

Syllabus
Accounting and Finance for Lawyers
Fall, 2016
Spencer L. Simons

The objectives of this course are to develop basic accounting and finance knowledge and skills, to enable the student to use the knowledge and skills to understand the financial condition of organizations and the financial environment in which they operate, and to integrate the subject matter with the analytical and practical skills necessary to the practice of law.

Statement: All students who wish to remain in the class are required to sign and return in the first week of class a statement that they have not previously taken more than one semester of either accounting or finance.

Attendance: The Law Center's rules of attendance apply.

Grades: There will be regular weekly assignments to develop analytical skills; these will be discussed in class. Assignments must be turned in at the start of class on the date they are due and completion will be recorded, but they will not be graded. Since the primary purpose of weekly assignments is to build understanding, the substance may be discussed with others in the class, but the assignments must be individually completed. The final exam counts for 85% of the final grade. The remaining 15% will be based on completion of regular assignments and class contributions.

Assigned Text:

Introductory Accounting, Finance and Auditing for Lawyers
by Lawrence A. Cunningham
Sixth Edition, 2013
West Group

Suggested: Subscribe to Wall Street Journal and read daily

Readings for First Week:

Cunningham, pp. 3-30

Class 1: Monday, August 22

Distribute Statement for signature
Introduction to the Course: its purpose and scope.
Why do lawyers need to know this stuff?
Who uses accounting information?
What is Accounting? What is Finance? How are they different?

Class 2: Wednesday, August 24

Business in Society.
Basic business concepts and terminology.
Financial accounting and other kinds of accounting.

Readings for next week: Cunningham, pp. 31–53, 55-69.
Assignment for next Wednesday: Cunningham, Prob. 2A (p. 41)

Class 3: Monday, August 29

Introduction to Bookkeeping.
The Balance Sheet.
The Fundamental Equation.
Assets; Liabilities; Owner's Equity.
Debits/Credits (Left side/Right side).
Journal entries.
T accounts.
The major Balance Sheet accounts defined.
Work with entries and T account examples.

Class 4: Wednesday, August 31

Do Problem 2A in class.
The Income Statement.
Relation of Income Statement to Balance Sheet.
Work with Revenue and Expense entries and T accounts.
Recap Balance Sheet and Income Statement.
Extraordinary items; Other Comprehensive Income.
Statement of Changes in Owners Equity - introduction.

Readings for next week: Cunningham, pp. 71–91.
Assignment for next Wednesday: Cunningham, Prob. 2B (p. 52).

[NO CLASS on Monday, September 5 – Holiday]

Class 5: Wednesday, September 7

Do Prob. 2B in class.

Revisit: how Accounting differs from Bookkeeping

Introduction to Accrual Accounting concepts.

Accrual Accounting: Deferral of Expense – Inventory.

Readings for next week: Cunningham, pp. 92–113, 117–122, 133–138.

Assignment for next Monday: Prob. 3, (p. 67).

Assignment for next Wednesday: Prob. 4B (p. 90).

Class 6: Monday, September 12

Do Prob. 3 in class.

Accrual Accounting: Deferral of Expense - Depreciation.

Class 7: Wednesday, September 14

Do Problems 4B.

Depletion, Intangibles, Goodwill.

Deferral of Revenue.

Readings for next week: Cunningham, pp. 153–172, 215–233, handout (p. 163 of 4th ed).

Assignment for next Monday: Problem 5 (p. 113).

Class 8: Monday, September 19

Do problem 5 in class.

Accrual Accounting: Accrual of Expense and Revenue.

Class 9: Wednesday, September 21

Statement of changes in OE – discuss handout.

The “cash cycle”.

The Statement of Cash Flows.

Relation to Income Statement. (Work through examples in class.)

Reading for next week: Cunningham, pp. 175–211

Assignment for next Monday: Cunningham, Prob. 7B (p. 172); Prob.9A (p. 239)

Note: To do Problem 9A, use facts from Prob. 6 (p. 149), F/S you developed in Prob. 4B, and Oct. 31 F/S supplied by me.

Class 10: Monday, September 26

Do Problem 7B in class.
What Net Income does not show.
Cash flow – critical concepts.
Do Problem 9A in class.

Class 11: Wednesday, September 28

Financial statement analysis.
Ratio analysis: the common ratios; who uses them and why.
What is “profit”? Introduction to the Cost of Capital.
Common size analysis and industry standards.
“Leverage” – the double-edged sword.

Reading for next week: Cunningham, pp. 353–405
Assignment for next Monday: Cunningham, Prob. 8 (p. 211).
Assignment for next Wednesday: Prob. 9B (p. 239).

Class 12: Monday, October 3

Do Problem 8 in class.
Financial Analysis, continued.
Footnotes to the financial statements.
The Auditors Report.
The M.D. & A.

Class 13: Wednesday, October 5

Do Problem 9B in class.
History of Auditing
GAAS
Auditing: The process.
Internal Controls and Accurate Records – what and why
FCPA; SEC; Sarbanes-Oxley.

Reading for next week: Cunningham, pp. 409–453

Class 14: Monday, October 10

Duties of the Auditor

Can auditors catch fraud? Should they be required to?

Auditor Liability.

Sarbanes-Oxley and auditors, Board, corporate officers, attorneys.

The Lawyer's Role

Class 15: Wednesday, October 12

Common Accounting Shenanigans.

Red Flags.

Reading for next week: Assigned Annual Report – read material up to F/S

Class 16: Monday, October 17

Introduction to reading Annual Report: Auditor's report, President's letter, MD&A.

Class 17: Wednesday, October 19

In class: Continue analysis and discussion of annual report.

Reading for next week: Cunningham, pp. 243–265

Class 18: Monday, October 24

Using accounting concepts in drafting and negotiation

Class 19: Wednesday, October 26

Introduction to Finance – basic principles.

Time value of money.

Discount rates.

Introduction and basic calculations

Readings for next week: Cunningham, pp. 122–129, 269–295

Assignment for next Wednesday: Cunningham, Prob. 10 (p.265)

Class 20: Monday, October 31

“Engineering Economics” variations on the time value of money theme.
ROI, IRR, amortization, annuities, sinking funds, payback periods.

Class 21: Wednesday, November 2

Do Problem 10 in class

Valuation of Securities: introduction, with revisit to time value of money.
Accounting for securities, an exception to the rule of historical cost.

Assignment for next Wednesday: Cunningham, Probs 11A, 11C (pp. 295, 296)

Class 22: Monday, November 7

Money: What is it?
Credit.
The Banking System.
Interest rates.

Class 23: Wednesday, November 9

Do Problems 11A, 11C in class

Readings for next week: Cunningham, pp. 129–133, 233-239, 297-319

Class 24: Monday, November 14

Financial Markets – overview and discussion of the major markets.
Types of financial institutions.
Common financial instruments.

Class 25: Wednesday, November 16

Some basic statistical theory.
Introduction to portfolio theory.
How well do markets value?
Efficient markets theory.

Readings for next week: Cunningham, pp. 129–133

Class 26: Monday, November 21

Risk.

Shifting and spreading risk: old and new techniques

Derivatives: concepts and uses.

Common derivatives.

Regulation of derivatives.

Assignment for Last Class: Financial statement analysis skills building exercise

[NO CLASS Wednesday, November 23]

Class 27: Monday, November 28

LAST CLASS

Do F/S analysis exercise in class

Selected advanced topics, as time allows

Final Exam: tba