

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY
SAULT STE. MARIE, ONTARIO

COURSE OUTLINE

COURSE TITLE: ACCOUNTING PRINCIPLES III
CODE NO.: ACC 232 SEMESTER: FOUR
PROGRAM: ACCOUNTING
AUTHOR: GRANT DUNLOP
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DEAN, SCHOOL OF BUSINESS &
HOSPITALITY

ACCOUNTING PRINCIPLES III

ACC 232

COURSE NAME

COURSE CODE

PREREQUISITE: ACC 221

PHILOSOPHY/GOALS

This course will review and expand on the topics covered in previous accounting courses. A better understanding of financial statements will be the purpose of the theory for this course. The practical component of this subject will involve hands-on lab work with automated accounting software with emphasis on preparing the student to become more familiar with products most widely used in the workplace.

STUDENT PERFORMANCE OBJECTIVES

Upon successful completion of this course the student will:

1. Demonstrate a greater understanding of inventory classification and valuation assumptions and determine the effects of inventory errors on the income statement and balance sheet.
2. Illustrate the application of various inventory estimation methods.
3. Identify issues of importance in determining current and non-current liabilities and the proper balance sheet reporting. Prepare journal entries for a variety of possible accounting transactions and identify financial statement disclosures.
4. Distinguish various types of bonds, calculate selling prices on contract date and between interest dates, understand the rationale for amortizing the premium or discount on bonds and prepare various journal entries to record bond transactions in a variety of situations.
5. Obtain a greater knowledge in the preparation of the Statement of Cash Flows.
6. Be proficient in the use of the "Lotus 1-2-3" software and the "ACCPAC" software as they relate to a variety of accounting applications.

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TOPICS TO BE COVERED

- 1) Inventory valuation: determining cost and using cost flow assumptions
- 2) Inventory valuation: departures from historical cost and methods of estimating inventory cost
- 3) An advanced and expanded view of current liabilities and contingencies
- 4) Bonds (Investments and Payables) and long-term notes payable
- 5) A more comprehensive look at the Statement of Cash Flows and the preparation of more complex statements
- 6) Hands-on lab work using "Lotus 1-2-3" and "ACCPAC" modules

COURSE OBJECTIVES

Lab Work

After completing assignments in the microcomputer labs, the student should be able to:

1. Use Lotus 1-2-3 to solve a variety of business and client related accounting applications.
2. Use ACCPAC modules to account for a variety of accounting applications and design customized financial statements to suit client specifications.

CHAPTER 9

Inventory Valuation: Determining Cost and Using Cost Flow Assumptions

Chapter Objectives

After reading Chapter 9 and completing the exercises and problems from the text chapter, the student should be able to:

1. Define the major inventory classifications for merchandising and manufacturing companies.
2. Differentiate between the periodic and perpetual inventory systems.
3. Calculate cost of goods sold under the periodic inventory system.
4. Identify the units that should be included in inventory.
5. Understand the effects of inventory errors on the income statement and balance sheet.

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Chapter 9 cont'd...

6. Distinguish between inventory or product costs and period costs.
7. Distinguish between the absorption costing and direct or variable costing methods for assigning manufacturing costs to a product.
8. List and apply the four traditional inventory cost flow assumptions; that is, specific identification, average cost, FIFO (first in, first out), and LIFO (last in, first out).
9. Understand the major advantages and disadvantages of the various cost flow assumptions.
10. Know the required disclosures for inventory.

CHAPTER 10

Inventory Valuation: Departures from Historical Cost and Methods of Estimating Inventory Cost

Chapter Objectives

After reading Chapter 10 and completing the exercises and problems from the text chapter the student should be able to:

1. Understand the rationale behind the lower-of-cost-or-market (LCM) inventory method.
2. Know the meaning of cost and market as they pertain to LCM.
3. Apply LCM to individual inventory items, groups of inventory items, or total inventory.
4. Prepare appropriate journal entries to record LCM and provide proper balance sheet disclosure in accordance with either the direct adjustment or allowance approach.
5. Handle holding losses that arise under LCM during an interim reporting period.
6. Account for a firm purchase commitment at LCM.
7. Understand the basic valuation measurement technique and accounting issues related to the replacement cost, net realizable value, and standard cost inventory valuation methods.
8. Estimate ending inventory by the gross profit method.
9. Understand the general steps of the retail inventory method.
10. Understand the terminology associated with retail pricing such as original cost, markup and net markdowns.

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Chapter 10 cont'd...

11. Know how to handle freight-in, purchase discounts, sales returns and allowances, employee discounts, and spoilage in the calculation of the cost to retail percentage.
12. Determine ending inventory by the variations of the retail method: average cost, lower of cost or market, FIFO cost, and LIFO cost.

CHAPTER 15

Current Liabilities and Contingencies

Chapter Objectives

After reading Chapter 15 and completing the exercises and problems from the text the student should be able to:

1. Describe the essential characteristics of liabilities.
2. Distinguish between current liabilities and non-current or long-term liabilities.
3. Identify when obligations that are or will be callable by the creditor should be classified as current liabilities.
4. Recognize when short-term obligations, including the current portion of long-term obligations, should be reported in the non-current liabilities section of the balance sheet.
5. Prepare the journal entries required to account for current obligations (called determinable current liabilities) whose existence and amount due are known with certainty, including trade accounts payable, current notes payable, dividends payable, prepayments, deposits by customers, consumption taxes payable, and payroll-related taxes payable.
6. Prepare the journal entries required to account for current obligations (called current liabilities dependent on operating results) whose amount due, and perhaps existence, can be determined with certainty once operating results for the annual accounting period are known, including income taxes payable and bonuses payable.
7. Describe the essential characteristics of contingencies.
8. Determine when an estimated loss from a contingency should be accrued by a charge to income.

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Chapter 15 cont'd...

9. Prepare the journal entries required to account for accrued loss contingencies resulting from guarantees or product warranties, premiums, purchase commitments, litigations, claims and assessments.
10. Identify the financial statement disclosures that are required for loss contingencies that fail to meet the conditions for accrual and know when the disclosures should be made.
11. Describe the two guidelines for accounting for and reporting for gain contingencies.

TEST #1

CHAPTER 16

Bonds (Investments and Payables) and Long-Term Notes Payable

Chapter Objectives

After reading Chapter 16 and completing the exercises and problems the student should be able to:

1. Distinguish between the various types of bonds.
2. Calculate the selling price of a bond both on the contract date and between interest dates.
3. Describe the relationship between the selling price and maturity value of a bond and the stated rate of interest and market rate of interest at the date of sale, and the nature of the premium or discount on a bond.
4. Prepare the journal entry required to record bonds sold on the contract date or between interest dates for both the issuer and the investor.
5. Describe the rationale for amortizing the premium or discount on bonds as an adjustment to interest expense or interest revenue over the life of the bonds.

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Chapter 16 cont'd...

6. Calculate and prepare the journal entries required to record interest expense or interest revenue and premium or discount amortization under both the straight-line and the effective interest method at various dates including the first interest date after bonds are sold between interest dates and the end of an accounting period that does not coincide with the interest payment date.
7. Prepare the journal entries related to an early extinguishment or retirement of debt.
8. Prepare the journal entries related to convertible bonds.
9. Prepare the journal entries related to bonds issued with detachable warrants and to the exercise of warrants.
10. Prepare the journal entries related to long-term notes issued for cash, for noncash assets, or for cash and some right or privilege.
11. Prepare the journal entries related to troubled debt restructuring for both the debtor and the creditor.

CHAPTER 23

The Statement of Cash Flows

Chapter Objectives

After reading Chapter 23 and completing the exercises and problems from the text the student should be able to:

1. Describe the purpose of the statement of cash flows.
2. Distinguish a company's operating activities, investing activities and financing activities.
3. Determine the transactions and other events that caused inflows or outflows of cash during the period by analyzing any available income statement data, any additional information provided, and the changes in noncash balance sheet accounts.
4. Calculate cash flows from operating activities during the period under both the direct approach and the indirect approach.
5. Prepare a statement of cash flows in accordance with the standards specified by CICA Handbook Section 1540.

TEST #2

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METHOD OF EVALUATION

The final grade will be based on term work of two tests on the theory portion of the course and a number of lab assignments as follows:

Test #1	30%
Test #2	30%
Lab Assignments	
Total	<u>40%</u>
Grand Total	<u>100%</u>

An optional final exam will be made available at the end of the semester for those who wish to replace their mark on the exam for a failed or missed test.

Grades will be assigned as follows:

90-100%	A+	Consistency Outstanding
80-89%	A	Outstanding
70-79%	B	Above Average
60-69%	C	Satisfactory
Below 60%	R	Repeat

Students with an incomplete "X" grade at the conclusion of the semester will be given the opportunity of writing a supplementary examination if the student has attended at least 80% of the classes.

Any mark of 60% or above on the supplementary examination will result in a final grade of "C".

TEXTBOOK

1. Intermediate Accounting, 7th Canadian Edition, Nelson,
and Conrod