ACC 435 Governmental & Not-For-Profit Accounting

Autumn Term • 2016 • Wednesdays 6:00 - 10:30 PM

Instructor: Virgil Harden

TEXTBOOK: Accounting for Governmental and Nonprofit Entities, Reck, et al. 17th Edition

ISBN: 978-1-259-63315-7 – Loose-leaf + Connect Bundle

OFFICE HOURS: I will not maintain any office hours but can be reached as follows;

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COURSE OBJECTIVE: An examination of procedures for accounting and financial reporting for educational, health and welfare, governmental, health care, and certain other non-profit organizations.

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.

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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 (see office hours).

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: There will be one term long comprehensive computerized simulation to access your level of understanding concerning the text, lectures, and class sessions. No other tests will be given. Chapter homework will consist of Learn Smart and Connect cases, exercises, and problems as assigned.

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;

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<tr>
<th>Aug 17 – Chapters 1, 2, and 3</th>
<th>Aug 24 – Chapters 4 and 5</th>
<th>Aug 31 – Chapters 6 and 7</th>
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<td>Sept 7 – Chapters 8 and 9</td>
<td>Sept 14 – Chapters 10 and 11</td>
<td>Sept 21 – Chapters 12 and 13</td>
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<td>Sept 28 – Chapters 14 and 15</td>
<td>Oct 5 - Chapters 16 and 17</td>
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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 – Introduction to Accounting and Financial Reporting for Governmental and Not-for-Profit Entities

Learning Objectives

1. Identify and explain the characteristics that distinguish governmental and not-for-profit entities from for-profit entities.
2. Identify the authoritative bodies responsible for setting GAAP and financial reporting standards for all governmental and not-for-profit organizations.
3. Contrast and compare the objectives of financial reporting for state and local governments, the federal government, and not-for-profit organizations.
4. Explain the minimum requirements for general purpose external financial reporting of state and local governments and how they relate to comprehensive annual financial reports.
5. Identify and describe the required financial statements for the federal government, and not-for-profit organizations.

Chapter 2 – Principles of Accounting and Financial Reporting for State and Local Governments

Learning Objectives

1. Explain the nature of the three major activities of a state or local government: governmental activities, business-type activities, and fiduciary activities.
2. Explain the components of the Governmental Accounting Standards Board’s (GASB) integrated accounting and financial reporting model, including:
   - Elements and measurement approaches for the elements of the financial statements.
   - Government-wide financial statements
   - Fund financial statements
   - Definition of fund and principles of fund accounting
   - Types of funds in each fund category and characteristics of each fund type.
3. Discuss the nature of major fund reporting and the criteria used to determine whether a fund should be reported as a major fund.
Chapter 3 – Governmental Operating Statement Accounts; Budgetary Accounting

Learning Objectives

1. Describe how operating revenues and expenses related to governmental activities are classified and reported in the government-wide financial statements.
2. Distinguish, in governmental funds, between Revenues and Other Financing Sources and between Expenditures and Other Financing Uses.
3. Explain how revenues and expenditures are classified in the General Fund and other governmental funds.
4. Explain how budgetary accounting contributes to achieving budgetary control over revenues and expenditures, including such aspects as:
   - Recording the annual budget.
   - Accounting for revenues.
   - Accounting for encumbrances and expenditures.
   - Accounting for allotments.
   - Reconciling GAAP and budgetary amounts.
5. Describe governmental accounting systems.
6. Explain the classification of revenues and expenditures of a public school system.

Chapter 4 – Accounting for Governmental Operating Activities – Illustrative Transactions and Financial Statements

Learning Objectives

1. Analyze typical operating transactions for governmental activities and prepare appropriate journal entries at both the government-wide and fund levels.
2. Prepare adjusting entries and a pre-closing trial balance.
3. Prepare closing journal entries and year-end General Fund financial statements.
5. Account for transactions of a permanent fund.
6. Distinguish between exchange and nonexchange transactions, and define the classifications used for nonexchange transactions.

Chapter 5 – Accounting for General Capital Assets and Capital Projects

Learning Objectives

1. Describe the nature and characteristics of general capital assets.
2. Account for general capital assets, including: acquisition, maintenance, depreciation, impairment, and disposition.
3. Explain the purpose, characteristics, and typical financing sources of a capital projects fund.
4. Prepare journal entries for a typical capital project, both at the fund level and within the governmental activities category at the government-wide level.
5. Prepare financial statements for capital projects funds.

Chapter 6 – Accounting for General Long-term Liabilities and Debt Service

Learning Objectives

1. Explain what types of liabilities are classified as general long-term liabilities.
2. Make journal entries in the governmental activities general journal to record the issuance and repayment of general long-term debt.
3. Prepare note disclosures for general long-term debt.
4. Describe the reasons for statutory debt limits and explain the terms debt margin and overlapping debt.
5. Explain the purpose and types of debt service funds.
6. Make appropriate journal entries to account for activities of debt service funds.

Chapter 7 – Accounting for the Business-type Activities of State and Local Governments

Learning Objectives

1. Describe the characteristics of proprietary funds, including those unique to internal service and enterprise funds.
2. Distinguish between the purposes of internal service funds and enterprise funds.
3. Explain proprietary financial reporting requirements, including the differences between the reporting of internal service and enterprise funds in the government-wide and fund financial statements.
4. Describe accounting procedures and prepare journal entries and financial statements for an internal service fund.
5. Describe accounting procedures and prepare journal entries and financial statements for an enterprise fund.
6. Explain special topics in accounting for the business-type activities of state and local governments.

Chapter 8 – Accounting for Fiduciary Activities – Agency and Trust Funds

Learning Objectives

1. Explain how trust and agency funds are used to report on the fiduciary activities of a government.
2. Distinguish among agency funds and trust funds (private-purpose, investment, and pension).
3. Describe the uses for and characteristics of agency funds.
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4. Explain the activities of and accounting and financial reporting for commonly used agency funds.

5. Explain the purpose, accounting, and financial reporting for a cash and investment pool (including an investment trust fund); a private-purpose trust fund; and a pension trust fund.

6. Describe accounting for other postemployment benefits plans.

Chapter 9 – Financial Reporting of State and Local Governments

Learning Objectives

1. Describe the concepts related to the financial reporting requirements of the GASB reporting model.

2. Explain the key concepts and terms used in describing the governmental reporting entity.

3. Apply the GASB criteria used to determine whether a potential component unit should be included in the reporting entity and, when included, the manner of reporting component units.

4. Identify and describe the contents of a comprehensive annual financial report (CAFR).

5. Prepare governmental fund financial statements and government-wide financial statements and understand how to reconcile the two.

6. Identify and explain financial reporting issues and topics.

Chapter 10 – Analysis of Governmental Financial Performance

Learning Objectives

1. Explain the importance of evaluating governmental financial performance.

2. Distinguish among and describe key financial performance concepts, such as: financial position, financial condition, and economic condition.

3. Explain the relationships among environmental factors, organizational factors, and financial factors in determining governmental financial condition.

4. Identify, calculate, interpret and analyze key ratios that measure financial performance.

5. Describe how benchmarks can aid financial analysis and identify possible sources of government information that can be helpful when benchmarking.

Chapter 11 – Auditing of Governmental and Not-for-profit Organizations

Learning Objectives

1. Explain the essential elements of financial audits by independent CPAs, including:
   - The objective(s) of financial audits.
   - The source and content of generally accepted auditing standards (GAAS).
   - Audit report formats and opinions.
   - The audit process.
2. Explain what is meant by generally accepted government auditing standards (GAGAS), the source of GAGAS, and why and how GAGAS are broader than GAAS.

3. Explain the types of audits performed under GAGAS, including financial audits, attestation engagements, and performance audits.

4. Explain the essentials of a single audit, including:
   - The purpose and scope of a single audit.
   - Major program identification.
   - Audit work required.
   - Reports that must be submitted.

5. Discuss special topics related to audits of governments and not-for-profit organizations.

Chapter 12 – Budgeting and Performance Measurement

Learning Objectives

1. Explain the objectives of budgeting in the public sector.
2. Explain the differences among various budgeting approaches.
3. Describe the budgeting process for a state or local government, including the procedures involved in preparing specific types of budgets.
4. Describe methods of integrating planning, budgeting, performance measurement, and performance reporting.
5. Describe managerial tools used to improve performance.
6. Describe the budget and cost issues in grant accounting.

Chapter 13 – Accounting for Not-for-Profit Organizations

Learning Objectives

1. Distinguish not-for-profit organizations (NFPs) from entities in the governmental and commercial sectors of the U.S. economy.
2. Identify the authoritative standards-setting body for establishing GAAP for nongovernmental NFPs.
3. Explain financial reporting and accounting for NFPs, including required financial statements; classification of net assets; accounting for revenue, gains, and support; accounting for expenses; and accounting for assets.
4. Prepare financial statements in accordance with the generally accepted accounting principles governing NFP organizations.
Chapter 14 – Not-for-Profit Organizations – Regulatory, Taxation and Performance Issues

Learning Objectives

1. Identify oversight bodies and the source of their authority over not-for-profit organizations (NFPs).
2. Describe how and why states regulate NFPs and describe the following:
   - Not-for-profit incorporation laws.
   - Registration, licenses, and tax exemption.
3. Identify how the federal government regulates NFPs and describe the following:
   - Tax-exempt status—public charities and private foundations.
   - Unrelated business income tax.
   - Restricting political activity.
   - Excessive benefits received by officers.
   - Reorganization and dissolution.
4. Describe governance issues of NFP boards, including incorporating documents and board membership.
5. Identify how benchmarks and performance measures can be used to evaluate NFPs.

Chapter 15 – Accounting for Colleges and Universities

Learning Objectives

1. Distinguish between generally accepted accounting principles for public and private colleges and universities.
2. Describe financial reporting for public and private colleges and universities.
3. Discuss accounting and reporting issues for all colleges and universities, such as accounting for assets, liabilities, and net assets/net position; accounting for revenues and expenses; and accounting for cash flows.
4. Journalize transactions and prepare financial statements for private colleges and universities.
5. Discuss issues related to colleges and universities, such as planned giving, auditing, and federal financial assistance.

Chapter 16 – Accounting for Health Care Organizations

Learning Objectives

1. Identify the different organizational forms and the related authoritative accounting literature for health care organizations.
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2. Explain unique accounting and reporting issues in health care organizations.
3. Journalize transactions and prepare the basic financial statements for not-for-profit and governmental health care organizations.
4. Describe other accounting issues in the health care industry, including legislation, auditing, taxation and regulation, prepaid health care services, and continuing care retirement communities.
5. Explain financial and operational analysis of health care organizations.

Chapter 17 – Accounting and Reporting for the Federal Government

Learning Objectives

1. Describe the financial management structure and the process for establishing generally accepted accounting principles for the federal government.
2. Explain the concepts underlying federal accounting and financial reporting.
3. Describe federal government-wide and agency performance and financial reporting requirements.
4. Understand and record budgetary and proprietary journal entries and prepare financial statements for federal agencies.
5. Compare accounting for state and local governments with accounting for federal agencies.