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Course Outline for BUSN 1A

FINANCIAL ACCOUNTING

Effective: Fall 2015

I. CATALOG DESCRIPTION:

BUSN 1A — FINANCIAL ACCOUNTING — 4.00 units

A study of accounting as an information system; examining why it's important, and how it's used by investors and creditors to make decisions. Includes the recording and reporting of business transactions with a focus on the accounting cycle, the application of generally accepted accounting principles and comparing it to international financial reporting standards, preparation and analysis of the classified financial statements for merchandising and service companies. Also includes issues related to recording and valuation of assets, liabilities, equities and cashflow, recognition of revenues, expenses using effective internal controls and ethical standards. (Formerly known as Principles of Accounting I.)

4.00 Units Lecture

Grading Methods:

Letter Grade

Discipline:

	<u>MIN</u>
Lecture Hours:	72.00
No Unit Value Lab	18.00
Total Hours:	90.00

II. NUMBER OF TIMES COURSE MAY BE TAKEN FOR CREDIT: 1

III. PREREQUISITE AND/OR ADVISORY SKILLS:

IV. MEASURABLE OBJECTIVES:

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

- A. define and use accounting and business terminology, and explain the nature, concept and purpose of Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS);
- B. explain how an accounting system is designed to satisfy the needs of specific businesses and users; how different components affect each other and purpose of journals and ledgers;
- C. distinguish between cash basis and accrual basis accounting, expenses and capital expenditure and its impact on financial statements;
- D. analyze and record business transactions and prepare and interpret the four basic financial statements;
- E. perform activities to complete the accounting cycle and address the needs of the external community;
- F. explain the nature and use of current assets, measurement and reporting of cash and cash equivalents, receivables, bad debts, inventory and cost of goods sold;
- 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. identify and illustrate how the principles of internal control are used to manage and protect the firm's resources and minimize risk;
- I. identify and explain current liabilities including estimated liabilities and other contingencies;
- J. calculate the cost of long-term asset acquisition, the correct depreciation, and the gain or loss from disposal;
- K. identify and explain long term liabilities including the valuation, issuance and retirement of debt;
- L. explain issues related to stockholders' equity including stock issuance, repurchase and dividends;
- M. calculate the operating, investing and financing sections of the Statement of Cash Flows and how it indicates a firm's solvency or liquidity;
- N. interpret company activity, profitability, and liquidity through the selection and application of appropriate financial analysis tool; and
- O. identify the ethical implications inherent in financial reporting and how to apply strategies for addressing them.

V. CONTENT:

- A. Accounting: the Language of Business
 1. Use accounting vocabulary
 2. Apply accounting concepts and principles
 3. Differences between GAAP and IFRS
 4. Use the accounting equation
- B. Components of Financial Accounting and Reporting
 1. Principles of financial accounting
 2. Accounting information systems
 3. Items that impact accounting information
 4. Use the accounting equation

5. Analyze business transactions
6. Flow of accounting data in an accounting system
- C. Accrual Accounting and Financial Statements
 1. Differences between cash and accrual accounting
 2. Identify the elements of the financial statements
 3. Distinguish between revenue expenditure and capital expenditure
 4. Prepare basic financial statements
 5. Evaluate business performance
- D. Analyzing and Recording business transactions
 1. The account
 2. Apply accounting concepts and principles
 3. Double entry accounting
 4. Record transactions in the journal
 5. Post from the journal to the ledger
 6. Prepare and use a trial balance
- E. Completing the accounting cycle
 1. Apply the revenue and matching principles
 2. Make adjusting entries and prepare an adjusted trial balance
 3. Prepare and use the work sheet to complete the accounting cycle
 4. Prepare financial statements
 5. How financial statements satisfy needs of creditors, investors and other users
 6. Close the revenue, expense, and dividend accounts
 7. Using accounting ratios; current ratio and debt ratio
- F. Inventory, Receivables and other Current Assets
 1. Design internal controls for receivables and collections
 2. Use the allowance and direct write off method to estimate uncollectible accounts (bad debts)
 3. Accounting for notes receivables and interest receivables
 4. Reporting receivables on the balance sheet
 5. Use the acid-test, days' sales in receivables and inventory turnover ratio to evaluate frequency of sales and collections
 6. Cash equivalents and Short term investments
 7. Subsidiary and consolidated financial statements
 8. Calculating cost of inventory and cost of goods sold using First in first out (Fifo), Last in first out (Lifo) and Average cost
 9. Calculating sales revenue and gross profit
 10. End of the period inventory valuation using Lower of cost or market value (LCM)
- G. Content and purpose of financial statements
 1. Users of financial information
 2. components of financial statements
 3. Use of footnotes to read explanations of accounting methods
 4. Management discussion and analysis
 5. Notes to the financial statements
 6. Disclosure of accounting rules, methods and use of estimates in financial reporting
- H. Internal control, Cash and International Financial Reporting Standards (IFRS)
 1. Define internal control and look at fraud
 2. Prepare a bank reconciliation and the related journal entries
 3. Apply internal controls to cash receipts and cash payments
 4. Minimize business risk
 5. Identify differences between GAAP and IFRS
- I. Current Liabilities
 1. Account for current liabilities of known amount
 2. Account for current liabilities that must be estimated
 3. Report current liabilities on the balance sheet
- J. Plant Assets, Depreciation and Intangibles
 1. Compute the cost of a plant (long-term) asset
 2. Account for and calculate depreciation
 3. Select the best depreciation method for tax purposes
 4. Account for the disposal of a plant asset
 5. Account for natural resources
 6. Account for intangible assets
- K. Long Term Liabilities and Interest
 1. Issuance of bonds
 2. Using present value concepts in bond valuation
 3. Amortization of bond discount and premium
 4. Retirement and conversion of bonds
 5. Account for notes payable
- L. Corporations
 1. Organizing a corporation
 2. Issuance of stock and paid in capital
 3. Accounting for treasury stock
 4. Retained earnings, stock dividends and stock splits
 5. Statement of shareholder's equity
- M. Statement of Cash Flows
 1. Operating, investing and financing activities
 2. Indirect and direct method for operating activities
 3. Preparation and interpretation of cash flow statements
 4. Calculate free cash flow
- N. Financial Statement Analysis
 1. Interpreting company activity, profitability and liquidity
 2. Standards for financial analysis
 3. Horizontal and vertical analysis
 4. Benchmarking
 5. Ratios and other analytical tools in decision-making
- O. Ethical Implications related to Financial Reporting
 1. Protecting the company name and assets
 2. Strategies for addressing ethical issues
 3. Sarbanes-Oxley Act (SOX)

VI. METHODS OF INSTRUCTION:

- A. Lecture and demonstration of accounting principles
- B. Discussion of student questions

- C. Group activities
- D. Publisher's website for activities and assessments
- E. PowerPoint, video and computer-images when appropriate
- F. Outside/internet research
- G. Interactive exercises and problem solving

VII. TYPICAL ASSIGNMENTS:

- A. Homework-completing exercises and problems
 - 1. Read the first half of the chapter and complete Starters 1-5, Exercises 9 & 11, and Problem 16. Prepare Adjusting journal entries and closing entries.
 - 2. At the publisher's website, complete the mid-chapter assessment for chapter 6 and email the results to your instructor.
- B. Class exercises
 - 1. For a fixed asset; compute current period depreciation, current book value and gain or loss on the sale of the asset.
 - 2. Working with a neighbor, complete the problem on stockholder's equity and answer the questions at the end.
- C. Quizzes
 - 1. At the publisher's website, complete the end of chapter assessment for chapter 6.
 - 2. Fill in the blank with the proper accounting term or principle.
- D. Progress exams and final exam
 - 1. Enter the trial balance on an accounting work sheet, and complete the work sheet for the month ended January 31 for the current year.
 - 2. Prepare the company's multi-step income statement and statement of owner's equity for the month ended January 31 of the current year.

VIII. EVALUATION:

A. **Methods**

- 1. Other:
 - a. Class participating and in-class assigned problems
 - b. Homework assignments
 - c. Quizzes
 - d. Progress exams and final exam

B. **Frequency**

- 1. Class participation and assigned problems weekly
- 2. Homework assignments collected weekly
- 3. Quizzes given at the end of each chapter
- 4. Regular progress exams (after every 3 chapters) and a final exam

IX. TYPICAL TEXTS:

- 1. Kemp, R., & Waybright, J. (2015). *Financial Accounting* (3rd ed.). Upper Saddle River, NJ: Pearson.
- 2. Harrison, W., Horngren, T., & Thomas, W. (2015). *Financial Accounting* (3rd ed.). Upper Saddle River, NJ: Pearson.
- 3. Williams, J., & Carcello, J. (2015). *Financial Accounting* (16th ed.). New York, NY: McGraw-Hill.

X. OTHER MATERIALS REQUIRED OF STUDENTS:

- A. Basic four function calculator
- B. Computer with Internet access for using publisher homework management system