Course Overview: This course will provide you with the basic skills of financial accounting. It will help you understand how information gets into financial statements and what it means. We first discuss the processes by which financial transactions are recorded and reported. Then, we discuss the accounting conventions underlying some specific elements of financial statements, such as sales, accounts receivable, inventories, cost of goods sold, long-lived assets, and liabilities. We also discuss ratios commonly used to analyze financial data.

Instructor: Martin Ives. I will be in my office Mondays and Wednesdays before class from about 3:50 p.m. to 4:30 p.m. to discuss any matter related to the course. You can also reach me at (914)271-9041.

Logistics: We meet on Wednesdays from 4:55 p.m. to 6:35 p.m. from September 9 through October 21. The final exam will be given on October 28.

Text: *Introduction to Financial Accounting, Ninth Ed.*, Prentice Hall, by Horngren, Sundem, Elliott, and Philbrick (referred to here as HSEP). Also, Reading Handout (referred to as Handout) and Little Book of Accounting Scams (Scams).

Final Grade: Your final grade will be based on a mid-term (about 30 points), some take-home problems (about 6 points) and a final exam (about 64 points). The mid-term and final exams have take-home and in-class components. See attached memo regarding the take-home component of the mid-term exam.

Class Topics and Homework Assignments
(See attached memo regarding homework and conduct of class.)

   Reading: HSEP Chapters 1 and 2; Handout pages 1-4
   Problem: 2-46, part 1

2. Sept. 16: The process of recording financial accounting information. Starting with the transaction, we discuss the basic building blocks of the accounting system – journals and ledgers. Also, how accounting uses a double-entry system to record data, and how the data is summarized by means of a trial balance.
   Reading: HSEP Chapter 3; Handout pages 5-6
   Problems: Make journal entries to record the transactions in 2-46, part 1. Also, do 3-19 and 3-36. When doing 3-36, add a journal entry for declaration of a dividend in the amount of $15,000. Then, prepare the trial balance requested in item 3 of problem.
   Reading: HSEP Chapter 4 through middle of page 154; Handout pages 7-8
   Problems: 4-24; 4-35; 4-39, part 1; 4-29. Also, we will do the self-drill on
   Handout pages 9-11.

4. Sept. 30: Mid-term exam:
   Take-home component: Do the take-home portion of mid-term (see attached
   memo for assignment) and hand it in at start of class.
   In-class component (about 30 minutes): Will cover mostly journal entries.
   After the exam, we discuss the form, content, and preparation of the balance sheet
   and the income statement. We also cover the use of ratios to help assess financial position
   and profitability.
   Reading: HSEP Chapter 4, pages 154-164; Handout, pages 12-18.

5. Oct. 7:
   Take-home problem – financial statements. Hand in at start of class.
   Recognition and measurement of revenues and accounts receivable. Concepts of
   revenue realization and net realizable value of receivables. Methods of estimating
   allowance for bad debts, accounting for bad debts, financial reporting of revenues.
   Common ratios used to control and assess accounts receivable.
   Reading: HSEP Chapter 6; Handout pages 19-21; Scams part 1
   Problems: 6-30; 6-41; 6-48; 6-57; 6-59; 6-60

6. Oct. 14:
   Take-home problem – bad debts accounting. Hand in at start of class.
   Inventory accounting methods; need for taking physical inventories; computation
   of gross profit. Inventory valuation methods; how different inventory valuation methods
   affect the “bottom line” of the income statement and the balance sheet. Common ratios
   for assessing inventories and gross profits.
   Reading: HSEP Chapter 7; Handout pages 22-23; Scams part 2
   Problems: 7-38; 7-56; 7-62; 7-80

7. Oct. 21: Capitalizing and expensing of long-lived assets, both tangible and intangible.
   Computation of alternative depreciation methods. Application of definition of liabilities
   to certain transactions and events – product warranties, pensions and post-retirement
   healthcare benefits, contingent liabilities.
   Reading: HSEP Chapter 8; HSEP Chapter 9 page 388 (product warranties), 409
   and 411 (pensions), 415 (contingent liabilities); Handout pages 24-25; Scams part 3
   Problems: 8-57; 8-48; 9-40, prob. 1 and 5; 9-69; problems in Handout page 25

8. Oct. 28: Final exam, to be given in class. Bring take-home portion with you.
Homework Assignments and Classroom Activity:
   a. This course is not difficult, but does require you to do all the homework because you need to learn a lot in a short time period. I expect you to do all the reading assignments and to work out all assigned problems in anticipation of the class shown in the syllabus.
   b. Except for the mid-term and the specific take-home problems, I will not collect the homework assignments. I will, however, call on you in class as I discuss the assigned problems.
   c. Make every effort to attend all classes, because each class builds on the preceding one. If you cannot attend a class, do the homework anyway. If you are having difficulty on anything, see me during my office hours or call me.

Take-Home Part of Mid-Term Exam: As stated in the syllabus, the mid-term exam consists of an in-class part and a take-home part. Give me your answers to the take-home part at the start of class on September 30. The take-home part consists of these two problems. Read the problems carefully; in particular, be careful about the dates. Remember – a year has 12 months, and September 1 is different from September 30.

(4 points) Go to problem 2-52 on page 85 (Funco Supplies). Do not do the required items. Instead, prepare journal entries to record transactions a. through f. Note that transaction d. requires three journal entries: one to record expiration of prepaid rent shown in the balance sheet, one to record prepayment of rent when the lease was renewed Sept. 1, and one to record expiration (through Dec. 31) of part of the $84,000 paid on renewal. Ignore transactions g. through j.

(6 points) Prepare journal entries to record these 6 transactions and events:
   a. Dr. Huang paid $120,000 to Doctors’ Insurance Co. for a malpractice insurance policy covering the period September 1, 2009 through August 31, 2010.
   b. On December 31, 2009, Dr. Huang made an adjustment to record the expiration of the insurance from September 1 to December 31, 2009. (See a., above)
   c. Doctors’ Insurance Co. received Dr. Huang’s check for $120,000, and will provide him with insurance for the 12-month period starting September 1, 2009.
   d. On December 31, 2009, Doctors’ Insurance Co. made an adjustment to record the earning of revenue from September 1 to December 31, 2009. (See c., above)
   e. On June 30, 2009, New York City made an adjustment of $3 million to record wages its employees earned from June 28-30, but that the City will not pay until July 15.
   f. On December 31, 2009, Delta Hospital made an adjustment for $2 million to record revenues it earned in December, but will not bill until January.