

45-917 Financial Statements of Banking Industry
Tepper School of Business
Carnegie Mellon University

Fall 2011 Mini-semester 2
Section 45-917 A
Tue and Thu 3:30 – 5:20pm
Posner Hall 152

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<http://www.cmu.edu/blackboard/>

Course Objective

This course focuses on (1) the financial statement analysis of banks and bank-like financial institutions (thrifts, mortgage banks, and commercial banks); and (2) the accounting and disclosure rules for financial instruments they hold (interest rate risk disclosures, loan loss disclosures, fair value accounting for financial instruments, securitization accounting, derivatives and hedge accounting, and market risk disclosures).

The main goal of the course is to provide students with an in-depth understanding of how financial reports provide unusually specific and detailed (but not perfect) information about certain risks and performance of these financial institutions. Their financial statements increasingly are based on fair value accounting and their financial reports include increasingly extensive risk and estimation sensitivity disclosures. Both fair value accounting and risk and estimation sensitivity disclosures are necessary ingredients for financial reports to convey financial institutions' risk and performance in today's world of complex, structured, value and risk-partitioning financial instruments and transactions. While financial institutions often report imperfect (or worse) fair value measurements and risk and estimation sensitivity disclosures, careful joint analysis of the information they do provide invariably yields important clues about their risks and performance.

While this course is most relevant to students interested in financial institutions, much of the accounting material also pertains to varying extent to other types of firms. For example, many firms securitize their accounts receivable or hedge their commodity, interest rate, or foreign exchange risk using derivatives.

Course Material

Consulting Textbook:

- Ryan, Stephen, *Financial Instruments and Institutions: Accounting and Disclosure Rules*, Second Edition, Hoboken, NJ: John Wiley and Sons, 2007, ISBN: 978-0-470-04037-9.

Bank of America (BOA) financials (available on BOA Investor Relation website and on blackboard):

- FY 2010 Form 10K
- FY 2011 Q3 Form 10Q