

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY

SAULT STE. MARIE, ONTARIO

COURSE OUTLINE

COURSE TITLE: ACCOUNTING BASICS

CODE NO.: ACC214-3

SEMESTER: THREE

PROGRAM: COMPUTER PROGRAMMER/ ANALYST

AUTHOR: STAN PRATT

DATE: SEPTEMBER, 1997

PREVIOUS OUTLINE: NONE

APPROVED: _____

Joe Fruchter
JOE FRUCHTER, DEAN
SCHOOL OF BUSINESS &
HOSPITALITY

Oct 24/97
DATE

TOTAL CREDITS: 3

PREREQUISITE(S): NONE

LENGTH OF COURSE: 3 HOURS/ WEEK FOR 16 WEEKS. TOTAL CREDIT HOURS: 48

I. COURSE DESCRIPTION: This course enables the student to begin measuring and evaluating an organization's financial activities. The course will permit the student to employ Generally Accepted Accounting Principles when preparing and maintaining the accounting records of a service, merchandising or manufacturing business. The complete accounting cycle is introduced, along with preparation and analysis of financial statements.

II. LEARNING OUTCOMES AND ELEMENTS OF PERFORMANCE:

(Generic Skills Learning Outcomes placement on the course outline will be determined at a later date)

A. Learning Outcomes:

1. Identify the key financial statements of a business organization and their purpose. These statements are the Balance Sheet, Income Statement and Statement of Owner's Equity.
2. Identify and correctly apply Generally Accepted Accounting Principles (G.A.A.P.) which relate to the preparation of the Income Statement, Balance Sheet and Statement of Changes in Owner's Equity.
3. Journalize transactions, post these transactions to the General Ledger and prepare a Trial Balance at the end of each accounting period. Prepare financial statements.
4. Prepare and journalize the month-end and year-end adjusting and closing entries. Post the entries to the General Ledger. Prepare a post closing Trial Balance.
5. Prepare the appropriate Accounting Journals when recording the daily financial transactions of a business. Prepare a Bank Reconciliation.
6. Apply the methods of amortization (depreciation) of capital assets to a business environment. Calculate and record the journal entries for depreciation.
7. Distinguish between accounting for Partnerships and accounting for Corporations. Apply the rules which are relevant to the respective business structures.
8. Apply various generally accepted methods for analyzing financial statements.

B. Learning Outcomes and Elements of the Performance:

Upon successful completion of this course the student will demonstrate the ability to:

1. Identify the key financial statements of an business organization and their purpose. These statements are the Balance Sheet, Income Statement and Statement of Changes in Owner's Equity.

Elements of performance:

- Recognize the **Balance Sheet**.
- Describe the Balance Sheet and three major components
- Recognize the **Income Statement**

- Describe the Income Statement and two main components
- Recognize the **Statement of Changes in Owner's Equity**
- Describe the Statement of Changes in Owner's Equity and its components
- Interpret each statement as to the organization's financial activities.

This learning objective will constitute 11% of the course's grade.

2. Identify and correctly apply the Generally Accepted Accounting Principles which relate to the preparation of the Income Statement, Balance Sheet and Statement of Changes in Owner's Equity.

Elements of performance:

- Identify the **concepts and principles** of accounting
- Show application of the concepts and principles
- Define each **asset and liability classification** appearing on the Balance Sheet.
- Classify balance sheet items.
- Prepare a final draft of a **Classified Balance Sheet**.
- Prepare a **Multi-step Income Statement**.
- Update the **Statement of Owner's Equity** at the end of the relevant accounting period.

This learning outcome will constitute 11% of the course's grade.

3. Journalize transactions, post these transactions to the General Ledger and prepare a Trial Balance at the end of each accounting period.

Elements of performance:

- Recognize the effects of transactions on the elements of the **Accounting Equation**.
- State the rules of **Debit** and **Credit** and use the rules to analyze transactions and show their effects on the accounts.
- Record transactions in a **General Journal**.
- Describe **balance columns** for typical ledger accounts.
- Post entries from the **Journal** to the accounts.
- Prepare a **Trial Balance** to discover and correct errors.
- Prepare typical financial statements.

This learning outcome will constitute 11% of the course's grade.

4. Prepare and journalize the month end and year end adjusting and closing entries. Post the entries to the General Ledger. Prepare a post closing Trial Balance. Prepare financial statements.

Elements of performance:

- Prepare **adjustments for deferrals** (prepaid expenses and unearned revenues), and **accruals** (accrued expenses and accrued revenues).
- Explain why a **Work Sheet** is prepared and be able to prepare typical work sheets for service, merchandising or manufacturing businesses.
- Prepare the **closing entries** for a business.

- Explain why it is necessary to close the **temporary accounts** at the end of each

- accounting period.
- Prepare a **Post-closing Trial Balance** and explain its purpose.
This learning outcome will constitute 16% of the course's grade.
5. Prepare the appropriate Accounting Journals when recording the daily financial transactions of a business. Prepare a Bank Reconciliation.

Elements of performance:

- Explain how **special journals** save time and labour.
- Journalize and post transactions using Special journals.
- Explain how a **controlling account** and its **subsidiary ledger** are related and how a subsidiary ledger is used to maintain a separate account for each credit customer or each account payable.
- Explain how to test the accuracy of the account balances in the Accounts Payable and Accounts Receivable subsidiary ledgers and prepare schedules of accounts in those subsidiary ledgers.
- Explain the operation of a **petty cash fund**.
- Prepare journal entries to record petty cash transactions.
- Determine why the bank balance and the book balance of cash should be reconciled.
- Prepare a formal **bank reconciliation**.
- Journalize and post the entries resulting from the bank reconciliation.

This learning outcome will constitute 17% of the course's grade.

6. Apply the methods of amortization (depreciation) of capital assets to a business environment. Calculate and record the journal entries for depreciation.

Elements of performance:

- Calculate the cost of a **plant asset** and prepare entries to record plant asset purchases.
- Calculate **amortization** by the **straight-line, units-of-production and declining-balance** methods.
- Calculate amortization after **revising the useful life** of asset.
- Describe the difference between **revenue and capital expenditures** and account for costs such as **repairs** for capital assets.
- Prepare entries to record the **disposal** of capital assets and the **exchange** of capital assets. Recognize **capital gains or losses**.

This learning outcome will constitute 10% of the course's grade.

7. Distinguish between accounting for Partnerships and accounting for Corporations. Apply the rules which are relevant to the respective business structures.

Elements of performance:

- List the characteristics of a **partnership**.
- Allocate partnership **earnings** to partners.
- Prepare entries for (a) **sale** of a partnership interest (b) **admission** of a new partner (c) **retirement or withdrawal** of a partner.
- Prepare entries required in the **liquidation** of a partnership.

- Explain the advantages, disadvantages and differences in accounting for **partnerships and corporations**.
- Record the **issuance of shares** in a corporation.
- Explain the differences between **common shares** and **preferred shares**.
- Explain the meaning of **par, redemption, book and market value of shares**.

This learning outcome will constitute 10% of the course's grade.

8. Apply various generally accepted methods for analyzing financial statements.

Elements of performance:

- Calculate percentage increases and decreases.
- Analyze and interpret Comparative Statements.
- Calculate and interpret trend percentages and Common-Size Comparative Statements.
- Analyze Short-Term Liquidity utilizing the current ratio, acid-test ratio, accounts receivable collection period, days sales uncollected, inventory turnover, days stock on hand, etc.
- Analyze Long-Term Risk and Capital Structure as well as Operating Efficiency and Profitability.
- Explain and utilize various methods of comparison.

This learning outcome will constitute 14% of the course's grade.

Method of Assessment:

A) Grading:	A+	90% - 100%
	A	80% - 89%
	B	70% - 79%
	C	60% - 69%
	R	Below 60% - Repeat the course.

B) Tests: All students will be required to complete three tests during the course of the term. The total weighting of the three tests will represent 100% of the final term grade. The tests will be administered during the term as follows:

Test #1: Learning outcomes # 1, 2, and 3: Financial statements, Accounting concepts and principles, Debit and Credit rules, Journal entries, Posting to the General Ledger, Trial Balance. Reference material is Chapter 1, 2 & 3 from the Financial Accounting text.

Test #2: Learning outcomes # 4 & 5: Accounting principles for Service and Merchandising businesses, Work sheets, Classified Balance Sheets, Income Statements, Accruals, Adjusting Entries and Closing Entries; Cash Receipts journal, Cash Payments journal, Sales journal, Purchases journal, Petty Cash and Bank reconciliations. Reference material is from Chapters 4, 6 and 7.

Test #3: Learning outcome # 6, 7 & 8: Capital assets and amortization (depreciation); partnerships and corporations; financial statement analysis techniques. Reference material is from Chapters 11, 14, 15 and 19.

Supplementary Test: Administered at the end of the semester (if necessary). A student who fails a test or missed a test during the regular semester qualifies to write the supplementary test. The grade received on the supplementary test will replace the lowest failed test or a missed test. The supplementary test is a comprehensive test drawing upon all of the material covered during the regular semester.

Notes to Students:

- a) **Attendance** and **participation** are **critical** to the student's success in this course.
- b) Your instructor reserves the right to modify the course as he/she deems necessary to meet the needs of the students.

PRIMARY RESOURCES

Fundamental Accounting Principles, 8th Canadian Edition, (Chapters 1-19 or 20); Larson, Nelson, Zin, Carroll; Irwin Publishers.

PRIOR LEARNING ASSESSMENT:

Students who wish to apply for advanced credit in the course should consult the instructor.

SPECIAL NOTES:

Students with special needs (eg. physical limitations, visual impairments, hearing impairments, learning disabilities) are encouraged to discuss required accommodations confidentially with the instructor.