ACC 231 Intermediate Accounting

Winter I Term • 2015 • Wednesdays 6:00 - 10:30 PM

Instructor: Virgil Harden, MBA

TEXTBOOK:

Intermediate Accounting w/ Annual Report; Connect Access Card
9781259546860 Spiceland, Intermed Acc 8e with Connect Access Card

This textbook is a bundle that includes Connect access. If you purchase from the Doane bookstore you will get the text and Connect access. If you purchase elsewhere you can contact the publisher to purchase Connect separately.

Calculators: Basic six (6) function calculators may be used for any course activities.

OFFICE HOURS: I will arrive for class thirty minutes ahead of time and can be reached as follows;

• virgil.harden@doane.edu • (308) 390-2831 •


COURSE OBJECTIVES: 1. Implement generally accepted accounting principles (GAAP) 2. Demonstrate the implementation guidelines for financial accounting. 3. Determine the rule-making framework in which various organizations, and other environmental factors, influence the setting of accounting standards. 4. Examine the generally accepted accounting, reporting, and disclosure requirements 5. Apply the generally accepted accounting, reporting, and disclosure requirements to the preparation of the general-purpose financial statements. 6. Demonstrate a proficiency in performing interest calculations pertinent to a wide range of accounting issues. 7. Apply various methods of revenue and cost recognition 8. Demonstrate a thorough understanding of the generally accepted accounting principles and practices with respect to the recognition, measurement, and valuation

Prerequisite: ACC 104 with a minimum grad of C-, or permission from the instructor.

GRADE BREAKDOWN: Your grade will consist of 5 tests (one of which is to hand in a written copy of an audit report, on page 456) using the grading system below.

100-95% = A+ 94-90% = A 89-85%=B+ 84-80%=B
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79-75%=C+  74-70%=C  69-65%=D+  64-60%=D
Below 60%=U

ATTENDANCE: Student attendance in each class session is required. It’s the responsibility of each instructor to take role in each session and record absences. How your attendance, or lack thereof, affects your grade is left to the discretion of each instructor. If you will be absent from a class session, for whatever reason, you may contact me prior to that class session by any of the methods listed above.

CLASS PARTICIPATION: Participation in each class session is required. A question on material indicates you’re seeking to gain understand which is essential to the learning process.

ASSESSMENTS: The purpose of each assessment is to assess your level of understanding concerning the text, lectures, and class session discussion. Contents will be announced prior to the assessment. Assessments will take the form of on-line chapter quiz and comprehensive chapter problem(s) to be assigned weekly and due midnight the day prior to the next class session (instructor reserves the right to make adjustments to assessments content and due dates).

ASSIGNMENTS: You are expected to read and be prepared to discuss the appropriate text chapters prior to each class session.

The schedule is as follows;

Oct 21 – Chapters 1 and 2  •  Oct 28 – Chapter 3  •  Nov 4 – Chapter 4  •  Nov 11 – Chapter 5  •  Nov 25 – Chapter 6  •  Dec 2 – Chapters 7  •  Dec 9 -Chapter 8  •  Dec 16 – Chapter 9

The Doane Academic Integrity Policy will be adhered to in this class. All projects and test will present our own work. Any use of other ideas and words without proper citation of sources is plagiarism and will result in penalties to be determined by the instructor and/or dean of undergraduate studies.

CURRICULUM

Chapter 1 - Environment and Theoretical Structure of Financial Accounting

After studying this chapter, you should be able to:

LO1-1 Describe the function and primary focus of financial accounting. (p. 4)

LO1-2 Explain the difference between cash and accrual accounting. (p. 7)
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LO1-3 Define generally accepted accounting principles (GAAP) and discuss the historical development of accounting standards, including convergence between U.S. and international standards. (p8)

LO1-4 Explain why establishing accounting standards is characterized as a political process. (p. 13)

LO1-5 Explain factors that encourage high quality financial reporting (p. 16)

LO1-6 Explain the purpose of the conceptual framework (p. 20)

LO1-7 Identify the objective and qualitative characteristics of financial reporting information, and the elements of financial statements. (p 21)

LO1-8 Describe the four basic assumption underlying GAAP. (p.26)

LO1-9 Describe the recognition, measurement, and disclosure concepts that guide accounting practice. (p 34)

LO1-10 Contrast a revenue/expenses approach and an asset/liability approach to accounting standard setting. (p. 34)

LO1-11 Discuss the primary differences between U.S. GAAP and IFRS with respect to the development of accounting standards and the conceptual framework underlying accounting standards. (pp. 15 and 20)

Chapter 2 - Review of the Accounting Process

After studying this chapter, you should be able to:

LO2-1 Analyze routine economic events—transactions—and record their effects on a company's financial position using the accounting equation format. (p. 52)

LO2-2 Record transactions using the general journal format. (p. 56)

LO2-3 Post the effects of journal entries to general ledger accounts and prepare an unadjusted trial balance. (p. 63)

LO2-4 Identify and describe the different types of adjusting journal entries. (p. 66)

LO2-5 Record adjusting journal entries in general journal format, post entries, and prepare an adjusted trial balance. (p. 67)

LO2-6 Describe the four basic financial statements. (p. 76)
Chapter 3 - The Balance Sheet and Financial Disclosures

After studying this chapter, you should be able to:

LO3-1 Describe the purpose of the balance sheet and understand its usefulness and limitations. (p. 114)
LO3-2 Identify and describe the various balance sheet asset classifications. (p. 116)
LO3-3 Identify and describe the two balance sheet liability classifications. (p. 120)
LO3-4 Explain the purpose of financial statement disclosures. (p. 124)
LO3-6 Explain the purpose of the management discussion and analysis disclosure. (p. 127)
LO3-7 Explain the purpose of an audit and describe the content of the audit report. (p. 129)
LO3-8 Describe the techniques used by financial analysts to transform financial information into forms more useful for analysis. (p. 132)
LO3-9 Identify and calculate the common liquidity and financing ratios used to assess risk. (p. 134)
LO3-10 Discuss the primary differences between U.S. GAAP and IFRS with respect to the balance sheet, financial disclosures, and segment reporting. (pp. 122 and 141)

Chapter 4 - The Income Statement, Comprehensive Income, and the Statement of Cash Flows

After studying this chapter, you should be able to:

LO4-1 Discuss the importance of income from continuing operations and describe its components. (p. 172)
LO4-2 Describe earnings quality and how it is impacted by management practices to manipulate earnings. (p. 177)
LO4-3 Discuss the components of operating and non-operating income and their relationship to earnings quality. (p. 178)
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LO4-4 Define what constitutes discontinued operations and describe the appropriate income statement presentation for these transactions. (p. 182)

LO4-5 Define earnings per share (EPS) and explain required disclosures of EPS for certain income statement components. (p. 188)

LO4-6 Explain the difference between net income and comprehensive income and how we report components of the difference. (p. 189)

LO4-7 Describe the purpose of the statement of cash flows. (p. 194)

LO4-8 Identify and describe the various classifications of cash flows presented in a statement of cash flows. (p. 194)

LO4-9 Discuss the primary differences between U.S. GAAP and IFRS with respect to the income statement, statement of comprehensive income, and statement of cash flows. (pp. 177, 190, 195, and 204)

Chapter 5 – Revenue Recognition and Profitability Analysis

After studying this chapter, you should be able to:

LO5-1 State the core revenue recognition principle and the five key steps in applying it. (p. 232)

LO5-2 Explain when it is appropriate to recognize revenue at a single point in time. (p. 234)

LO5-3 Explain when it is appropriate to recognize revenue over a period of time. (p. 235)

LO5-4 Allocate a contract’s transaction price to multiple performance obligations. (p. 237)

LO5-5 Determine whether a contract exists, and whether some frequently encountered features of contracts qualify as performance obligations. (p. 241)

LO5-6 Understand how variable consideration and other aspects of contracts affect the calculation and allocation of the transaction price. (p. 244)

LO5-7 Determine the timing of revenue recognition with respects to licenses, franchises, and other common arrangements. (p. 251)

LO5-8 Understand the disclosures required for revenue recognition, accounts receivable, contract assets, and contract liabilities. (p. 254)
Chapter 6 - Time Value of Money Concepts

After studying this chapter, you should be able to:

LO6-1 Explain the difference between simple and compound interest. (p. 324)

LO6-2 Compute the future value of a single amount. (p. 325)

LO6-3 Compute the present value of a single amount. (p. 326)

LO6-4 Solve for either the interest rate or the number of compounding periods when present value and future value of a single amount are known. (p. 327)

LO6-5 Explain the difference between an ordinary annuity and an annuity due situation. (p. 333)

LO6-6 Compute the future value of both an ordinary annuity and an annuity due. (p. 334)

LO6-7 Compute the present value of an ordinary annuity, an annuity due, and a deferred annuity. (p. 335)

LO6-8 Solve for unknown values in annuity situations involving present value. (p. 340)

LO6-9 Briefly describe how the concept of the time value of money is incorporated into the valuation of bonds, long-term leases, and pension obligations. (p. 343)

Chapter 7 Cash and Receivables

After studying this chapter, you should be able to:

LO7-1 Define what is meant by internal control and describe some key elements of an internal control system for cash receipts and disbursements. (p. 362)

LO7-2 Explain the possible restrictions on cash and their implications for classification in the balance sheet. (p. 364)

LO7-3 Distinguish between the gross and net methods of accounting for cash discounts. (p. 367)
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LO7-4 Describe the accounting treatment for merchandise returns. (p. 368)

LO7-5 Describe the accounting treatment of anticipated uncollectible accounts receivable. (p. 371)

LO7-6 Describe the two approaches to estimating bad debts. (p. 371)

LO7-7 Describe the accounting treatment of short-term notes receivable. (p. 376)

LO7-8 Differentiate between the use of receivables in financing arrangements accounted for as a secured borrowing and those accounted for as a sale. (p. 382)

LO7-9 Describe the variables that influence a company's investment in receivables and calculate the key ratios used by analysts to monitor that investment. (p. 391)

LO7-10 Discuss the primary difference between U.S. GAAP and IFRS with respect to cash and receivables. (pp. 365, 382, 390, and 401)

Chapter 8 – Inventories: Measurement

After studying this chapter, you should be able to:

LO8-1 Explain the difference between a perpetual inventory system and a periodic inventory system. (p. 427)

LO8-2 Explain which physical quantities of goods should be included in inventory. (p. 430)

LO8-3 Determine the expenditures that should be included in the cost of inventory. (p. 431)

LO8-4 Differentiate between the specific identification, FIFO, LIFO, and average cost methods used to determine the cost of ending inventory and cost of goods sold. (p. 434)

LO8-5 Discuss the factors affecting a company's choice of inventory method. (p. 441)

LO8-6 Understand supplemental LIFO disclosures and the effect of LIFO liquidations on net income. (p. 442)

LO8-7 Calculate the key ratios used by analysts to monitor a company's investment in inventories. (p. 419)

LO8-8 Determine ending inventory using the dollar-value LIFO inventory method. (p. 451)
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LO8-9 Discuss the primary difference between U.S. GAAP and IFRS with respect to determining the cost of inventory. (p. 411)

Chapter 9 Inventories: Additional Issues

After studying this chapter, you should be able to:

LO9-1 Understand and apply the lower-of-cost-or-market rule used to value inventories. (p. 479)

LO9-2 Estimate ending inventory and cost of goods sold using the gross profit method. (p. 484)

LO9-3 Estimate ending inventory and cost of goods sold using the retail inventory method, applying the various cost flow methods. (p. 486)

LO9-4 Explain how the retail inventory method can be made to approximate the lower of cost and net realizable value rule. (p. 489)

LO9-5 Determine ending inventory using the dollar-value LIFO retail inventory method. (p. 494)

LO9-6 Explain the appropriate accounting treatment required when a change in inventory method is made. (p. 497)

LO9-7 Explain the appropriate accounting treatment required when an inventory error is discovered. (p. 500)

LO9-8 Discuss the primary differences between U.S. GAAP and IFRS with respect to the lower of cost and net realizable value rule for valuing inventory. (p. 482)