

# BUTTE COLLEGE

## COURSE OUTLINE

### I. CATALOG DESCRIPTION

#### **ACCT 2 - Financial Accounting**

**4 Unit(s)**

**Prerequisite(s):** NONE

**Recommended Prep:** ACCT 20 or BCIS 85 and Reading Level IV; English Level III; Math Level III or MATH 217 or concurrent enrollment

**Transfer Status:** CSU/UC

68 hours Lecture

This is the study of accounting as an information system, examining why it is important and how it is used by investors, creditors, and others to make decisions. The course covers the accounting information system, including recording and reporting of business transactions with a focus on the accounting cycle, the application of generally accepted accounting principles, the financial statements, and statement analysis. Includes issues relating to asset, liability, and equity valuation, revenue and expense recognition, cash flow, internal controls, and ethics. (C-ID ACCT 110).

### II. OBJECTIVES

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

- A. Explain the nature and purpose of generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). Explain and apply the components of the conceptual framework for financial accounting and reporting, including the qualitative characteristics of accounting information, the assumptions underlying accounting, the basic principles of financial accounting, and the constraints and limitations on accounting information.
- B. Define and use accounting and business terminology.
- C. Explain what a system is and how an accounting system is designed to satisfy the needs of specific businesses and users; summarize the purpose of journals and ledgers.
- D. Apply transaction analysis, input transactions into the accounting system, process this input, and prepare and interpret the four basic financial statements.
- E. Distinguish between cash basis and accrual basis accounting and their impact on the financial statements, including the revenue recognition and matching principles.
- F. Identify and illustrate how the principles of internal control are used to manage and control the firm's resources and minimize risk.
- G. Explain the content, form, and purpose of the basic financial statements (including footnotes) and the annual report, and how they satisfy the information needs of investors, creditors, and other users.
- H. Explain the nature of current assets and related issues, including the measurement and reporting of cash and cash equivalents, receivables and bad debts, and inventory and cost of goods sold.
- I. Explain the valuation and reporting of current liabilities, estimated liabilities and other contingencies.
- J. Identify and illustrate issues relating to long-term asset acquisition, use, cost allocation, and disposal.
- K. Distinguish between capital and revenue expenditures.
- L. Identify and illustrate issues relating to long-term liabilities, including issuance, valuation, and retirement of debt (including the time value of money).
- M. Identify and illustrate issues relating to stockholders' equity, including issuance, repurchase of capital stock, and dividends.
- N. Explain the importance of operating, investing and financing activities reported in the Statement of Cash Flows.

- O. Interpret company activity, profitability, liquidity and solvency through selection and application of appropriate financial analysis tools.
- P. Identify the ethical implications inherent in financial reporting and be able to apply strategies for addressing them.

### III. **COURSE CONTENT**

#### A. Unit Titles/Suggested Time Schedule

<u>Topics</u>	<u>Lecture</u>	<u>Hours</u>
1. Purposes and uses of accounting information		5.00
2. The accounting cycle and accounting information system		5.00
3. Cash and accrual accounting concepts		5.00
4. Internal control and cash		5.00
5. Financial reporting rules and disclosure, including international standards such as International Financial Reporting Standards (IFRS)		5.00
6. Reporting and analyzing current assets		8.00
7. Reporting and analyzing current liabilities		5.00
8. Reporting and analyzing long-term assets		5.00
9. Reporting and analyzing long-term liabilities		5.00
10. Reporting and analyzing stockholder's equity		5.00
11. Measuring cash flow		5.00
12. Financial statements and statement analysis		5.00
13. Ethical issues		5.00
Total Hours		68.00

### IV. **METHODS OF INSTRUCTION**

- A. Lecture
- B. Instructor Demonstrations
- C. Group Discussions
- D. Guest Speakers
- E. Class Activities
- F. Homework: Students are required to complete two hours of outside-of-class homework for each hour of lecture
- G. Multimedia Presentations
- H. Practice and drill on new procedures using manual and computerized methods.

### V. **METHODS OF EVALUATION**

- A. Exams/Tests
- B. Quizzes
- C. Projects
- D. Homework
- E. Class participation

### VI. **EXAMPLES OF ASSIGNMENTS**

- A. Reading Assignments
  1. Read the Accounting For Receivables chapter and be prepared to explain the different

methods used to account for bad debts as well as the different conventions used to calculate interest.

2. Read the instructions and transactions in the accounting simulation, then complete the assigned practice set. Record February's transactions in the general journal, post to the general ledger, prepare a trial balance, journalize and post adjusting entries, and prepare an adjusted trial balance, accounts payable and accounts receivable schedules, and financial statements. Be prepared to share with the class.

#### B. Writing Assignments

1. Write an 8-10 page formal business report explaining the financial ratios, horizontal analysis, specific challenges and opportunities, and non-financial factors affecting each of the two assigned companies. Based on this analysis explain which company is a better investment.
2. Read the Lenovo Group's most recent annual report and answer the following questions:  
1) who audited the company's financial statements 2) what contingent liabilities does the company note 3) what method does the company use to calculate the value of inventory 4) what risk factors does the company reference 5) what products and services does the company provide 6) what regions does the company operate in and what percentage of revenue is derived from each region.

#### C. Out-of-Class Assignments

1. Complete homework problems 7.1 to 7.4 in Excel or a similar spreadsheet program, print, and bring to class. Be prepared to discuss your answers and how the various interest conventions and methods of calculating the allowance for doubtful accounts effected your answers. Make sure to print the Excel formulas for problem 7.4.
2. Complete exercises 1-13 to demonstrate competency accounting for bad debts, notes receivable, factoring receivables, and credit card payments. Submit the exercises via Blackboard.

## VII. **RECOMMENDED MATERIALS OF INSTRUCTION**

Textbooks:

- A. Wild, J. Financial Accounting Fundamentals. 4th Edition. McGraw Hill, 2012.

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