Course Outline

Course Objectives:

Accounting is a discipline that concerns itself with the provision of financial information for a variety of decision-makers, both internal and external to the firm. Accordingly, this course introduces students to the important role that accounting plays in a free enterprise society. Students are introduced to the conceptual content of accounting, the overall scope of the accounting function in society, and the uses and limitations of conventional accounting data.

Owing to the globalization of business and finance, accounting also serves decisions that are international in scope. Accordingly, domestic accounting treatments will also be examined from an international perspective.

Required References:


Class Format:

Class sessions will comprise a formal lecture in which students will be introduced to new concepts and measurement issues. Students are required to do the homework assignments and may meet with our graduate teaching assistant who will maintain office hours to clarify concepts that have been introduced in the lectures and to go over assigned homework problems that you may have trouble completing.
Grading Policy:

A letter grade will be assigned to you on the basis of your score out of 500 possible points in the course. The sources of points are:

- Two mid-term exams (100 points each)  200 points
- Final exam  150 points
- Homework and class participation  50 points
- Written assignment  100 points
- Total  500 points

Written Assignment (100 points):

You are to critique a feature article dealing with the international dimensions of accounting appearing in any of the following journals during the last five years:

- Abacus
- Accounting and Business Research
- Accounting Horizons
- Accounting Review
- Journal of Accountancy
- Financial Executive
- Financial Management
- Journal of Accounting and Economics
- Journal of International Financial Management and Accounting
- Strategic Finance
- Contemporary Accounting Research
- Columbia Journal of World Bus.
- Financial Analysts Journal
- Financial Executive
- Journal of Accounting, Auditing
- & Finance
- Harvard Business Review
- International Journal of Accounting
- Management International Review
- Journal of Taxation
- International Journal of Accounting Research

In a nutshell, your critique should tell the reader:

1. What the author is trying to accomplish; i.e., what point is the author trying to make?
2. How the author goes about accomplishing his objective (i.e., describe the author's research method)
3. How well the author accomplishes her/his objective.

In critically evaluating the author's work, be sure to objectively support your appraisal. The length of your critique must be limited to one double-spaced, typewritten page with 1-inch margins and using type 10 font or larger. This is a difficult task but a rewarding and useful one. **Critiques are due on November 22.** Late paper will not be accepted without a signed medical excuse.

Professor F. Choi
Assignment Policy:

All homework assignments are expected to be completed at the beginning of the class for which they are assigned. This pedagogy is designed to get you focused on the “meat” of the assigned reading. Thus, you are to read the assignments and attempt the homework before I lecture on the subject.

General Information:

This is a demanding course that will require at least three hours of preparation for each hour of class on average. However, if you make the effort you will learn a lot and reap large dividends during your professional career. If you encounter difficulties completing the assignment, stop, isolate your problem and bring your questions to class.

Code of Conduct:

As a student at Stern, you are expected to conduct yourself as a young business professional. The Stern School does not tolerate cheating, nor does Wall Street. Please know that the penalty for cheating is an automatic grade of F for the course and appearance before the Student Disciplinary Committee. I am very strict on this issue. I will “bend over backwards” to help you learn the material in this course. All I ask is that you do not cheat yourself, your fellow classmates or the Stern School.
### COURSE TOPICS AND ASSIGNMENTS

<table>
<thead>
<tr>
<th>Lecture Dates</th>
<th>Topics</th>
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| 9/6 T         | Accounting in a global economy; economic scarcity; resource allocation decisions; steps in the decision-making process; role of accounting in industrialized and less-industrialized economies.  
Read  
HSEP, Ch. 1(pp. 2-8) |
| 9/9 Th        | Nature of investment decisions; time preference for money; compound interest concepts; decision-making under conditions of certainty - the NPV model of investment choice.  
Read  
HSEP, Ch. 9 (pp. 418-424) |
| Prepare       | E9-41, E9-42, E9-47 |
| 9/13 T        | Present value model continued; consistency; sensitivity; present value and wealth; present value and income. |
| 9/15 Th       | Decision-making under conditions of uncertainty; feasibility of present value data; cash flow and management forecasts; enterprise performance; cash flow vs. conventional accounting income.  
Read  
HSEP, Ch. 2 (pp. 46-61)  
Prepare:  
E2-36, P2-44, P2-55(question 1.a. only) |
9/20 T  Financial position and the accounting equation; transactions analysis.

Read
HSEP, Ch. 1 (pp. 8-16); Ch. 2 (pp. 63-70)

Prepare:
P2-46, P2-47, P2-53

9/22 Th  There will be no class on this date. The purpose is to afford you the time to use the library or to search the web to find an article on the subject of international accounting for your critique. Titles of your article and the source should be e-mailed to me at fchoi@stern.nyu.edu, no later than 12 noon, Monday September 26.

9/27 T  Conventional accounting-some elaboration; disposable wealth; gains and losses and performance measurement.

Read
HSEP, Ch. 12 (pp. 565-569)

Prepare
Class Handout, P1-38, P2-53, E12-41.

9/29 Th  Conventional accounting and changing prices; price-level adjusted operating income; price level adjusted net income; monetary gains and losses.

Read
Supplemental Reading: “Accounting for Changing Prices: The General Price Level Model,” the Replacement Cost Model and the Market Value Model (pp. 1-10)

Prepare
Exercises 1-4 (at end of reading material)

10/4 T  Current exchange valuation framework; money vs. physical capital; current cost-based rating income; current cost-based net income, market-value-based accounting

Read

Prepare
Exercises 5, 6, 7 (at end of reading material).

10/6 Th Market-Value Based Reporting and Wrap-Up

Read

Prepare
Exercises 9, 10, 11

10/11 T First Mid-term Exam
10/13 Th  Accounting policy-making in a historical and institutional context; globalization of business and capital markets; international accounting standards and organizations. Conventional accounting revisited; the accounting cycle as an information system; aggregation of accounting data.

Read
HSEP, Ch. 1, (pp. 27-34); Ch. 3, (pp. 90-111)

Prepare
P3-34, P3-36

10/18 T  Aggregation of accounting data—continued; adjusting entries.

Read
HSEP, Ch. 4 (pp. 138-151).

Prepare
P4-35, P4-38

10/20 Th  Correcting and closing entries; accounting cycle illustrated.

Read
HSEP, Ch. 3 (pp. 111-120); HSEP, Ch. 4 (pp. 154-162)

Prepare
P3-37, P3-40, P4-30, P4-54

10/25 T  Revenue recognition refinements; sales adjustments; long-term contracts; collection uncertainties.

Read
HSEP, Ch. 6 (pp. 231-251)

Prepare
E6-35, E6-45, P6-55
10/27 Th  Accounting for inventories; costing methods; financial statement effects; inventory estimation; treatment of manufacturing costs.

Read
HSEP, Ch. 7

Prepare
P7-56, P7-71, P7-75

11/1 T  Accounting for fixed assets-acquisition, use, disposal.

Read
HSEP, Ch. 8

Prepare
E8-43, E8-53, E8-59

11/3 Th  Accounting for corporate investments; marketable securities; long-term investments

Read
HSEP, Ch. 11 (pp. 488-503)

Prepare
E11-29, E11-36, P11-39

11/8  T  Wrap-Up

11/10 Th  2nd Mid-Term Exam

11/15 T  Accounting for a firm's liabilities; short-term debt; long-term debt; extinguishment of debt.

Read
HSEP, Ch. 9 (pp. 382-404)

Prepare
P9-56, P9-58, P9-61
11/17 Th   Liabilities-continued; deferred taxes, leases, pensions.

Read
HSEP, Ch. 9 (pp. 405-415)

Prepare
P9-66, P9-69, P9-70

11/22 T    Accounting for owners' equity; proprietorships; partnerships; corporations; treasury stock; stock dividends; stock splits; stock options; earnings per share.

Read
HSEP, Ch. 1 (pp. 18-23; 29-32), Ch. 10 (pp. 440-469)

Prepare
E10-42, P10-45, P10-56

Written critiques due!

11/24      Thanksgiving Recess

11/29 T    The Attest Function. Economics of the audit function; the audit report; auditor independence; professional ethics.

Read
HSEP, Ch. 1 (pp. 24-27).

Prepare
P1-45

12/1 Th    The Statement of Cash Flows

Read
HSEP, Ch. 5

Prepare
P5-47, P5-63
<table>
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<tr>
<th>Date</th>
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<tr>
<td>12/6 T</td>
<td>Financial Statement Analysis; horizontal analysis; vertical analysis; ratio analysis</td>
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<tr>
<td></td>
<td>Read HSEP, Ch. 12 (pp. 534-565), Section entitled, “The Portfolio” between pp. 76 and 77</td>
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<td>Prepare E12-32, E12-39, P12-43</td>
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<tr>
<td>12/8 Th</td>
<td>Statement analysis-continued.</td>
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<tr>
<td>12/13 T</td>
<td>Wrap-up.</td>
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