

# Preface

Accounting and corporate finance concepts are knowledge bases that law students should master on their path to becoming well-rounded lawyers, no matter their chosen practice area. These practical skills form the basis for understanding business concepts and businesses — skills that clients have grown to expect of their lawyers and skills that allow lawyers to bring added value to the lawyer-client relationship.

The basic idea behind this text was to create a book that law students, who often have little to no background in the areas of accounting or finance, could easily read and understand on their journey to mastering concepts that are not the norm in the law school setting and skills that are often viewed as foreign and scary by law students because they involve math. The impetus for this book rests with a number of law students in my early Accounting for Lawyers classes who encouraged me to write a book that approached the topic from my teaching style, which according to the students was easy to follow and understand.

While my law students were the original impetus, it was David Herzig at Wolters Kluwer and his encouragement to submit a proposal that helped to bring this book to fruition. This book would also not have happened without the help, input, and problem-solving skills of my dedicated research assistants over the past two years, Joe Bone and Ryan Cordsen. Additionally, two of my professional colleagues and friends who are corporate paralegals, Nanci Lilja and Cathy Hulse, read every chapter and offered great suggestions and much needed support. Also, many of my Accounting for Lawyers students took time out of their busy schedules to give me feedback, offer ideas, and provide edits to drafts of various chapters. Lastly, the support of my colleagues who teach as a part of the corporate and commercial law certificate program helped to guide and motivate me over the course of this project.

This book is meant to provide an overview of what I view as some of the most important accounting and finance skills that soon-to-be lawyers should know. While it is not possible in a semester-long course to cover every concept that a practicing lawyer may face, this text attempts to introduce students to many accounting and corporate finance situations they may encounter in their representation of future clients and, in particular, businesses. My goal is by no means to turn law students into accountants or corporate finance experts. However, I do hope that after reading this text, law students, who are our future practicing lawyers, will be conversant and able to hold a well-informed conversation with their clients, other lawyers, or accountants regarding the concepts covered.

It was hard to know the best order in which to cover the topics contained within this text, and I reordered the chapters and shifted content between chapters too many times to count before I ultimately settled on the current structure. I attempted to write this text in a way that would allow users to selectively choose which chapters or concepts to cover and to be able to do so in the order written or in their own sequencing. Chapter 1 provides a brief history of accounting, touches on some of the more recent accounting scandals, and emphasizes why law students should learn and hone these skill sets. Chapter 2 provides an overview of the four primary financial statements in order to establish a fundamental knowledge base for Chapter 3, which introduces students to accounting and auditing principles, and Chapter 4, where students learn how to record financial transactions and prepare balance sheets and income statements. Chapter 5 covers dividend distributions, and Chapter 6 looks at financial statement analysis through the use of various trend and ratio assessments. Chapter 7 introduces students to the concepts of commitments and contingencies and the role that attorneys play in regard to the assessment and disclosure of contingent obligations in an entity's financial statements and footnote disclosures. Chapter 8 discusses the concepts of interest, time value of money principles, and bond valuation. Chapter 9 attempts to familiarize students with some of the main contracts where they may encounter and work with financial terms and covenants. Chapter 10 addresses basic business valuation methodologies, and Chapter 11 touches on those concepts that did not fit elsewhere, such as capital versus operating leases, the financial markets, methods of raising capital through debt and equity, and derivative instruments. Throughout the text there are multiple examples to demonstrate concepts, as well as problems so that students can practice and reinforce what they have learned. I have also included exhibits as supplements to concepts covered in various chapters and a glossary. My experience in teaching Accounting for Lawyers over the past four years played a significant role in how I structured this text, including its style and voice. My goal was to create a student-friendly book and one where law students did not feel overwhelmed by the concepts.

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June 2018