

**Syllabus**  
**Accounting and Finance for Lawyers**  
**Fall, 2014**  
**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 25

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 27

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

Readings for next week: Cunningham, pp. 31–53

[NO CLASS on Monday, September 1 – Holiday]

**Class 3:** Wednesday, September 3

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.

Readings for next week: Cunningham, pp. 55–91  
Assignment for next Monday: Cunningham, Prob. 2A (p. 41)  
Assignment for next Wednesday: Cunningham, Prob. 2B (p. 52).

**Class 4:** Monday, September 8

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.

**Class 5:** Wednesday, September 10

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 15

Do Prob. 3 in class.

Accrual Accounting: Deferral of Expense - Depreciation.

**Class 7:** Wednesday, September 17

Do Problems 4B.

Depletion, Intangibles, Goodwill.

Deferral of Revenue.

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

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

**Class 8:** Monday, September 22

Do problem 5 in class.

Accrual Accounting: Accrual of Expense and Revenue.

**Class 9:** Wednesday, September 24

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 29

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

**Class 11:** Wednesday, October 1

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 6

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

**Class 13:** Wednesday, October 8

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 13

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 15

Common Accounting Shenanigans.

Red Flags.

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

**Class 16:** Monday, October 20

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

For class discussion: perform analysis of F/S per handout instructions.

**Class 17:** Wednesday, October 22

In class: Analysis and discussion of F/S in annual report.

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

**Class 18:** Monday, October 27

Using accounting concepts in drafting and negotiation

**Class 19:** Wednesday, October 29

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, November 3

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

**Class 21:** Wednesday, November 5

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 Monday: Cunningham, Prob.s 11A, 11C (pp. 295, 296)

**Class 22:** Monday, November 10

Do Problems 11A, 11C in class

**Class 23:** Wednesday, November 12

Money: What is it?

Credit.

The Banking System.

Interest rates.

Common financial instruments.

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

**Class 24:** Monday, November 17

Inflation: causes; effects; implications for accounting; valuation.

More on securities valuation.

Accounting for securities.

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**Class 25:** Wednesday, November 19

Financial Markets – overview and discussion of the major markets.

Market Regulation.

How well do markets value?

Efficient markets theory.

**Class 26:** Monday, November 24

Some basic statistical theory.  
Introduction to portfolio theory.

Readings for next week: Cunningham, pp. 129–133, 138–148  
Assignment for next Monday: Cunningham, Prob. 12A (p. 319)

[NO CLASS Wednesday, November 26 – Thanksgiving Holiday]

**Class 27:** Monday, December 1

Do Problem 12A in class  
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

Wednesday, December 3 [RESERVED for emergency day makeup]

**Class 28:** Wednesday, December 5

**LAST CLASS**

Do F/S analysis exercise in class  
Selected advanced topics, as time allows

Final Exam: tba