ACC 220 Intermediate Accounting I

COURSE DESCRIPTION:

Prerequisites: ACC 121 and CIS 120
Corequisites: None

This course is a continuation of the study of accounting principles with in-depth coverage of theoretical concepts and financial statements. Topics include generally accepted accounting principles and extensive analyses of financial statements. Upon completion, students should be able to demonstrate competence in the conceptual framework underlying financial accounting, including the application of financial standards. Course Hours Per Week: Class 3, Lab 2, Semester Hour Credit 4.

LEARNING OUTCOMES:

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

1. Exhibit proficiency in the accounting cycle, covering journal entries, ledgers, and trial balances.
2. Explain the elements of a statement of income, statement of retained earnings, cash flow statement, and balance sheet.
3. Measure and analyze the relative values of cash inflows and outflows in evaluating alternative investment opportunities and periodic payments necessary to meet future obligations. Determine the future cash flows and present value of financial statement elements.
4. Distinguish the management and control issues, and apply related accounting concepts and procedures in order to properly account for liquid assets within the company.
5. Compare and contrast the various methods of accounting for cash and receivables.
6. Identify the measurement of reporting issues involving inventories and related expenses.
7. Determine how inventory is valued and analyzed in merchandising and manufacturing companies.
8. Analyze dispositions and exchanges of the plant assets and apply appropriate accounting procedures to record the removal of the plant assets from the financial records of the company.
9. Determine the proper allocation of cost to capitalized items and expensed items.
10. Analyze the impact on financial statements of various depreciation methods, asset lives and accounting conventions.
11. Compare and contrast the accounting for intangible assets and the accounting for plant assets.

OUTLINE OF INSTRUCTION:

I. Environment of accounting and the development of accounting standards
   A. Conditions which shape the environment
   B. Need to develop accounting standards
   C. History of the development of accounting standards
   D. Professional organizations influential in the development of accounting standards

II. The basic theory underlying financial accounting
    A. Basic concepts
    B. Basic assumptions of accounting
    C. Basic principles of accounting
    D. Constraints modifying basic theory
III. Review of the accounting process
    A. Procedures employed in accounting
    B. General journal and special journals
    C. Posting to the ledger
    D. Trial balance
    E. Need for adjusting entries
    F. Year-end procedure for inventory
    G. Closing process
    H. Reversing entries
    I. Using a worksheet to prepare financial statements
    J. Statement of income and retained earnings
IV. Importance of accurate measurement of income
    A. Single-step and multiple-step income statements
    B. Sections of the income statement
    C. Condensed income statements
    D. Current operating versus all-inclusive
    E. Extraordinary items
    F. Prior period adjustments
    G. Intra-period tax allocation
    H. Statement of retained earnings
    I. Comprehensive income
V. Balance sheet
    A. Usefulness
    B. Limitations
    C. Classification
    D. Techniques of disclosure
    E. Balance sheet form
    F. Questions on terminology
VI. Compound interest, annuities, and present values
    B. Importance of the time value of money
    C. Computation of simple interest
    D. Computation of compound interest using the compound interest tables
    E. Computation of present value using the present value of 1 tables
    F. Relationship of amount of an annuity due to ordinary annuity tables
    G. Present value of an ordinary annuity
    H. Present value of an annuity due
VI. Cash and short-term receivables
    A. Nature and composition of cash

B. Establishment and replenishment of petty cash fund
C. Bank reconciliation
D. Internal control procedures
E. Adjustments for uncollectible accounts
F. Converting accounts receivable into cash
G. Notes Receivable

VII. Valuation of inventories
- A. Cost basis approach
  1. Management interest in accounting for inventories
  2. Goods or items to be included in inventory
  3. Costs to be included in inventory
  4. Deciding on which flow assumption should be adopted
     - a. LIFO
     - b. FIFO
     - c. Average
     - d. Dollar-value LIFO
- B. Additional valuation problems
  1. Lower of cost or market
  2. Gross profit method
  3. Retail inventory method

VIII. Acquisition and disposition of plant assets
- A. Major characteristics of plant assets
- B. Normal basis for valuing plant assets
- C. Initial components of cost
- D. Means of acquisition
  1. Treatment of cash discounts
  2. Exchanges of similar and dissimilar assets
  3. Lump sum purchase
  4. Issuance of stock
  5. Donation
- E. Costs subsequent to acquisition
- F. Disposal of plant assets

IX. Depreciation and depletion
- A. Objective of accounting for depreciation
- B. Depreciation methods
  1. Activity method
  2. Straight-line method
  3. Decreasing charge methods
     - a. Sum-of-years-digits
     - b. Double-declining balance
  4. Group and composite-life methods
- C. Depreciation problems
  1. Partial periods

        2. Revision of depreciation rates
        3. Change from one depreciation method to another
    D. Impairments
    E. Depletion
X. Intangible assets
    A. Characteristics of intangible assets
    B. Valuation of intangibles
    C. Amortization of intangible assets
    D. Specifically identifiable intangible assets
        1. Patents
        2. Copyrights
        3. Leasehold improvements
        4. Trademarks and tradenames
        5. Organization costs
        6. Franchise
    E. Goodwill
    F. Research and development costs
    G. Computer software
XI. Current liabilities and contingent liabilities
    A. Difference between current liability and long-term liability
    B. Determinable current liabilities
        1. Notes payable
        2. Current maturities of long-term debt
        3. Short-term obligation expected to be refinanced
        4. Taxes collected for third parties
        5. Accrued payroll and property taxes
        6. Conditional liabilities
    C. Contingent liabilities
        1. Guarantee and warranty costs
        2. Premium offers
    D. Presentation of current liabilities on balance sheet

REQUIRED TEXTBOOK AND MATERIAL:
The textbook and other instructional material will be determined by the instructor.