Course Outline for Business 1A

FINANCIAL ACCOUNTING

Catalog Description:

BUS 1A - Financial Accounting  4.00 units

Explores financial accounting, its importance and how it is used by internal and external users as a decision-making tool. Covers accounting information systems; application of Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) to value assets, liabilities, and equity; preparation, interpretation and analysis of financial statements. Includes topics on cash flow statement, cash and accrual accounting concepts, merchandising operation, internal controls and ethics, reporting and accounting for receivables, payables, long-term assets and liabilities, inventory, depreciation, stockholders’ equity, stocks and bonds.

Strongly Recommended: BUS 7 (completed with a grade of “C” or higher)

Grading Option: Optional

Discipline:

<table>
<thead>
<tr>
<th>Units</th>
<th>Contact Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Week</td>
</tr>
<tr>
<td>Lecture</td>
<td>4</td>
</tr>
<tr>
<td>Laboratory</td>
<td>1</td>
</tr>
<tr>
<td>Clinical</td>
<td>0.00</td>
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<tr>
<td>Total</td>
<td>4.00</td>
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</tbody>
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Prerequisite Skills:

None

Measurable Objectives:

Upon completion of this course, the student should be able to:

1. define accounting, list users of accounting information, and distinguish between financial and managerial accounting;
2. describe the usefulness of a conceptual framework and its qualitative characteristics;
3. describe basics of the US Generally Accepted Accounting Principles (GAAP) and its differences from the International Financial reporting Standards (IFRS);
4. list and recognize four basic assumptions, four principles of accounting, constraints and limitations to accounting reporting;
5. exhibit methods of internal control including Sarbanes-Oxley Act;
6. prepare, apply and demonstrate an understanding of various forms of corporate financial statements including income statement, statement of stockholders’ equity (including statement of retained earnings), statement of retained earnings, and statement of cash flows;
7. differentiate among operating, investing, and financing activities on the statement of cash flows;
8. complete the accounting cycle: prepare journal entries, post to ledger, perform adjusting and closing entries at the end of the period using accrual basis and corporate form of business;
9. process transactions relating to a service and a merchandising business;
10. demonstrate an understanding of the cash and accrual methods of accounting;
11. process transactions relating to current assets (accounts and notes receivable);
12. apply different methods of valuing inventory and calculating depreciation;
13. record transactions relating to long-term assets (fixed assets, natural resources, and intangibles), calculate depreciation/depletion/amortization using various methods, distinguish between capital and revenue expenditures, and record the asset disposal;
14. record and analyze transactions related to current liabilities, including known, estimated, and contingent liabilities;
15. record and analyze transactions related to long-term liabilities, including bonds and long-term notes payable;
16. explore reporting requirements for stockholders’ equity;
17. analyze financial statements using horizontal, vertical, and ratio analyses and data from annual reports and notes to the financial statements;
18. identify ethical issues, decide appropriate course of action by applying critical thinking and communication skills;
19. use appropriate accounting terminology as it applies to various business scenarios.

Course Content:

(Lecture)

1. Introduction to Accounting
   A. Definition of accounting. Differences between financial and managerial accounting
   B. Users of financial information
   C. Careers in accounting
   D. Conceptual framework and its qualitative characteristics (relevance and faithful representation)
2. Accounting principles, assumptions and constraints as guided by Generally Accepted Accounting Principles (GAAP)
3. Foundations of International Financial Reporting Standards (IFRS), their future development and implementation, major differences from GAAP
4. Financial statements as decision making tools: income statement, classified balance sheet, statement of stockholders’ equity, and cash flow statement (including operating, investing, and financing activities)
5. Accounting cycle and its steps
6. Accounting information system
7. Accrual versus cash based accounting
8. Accounting for merchandising operations
9. Internal controls including the Sarbanes-Oxley Act and cash controls
10. Reporting, estimating, and analyzing accounts and notes receivables
11. Inventories: methods of valuing
12. Long-term assets
   A. Fixed assets
   B. Lump-sum purchases of fixed assets
   C. Capital vs. revenue expenditures
   D. Depreciation and its methods (straight-line, units of production, and double-declining balance)
   E. Disposal of fixed assets
   F. Natural resources and depletion
   G. Intangible long-term assets (including goodwill) and their amortization
13. Reporting and analyzing current liabilities, including known, estimated, and contingent liabilities
14. Reporting and analyzing long-term liabilities, including bonds and notes payable
15. Reporting and analyzing stockholders’ equity
16. Financial statement analysis using horizontal, vertical, and ratio analyses
17. Ethical issues

(Laboratory)
1. Completion of an accounting cycle for a service corporation
   A. Identifying and analyzing business transactions using T-accounts and debits/credits
   B. Journalizing transactions
   C. Posting transactions to the general and subsidiary ledgers
   D. Completing a worksheet, including a trial balance and an adjusted trial balance
   E. Recording and analyzing adjusting entries (accruals and deferrals)
   F. Recording four closing entries
   G. Preparing a postclosing trial balance
2. Analysis of corporate financial statements
   A. Horizontal analysis
   B. Vertical analysis and common-size financial statements
   C. Using ratios to compare companies’ performances in liquidity, solvency, profitability, and market prospects
   D. Main sections of annual reports
   E. Notes to financial statements

Methods of Presentation
1. Lecture/Discussion
2. Problem solving
3. Case analysis
4. Accounting Cycle Project
5. Research Report
6. Group Activities
7. Presentation
8. Case Study
9. Financial Statement Analysis Project

Assignments and Methods of Evaluating Student Progress

1. Typical Assignments
   A. Financial analysis report and presentation 1) Identify two competing companies 2) Obtain their financial statement for the last two years to: a) Evaluate the company's liquidity relative to the industry averages and to the competitor that you chose. b) Evaluate the company's solvency relative to the industry averages and to the competitor that you chose. c) Evaluate the company's profitability relative to the industry averages and to the competitor that you chose. d) Submit a Word report and make a presentation of your findings to the class.
   B. SOX (Sarbanes-Oxley Act of 2002) is a major landmark in accounting history and brought into limelight the stories of scandals by Enron, Tyco International and Worldcom. Go online and read about this act and summarize the following questions: a) Briefly describe the reason and purpose of this act b) Provisions c) Pick one of the firms involved in the accounting scandals that was affected by the this law and tell us about the scandal story, charges, losses and what is their current status. d) Submit a report answering these questions
   C. ETHICS CASE - As the controller of Breathless Perfume Company, you discover a misstatement that overstated net income in the prior year’s financial statements. The misleading financial statements appear in the company's annual report which was issued to banks and other creditors less than a month ago. After much thought about the consequences of telling the president, Jerry McNabb, about this misstatement, you gather your courage to inform him. Jerry says, “Hey! What they don’t know won’t hurt them. But, just so we set the record straight, we’ll adjust this year’s financial statements for last year’s misstatement. We can absorb that misstatement better in this year than in last year anyway! Just don’t make such a mistake again.” Instructions: 1) Who are the stakeholders in this situation? 2) What are the ethical issues in this situation? 3) What would you do as a controller in this situation?

2. Methods of Evaluating Student Progress
   A. Chapter assignments
   B. Quizzes
   C. Case studies
   D. Projects
   E. Class Participation
   F. Lab Activities
   G. Laboratory exercises
   H. Exams/Tests
   I. Final Examination

3. Student Learning Outcomes
   Upon the completion of this course, the student should be able to: A. Journalize and post transactions for corporations. B. Adjust, close and prepare corporate financial statements. C. Analyze financial statements of corporate form of business.

Textbooks (Typical):
5. Annual reports of publicly traded companies

Special Student Materials
Abbreviated Class Schedule Description:

Explores financial accounting, its importance and how it is used by internal and external users as a decision-making tool. Covers accounting information systems; application of Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) to value assets, liabilities, and equity; preparation, interpretation and analysis of financial statements. Includes topics on cash flow statement, cash and accrual accounting concepts, merchandising operation, internal controls and ethics, reporting and accounting for receivables, payables, long-term assets and liabilities, inventory, depreciation, stockholders’ equity, stocks and bonds. **Strongly Recommended:** BUS 7 (completed with a grade of "C" or higher)