11, M10-12
- Class 23 – Apr. 15 Shareholders' Equity
 LLS: Read Ch. 11 (pp. 559-577)
 Hwk 10a: E11-1, M11-3, E11-4, E11-15, M11-7, E11-25
 Due: Hwk 9
- Class 24 – Apr. 17 Ratio Analysis
 LLS: Read Ch. 14 (pp.710-735)
 Hwk 10b: P14-11
- Class 25 – Apr. 22 Investments I
 LLS: Read Ch. 12 (pp. 605-617)
 Hwk 11a: E12-1, E12-5, E12-6
 Due: Hwk 10
- Class 26 – Apr. 24 **Short Quiz** – focusing on material from classes 19-24
- Class 27 – Apr. 29 Investments II
 LLS: Read Ch. 12 (pp. 618-629)
 Hwk 11b: P12-4 (Req. 3 only), P12-8
- Class 28 – May 1 Final Exam Review – covering all material through class 27
 Due: Hwk 11

Final Exam: May 13th (Tues) 9:00-11:30AM