

ACCOUNTING II

SAULT COLLEGE of ARTS and TECHNOLOGY
SAULT STE MARIE, ONTARIO

COURSE OUTLINE

COURSE TITLE: Accounting II

CODE: ACC101

PROGRAM: Bus/Adv/Prog

SEMESTER: Winter

DATE: January 1991

PREVIOUS
OUTLINE DATE: January 1989

AUTHOR: James Siltala

APPROVED: _____
DEAN

Jan '91
DATE

Total Credit Hours 45

Prerequisite(s) ACCOUNTING I

I. PHILOSOPHY/GOALS

This course provides the student the principles of accounting and the framework to use accounting reports to make decisions in a money environment. It is a practical course using many examples, genuine problems and case studies to record information effectively using generally accepted accounting practices.

II. STUDENT PERFORMANCE OBJECTIVES

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

1. Understand generally accepted accounting practices.
2. Record financial data into journals, ledgers, work sheets and to complete closing entries for the final reports.
3. Analyze the balance sheet, income statement and statement of changes in financial position to determine a companies present financial strength and its possible future financial position. This is of necessity to the entrepreneur or the professional manager alike.
4. Use the information for personal investing.

III TOPICS TO BE COVERED

1. Corporation accounting including organization and operation.
2. Income, retained earnings and earnings per share.
3. Bonds and equity investments
4. Statement of changes in financial position - cash flows.
5. Managerial accounting for costs in manufacturing.
6. Planning and controlling business operations:
volume/cost/profit analysis, budgeting.
7. Tax considerations.

IV. LEARNING ACTIVITIES

REQUIRED RESOURCES

1.0 INTRODUCTION OF ACCOUNTING II

(Time 1.0 Hr)
TEXT-FUNDAMENTAL ACCOUNTING
PRINCIPLES
Larson.Zim.Nelson

Upon successful completion of
this unit the student will be
able to:

ACTIVITIES

1.1 Assess (review) work in
ACCOUNTING I

1.2 Focus on the positioning of
this course with respect to
ACCOUNTING I

1.2 Know the teaching methods used
including lecture, group work,
overheads, guest speaker, case
studies

Questionnaire #1
(student expectations)

1.3 Understand the evaluation methods

1.4 Know the teachers expectations
regarding attendance,
participation assignments, tests

Group selections

2.0 ORGANIZATION & OPERATION
of the CORPORATION

TEXT: Read Chapter 15

Upon successful completion of

this unit the student will be able to:

ACTIVITIES:

- | | | |
|-----|---|---|
| 2.1 | Differentiate between corporations partnerships and proprietorships | Review Partnerships
P626-8
Group Work#1 |
| 2.2 | Explain advantages & disadvantages of corporations | |
| 2.3 | Understand the basic organization | (time 1hr) |
| 2.4 | Record the issuance of shares | Board work
Use text example P677 |
| 2.5 | Record transactions involving shares. | Group Work: Prob.15A,P703 |
| 2.6 | Explain effects of stock on assets and equity | Why keep values high |
| 2.7 | Explain differences in various types of shares | Board work. List different preferreds(simplify) |
| 2.8 | Understand book value thoroughly | Show book value e.g but with poor inventory |
| 2.9 | Explain rights of various levels of shareholders | (Time 1 hr) |

3.0 INCOME & RETAINED EARNINGS TRANSACTIONS

Upon successful completion of this unit the student will be able to:

(Time 4hr)
TEXT: Read Chapter 16

ACTIVITIES:

- | | | |
|-----|---|------------|
| 3.1 | Record dividends, stock splits | |
| 3.2 | Record sale, purchase of treasury stock | |
| 3.3 | Handle retained earnings restrictions and disclosures | |
| 3.4 | Understand the income effects of unusual situations | Group Work |
| 3.5 | Calculate earnings per share and understand watered down shares | |

- 4.0 BONDS: LIABILITY & INVESTMENT (Time 6 hours)
- Upon successful completion of this unit the student will be able to: TEXT: TEXT
Read Chapt 17
- 4.1 Distinguish bonds, stocks, notes payable and why issue bonds class discussion
- 4.2 List characteristics of bonds
- 4.3 Understand bond discounts, premiums, and why (Time: 1 hr)
- 4.4 Record bonds sold at a discount, and redeemed Example on board (Time: 1 hr)
- 4.5 Record bonds sold at a premium, and redeemed Example on board (Time 1 hr)
- 4.6 Record bond sinking funds Example on board (Time 1 hr)
- 4.7 Understand terms: converting to stocks, restrictions, investments(short and long term), market value, security.
- 4.8 Do demonstration problem P775 P.D.S
- 4.9 Participate in class discussion on end of chapter questions and multiple choice. Review: Class Work on board (Time 1hr)
Class discussion

5.0 STATEMENT OF CHANGES IN FINANCIAL POSITION(SCFP)

(Time 6.0 hours)

TEXT: Read Chapt 18

Upon successful completion of this unit the student will be able to:

5.1 Appreciate cash flow is the lifeblood of a business.

5.2 Understand cash and cash equivalents.

5.3 Explain difference between operating, investing, and financing activities upon cash flow.

5.4 Understand each adjustment in operating activities.

5.5 Understand each adjustment in investing activities.

5.6 Understand each adjustment in financing activities.

5.7 Recognize examples of investing and financing activities which must be shown on SCFP.

Lecture 1/2 hr to 5.4

Lecture 1/2 hr to 5.7

PDS

Group Work

Do Exercise 18-4 P820

Present in format shown for Butterfield Co. at bottom P 814 (Time 20+25min)

Do Exercise 18-7 P821

(Time 20 + 25 min)

Hand in Assignment#?

Problem 18-3 P822. Use format as in Grover Co. P 797. Delete items which do not apply.

Group presentation

A&R Problem 18.3 P830

(Time 15 + 30 min)

6.0 EQUITY INVESTMENTS & CONSOLIDATIONS (Time 4 hours)

Upon successful completion of this unit the student will be able to:

TEXT: Read Chapt 19

ACTIVITIES:

- 6.1 Prepare a consolidated balance sheet for parent and subsidiary. Board work & Class participation (Time 2 hr)
Text book example P839
- 6.2 Record earnings and dividends of subsidiary. Group work (day 2)
Exercise 19-7 P859
- 6.3 Understand stocks as investments for a business or personal investing.
- 6.4 Select method to be used to account for long term stock investments.
- 6.5 Record investments using the cost method.
- 6.6 Record investments using the equity method.

7.0 ANALYZING FINANCIAL STATEMENTS

(Time 8 hours)

TEXT: Read Chapt 20

Upon successful completion of this unit the student will be able to:

ACTIVITIES:

7.1 List the broad objectives of financial reporting and their qualitative characteristics

7.2 Analyze and interpret comparative statements

Overhead: Text eg. P875

7.3 Analyze trends; totals and percentages

Overhead: Text eg. P877

7.4 Use graphs for clarity

7.5 Use common-size corporation statements

Overhead: Text eg. P878

7.6 Analyze with the use of ratios.

Demo Problem

Hand out: Precision Co.

Do #1 and #3

8.0 ACCOUNTING FOR MANUFACTURING COMPANIES

(Time 6 hours)
TEXT: Read Chapt 21

Upon successful completion of this unit the student will be able to:

- | | |
|--|---|
| 8.1 Describe the basic difference between accounting for manufacturing and merchandising companies. | Class discussion(Time 1 hr)
Overhead: P917 |
| 8.2 Recognize the three elements of manufacturing costs: direct material, direct labour, factory overhead. | Overhead: Ill 21-6, P925 |
| 8.3 Recognize product costs and periodic costs | |
| 8.4 Describe the accounts unique to a manufacturing company. | Discuss P922
eg. bicycles |
| 8.5 Produce a manufacturing statement (Cost of goods manufactured statement) | PDS
Group work: Do exercise 21-6
P942
Assignment: Problem 21-3 |
| 8.6 Record adjusting entries to a work sheet for a manufacturing company. | Hand in (10%)
Discuss entries on P928
Board work |
| 8.7 Understand valuing of ending inventories. | Class discussion |
| 8.8 Calculate factory overhead as a percentage of direct labour. | |

9.0 JOB ORDER AND PROCESS
COST ACCOUNTING SYSTEMS

(Time 6 hr)

Upon successful completion of this unit the student will be able to:

TEXT: Read Chapt 22

ACTIVITIES:

9.1 Recognize job lot verses process manufacturing. Recording entries for job cost systems only will be required.

Class discussion:
house, yacht, sign, plumber
computer, car, steel rail

9.2 Understand job order cost systems must cost each job and perpetual inventory is needed.

Overhead: Ill 22-3, P959
Hand out for reference

9.3 Understand what is, and why they will meet, a job cost sheet(subsidiary ledger) in all job cost environments.

Class discussion: Subsidiary for each kind of raw material and each goods in process and finished goods inventory.

9.4 Accounting for material used, accounting for labour used, accounting for overhead used.

Board work:
Demonstration problem P981
(Find better problem)

9.5 To record completion of a job.

9.6 Understand the cost flows in a process cost system.

9.7 Charge material, labour, and overhead costs to the correct department.

9.8 Transfer costs from one department to the next.

10.0 ACCOUNTING FOR THE SEGMENTS
AND DEPARTMENTS OF A BUSINESS

(Time 3 hr)

TEXT: Read chapt 23

Upon successful completion of
this unit the student will be
able to:

ACTIVITIES:

This chapter contains many
concepts which are difficult
to remember because they
seem so disjointed, but they
are business realities.

10.1 Describe segmented information
to be disclosed, and list the
four basic issues.

Class discussion:
A Matter of Ethics, P1012
(Managerial decisions)

10.2 Understand why, and how business
is departmentalized: profit and
cost centres.

10.3 Secure information with cash
registers, computers,
spread sheet analysis.

10.4 Allocate expenses: direct,
indirect: many examples of both.

PDS
Class discussion:
Overhead Ill 23-4, P1020

10.5 Recognize performance of a profit
centre, its contribution to
overhead. Should the department
be closed.

Overhead: P1022
Discuss other eg.
Group Work: Prob 23-3, P1051

10.6 Recognize controllable and
uncontrollable expenses,
and account for both.

Class discussion
Group Work: Ex23-7, P1037

10.7 Understand responsibility accounting.

Text P1025 - Class discuss

10.8 Recognize joint costs are
difficult to allocate.

Comment: Figures don't lie
but liars can figure.

Review: Do multiple choice
P1033

11.0 COST-VOLUME-PROFIT ANALYSIS

(Time)

TEXT: Read chapt 24

Upon successful completion of this unit the student will be able to:

ACTIVITIES:

- 11.1 Recognize fixed and variable costs and variations

Accounting is a must for two managerial functions: planning and control (the real job of a manager)

- 11.2 Understand cost assumptions

Class discussion: examples
Graph on board

- 11.3 Understand limitations.

Overheads: Ill 24-1, P1056
Ill 24-2, P1057

- 11.4 Do a scatter diagram.

- 11.5 Calculate break-even point

Overhead: Ill 24-4, P1060
fixed cost/slope

- 11.6 Do problems in cost-volume-profit (break-even) analysis.

Overhead Ill 24.5, P1063
Class discussion on book ex.
Group Work: problem 24-1,
(Need graph paper) P1080

- 11.7 Handle multi-product break-even point.

PDS
Assignment: Problem 24-2
P1080

(Marks- 10%)

12.0 THE MASTER BUDGET:
THE BUSINESS PLAN

(Time 8hr)

Upon successful completion of this unit the student will be able to:

12.1 Understand the importance and benefits of the business plan

12.2 Describe the contents of a master budget and understand the co-ordination between each sub-budget.

12.3 Prepare each budget in the business plan.

TEXT: Read Chapt 25

Most important chapter if you plan to get into business for yourself. We will use Budget and Business Plan interchangeably.

Class Discussion (1hr)

Overhead: Ill 25-1, P1094

PDS

Overhead: Ill 25-4, P1099 (purch)

Ill 25-5, P1100 (exp)

Ill 25-6, P1101 (g&a)

Ill 25-7, P1102 (cash)*

Ill 25-8, P1105 (income

Ill 25-9, P1106 (bal)

, P1102 (a/r)

Board Work: Do May from Demo Problem, P1106

Group Work: Problem 25-5a, P1123 (follow Demo Problem Ex.)

Omit balance sh. prep

Assignment: Problem 25-3, P1118

Look at multiple choice P1113 (Mark 10%)

13.0 FLEXIBLE BUDGETS;
STANDARD COSTS

(Time 4hr)

Upon successful completion of this unit the student will be able to:

TEXT: Read Chapt 26
Evaluate and control your business....from your business plan...with flexibility

ACTIVITIES:

13.1 Prepare a flexible budget

Board Work:text ex. P1133

13.2 Analyze a flexible budget and performance report

Overhead:ill 26-4,P1137
Board Work: text ex.

13.3 Understand standard costs: material variance, labour variance

Demo Problem P1145
Selective areas for work

13.4 Establish overhead standard costs: volume variance

Group Work:Prob26-1,P1156
Read: "as a matter of ethics, P1143

13.5 Understand management by exceptions

Assignment:Prob26-3,P115.
(omit "controllable var.)

14.0 CAPITAL BUDGETS;
MANAGERIAL DECISIONS

(Time 4hr)

Upon successful completion of this unit the student will be able to:

TEXT: Read Chapt 27

ACTIVITIES:

14.1 Understand why capital budgets are risky and tough

14.2 Calculate payback period, rate of return on average investment, and understand present value

14.3 Understand salvage value, accelerated depreciation, replacing plant assets

14.4 Calculate whether to accept additional business

14.5 Handle make or buy decisions

14.6 Recognize sunk costs and opportunity costs

14.7 Decide to process or sell

14.8 Decide to cancel product in a product mix

Overhead: Ill 27-5,P1179
Board Work
Discussion:"is there a matter of ethics here

Discuss:"is there a matter of ethics here"

Group Work:Prob 27-1,P1193

Group Work:Prob 27-2,P1197

Assignment:Prob 27-3,P1197
(Mark 10%)

15.0 TAX CONSIDERATIONS IN BUSINESS DECISIONS

(Time 2 hr)

Upon successful completion of this unit the student will be able to:

TEXT: Read Chapt 28
Tax is a real cash outlay and as such is one of your major considerations. Tax rules change constantly.

15.1 Understand tax planning, tax evasion, tax avoidance

ACTIVITIES:

15.2 List classes of tax payers

15.3 Look at the general features of an individuals tax calculation

Overhead: Ill 28-1, P1210

15.4 Understand capital gains and losses

Class Discussion

15.5 Recognize corporation income tax considerations

Do multiple choice, P1228

15.6 Understand tax effects of business alternatives: form of organization, method of financing

15.7 Understand capital cost allowances(CC)

15.8 Entries of the allocation of taxes

IV EVALUATION METHODS

Test#1	20
Test#2	20
Test#3(final)	25
Assignments	20
Group work in class	15

	100 %

A=90-100 B=80-89 C=70-79 D=60-69 I=incomplete

VI REQUIRED STUDENT RESOURCES

TEXT: Fundamental Accounting Principles
6th Canadian Edition,
Larson . Zin . Nelson
Richard D. Irwin Inc 1990

VII SPECIAL NOTES

Students will be required to complete case problems, questions and reading assignments as assigned.

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

Your instructor reserves the right to modify the course as he/she deems necessary to meet the needs of the students.

