

# UN2261: Accounting and Finance

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Lecture Time: M/W 9:00am-12:00pm

Office Hours: M 2:00pm-3:00pm

Web: [d-jiao.github.io/teaching/](https://d-jiao.github.io/teaching/)

Lecture Hall: 644 Mudd Building  
504B Lewisohn Hall

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## Course Description

The purpose of this course is to provide a foundational introduction to accounting and finance, with greater emphasis on financial accounting. We will focus on the core concepts, underlying mechanics, and broader perspectives necessary to become informed users of financial information.

The overarching theme of the course is that accounting offers critical information to financial markets for a variety of purposes. Throughout the course, I will discuss how financial markets use accounting information to evaluate performance, forecast stock returns, assess firms' risk profiles, and allocate resources to their most productive uses.

## Prerequisites

The prerequisite for this course is Principles of Economics (ECON UN1105) *or* Economic Reasoning (BC1003). Our class will begin without assuming any prior knowledge of accounting and finance. Some basic knowledge of statistics and software like Excel will be helpful, but not required.

## Course Materials

To ensure that the material is covered in the most beneficial way, I will provide a digital handout for each topic's presentation before class (excluding solutions to in-class exercises) and the full presentation slides after each class (including solutions). The slides are designed to be self-contained. If you would like additional readings, the following textbooks are recommended as references. Practice exercises and sample exams will also be provided if needed.

- **Financial Accounting for MBAs**, by Easton, Wild, Halsey, and McAnally (EWHM), 9th edition, Cambridge Business Publishing, 2024

- **Financial Accounting**, by Libby, Libby, and Short, 11th Edition, McGraw-Hill/Irwin, 2023
- **Intermediate Accounting**, by David Spiceland, Mark Nelson, Wayne Thomas, and Jennifer Winchel, 11th Edition, 2023
- **Corporate Finance**, by Berk and DeMarzo, Pearson/Addison-Wesley
- **Corporate Finance**, by Ross, Westerfield, and Jaffe, Eleventh Edition, McGraw-Hill/Irwin

## Course Objectives

Knowledge of financial accounting is an essential skill for understanding companies' communication with their various stakeholders (e.g., investors) and for making sound business decisions (e.g., investment decisions). After taking this course, you will be able to:

1. Understand the role and objectives of financial reporting and the basic finance principles.
2. Know the main financial statements, their relation to each other, and their construction and preparation.
3. Identify the most important considerations in the preparation and interpretation of financial statements and analyze the financial performance and position of companies.
4. Evaluate the credibility of financial statements.

## Grading Policy

Grades will be assessed based on two examinations, the assignments, and class participation. The tentative weights are as follows, and the final letter grade will be based on your ranking in the class and the school's grading policy.

- **50% Exams:** There will be a midterm quiz and a final exam in class. The exams are closed-book, but you are allowed to bring a calculator without internet access and a one-page letter-sized hand-written cheat sheet. The final exam is cumulative of the summer session. This part of the grade will be determined by the maximum of  $10\% \times \text{Midterm} + 40\% \times \text{Final}$  and  $20\% \times \text{Midterm} + 30\% \times \text{Final}$ .
- **20% Assignments:** There will be weekly assignments due on Monday at 9:00 AM (5 in total, except the first week). Your grade on each assignment will incorporate your effort in attempting the questions. Only the best 4 scores will be in the final grade.
- **30% Class participation:** The assessment will include attendance, on-time arrival, and professional behavior during class (including but not limited to not leaving before the class ends, not having private conversations, not using electronics for purposes unrelated to the class), responding to questions (I may cold-call, so be prepared), asking questions and sharing your thoughts, and a general demonstration of positive engagement.

## Tentative Schedule

The schedule is tentative and subject to change. The learning goals below should be viewed as the key concepts you should grasp after each week, and also as a study guide before the exams. Every topic covered in this course builds on the preceding topics. Therefore, this course requires constant attention and consistent effort. Batch processing will almost surely be inefficient, frustrating, and unproductive. I strongly encourage you to keep up with the class.

### Week 1<sup>1</sup>, 05/26 - 05/30:

- **Lecture 1 Introduction:** Overview of the course; Big picture and conceptual foundations of accounting and finance; Introduction to financial statements
- **Lecture 2 Balance Sheet and Income Statement:** Introduction to assets, liabilities, and equity; Introduction to revenues and expenses; Structure of financial statements (1st homework assigned<sup>2</sup>)

### Week 2, 06/02 - 06/06:

- **Lecture 3 Basic Procedures and Ratio Analysis:** Journal entries; Basic procedures for accounting; Introduction to financial ratios (1st homework due)
- **Lecture 4 Revenue Recognition:** Accrual-based accounting; Revenue and expense recognition; Advances and deferred revenues (2nd homework assigned)

### Week 3, 06/09 - 06/13:

- **Lecture 5 Cash Flow Statement and Midterm Review:** The structure, preparation, and interpretation of a cash flow statement (2nd homework due)
- **Lecture 6 Assets (I): A short in-class midterm quiz (30 minutes)**; Receivables; Long Lived Assets (3rd homework assigned)

### Week 4, 06/16 - 06/20:

- **Lecture 7 Assets (II):** Inventory and cost accounting (3rd homework due)
- **Lecture 8 Liabilities:** Time value of money; Valuation and accounting for bonds; Leases; Taxes (4th homework assigned)

### Week 5, 06/23 - 06/27:

- **Lecture 9 Stockholders' Equity:** Introduction to capital budgeting; Accounting for investments (4th homework due)
- **Lecture 10 Stock Valuation:** Dividend discount model (DDM); Relative valuation; Discounted free cash flow model (DCF) (5th homework assigned)

<sup>1</sup>Monday, May 26th is the university holiday for Memorial Day. For Week 1, the Monday class will be rescheduled to Friday, May 30th.

<sup>2</sup>There will not be additional review sessions, and the assignments will be reviewed during the Monday lectures. The solutions will be available after Monday sessions.

**Week 6, 06/30 - 07/04:**

- **Lecture 11 Return, Risk, and CAPM and Final Review:** The concepts of return and risk; The effect of risk diversification; The efficient portfolio; The capital asset pricing model (CAPM) (5th homework due)
- Final Exam

## **Course Policies**

### **Attendance Policy**

Students are expected to be present and participate in every session. Please email me directly if you are absent for an excuse.

Breakfast and snacks are allowed in class (I know getting up early is tough), but please avoid affecting the course or keeping you from active participation.

### **Policies on Late Submission**

Late submissions will be accepted for no penalty only if a valid excuse is communicated to the instructor before the deadline. After the deadline, assignments will be accepted for a 50% deduction to the score up to 2 days after the deadline. After this 2-day grace period, any assignments handed in will be graded 0.

### **Honor Code and Academic Integrity**

Columbia University does not tolerate cheating or plagiarism in any form. Students violating the code of academic integrity and professional conduct will be subject to disciplinary procedures. Guidelines on academic integrity are available at <https://www.college.columbia.edu/academics/academicintegrity>, and all students are expected to be familiar with and abide by them.

Course materials (videos, assignments, problem sets, etc.) are for your use in this course only. You may not upload them to external sites, share them with students outside of this course, or post them for public commentary without the instructor's permission.

### **Accommodation and Support for Students**

Students with documented disabilities may receive reasonable accommodations. Students are encouraged to contact Columbia University's Office of Disability Services for information and to register for services.

### **Generative AI Policy**

Students in this course may only use Generative AI tools, such as ChatGPT, for generating ideas or understanding concepts learned in the course better, and must include a citation describing any usage. Using these tools to generate responses to assignments violates the Honor Code and Academic Integrity and be considered as plagiarism.