

ACC 120 Principles of Financial Accounting

COURSE DESCRIPTION:

Prerequisites: ENG 090 and RED 090 or DRE 098; or satisfactory score on placement test

Corequisites: None

This course introduces business decision-making accounting information systems. Emphasis is on analyzing financial statements.

- d. Journalize and post closing entries
 - e. Prepare a postclosing trial balance
 - f. Prepare financial statements and necessary disclosures
 - g. Review internal control procedures and suggest ways to strengthen weak controls
6. Account for specific industries and organizational structures
- a. Account for corporate equity transactions
 - b. Understand corporation-specific financial statements, statement of stockholder's equity, and corporate income statement

OUTLINE OF INSTRUCTION:

- I. Introduction to financial statements
 - A. Forms of business organizations
 - B. Users and uses of financial information
 - 1. Internal users
 - 2. External users
 - 3. Ethics in financial reporting
 - C. Business activities
 - 1. Financing
 - 2. Investing
 - 3. Operating
 - D. Communicating with users
 - 1. Income statement
 - 2. Retained earnings statement
 - 3. Balance sheet
 - 4. Statement of cash flows
 - 5. Interrelationships of statements
 - 6. Management discussion and analysis
 - 7. Notes to the financial statements
 - 8. Auditor's report
 - E. Assumptions and principles of financial reporting
- II. A further look at financial statements
 - A. Objectives of financial reporting
 - 1. Characteristics of useful information
 - a. Relevance
 - b. Reliability
 - c. Comparability
 - d. Consistency
 - 2. Constraints in accounting
 - a. Materiality
 - b. Conservatism
 - B. The financial statements revisited
 - 1. Classified balance sheet
 - 2. Using the financial statements
 - a. Profitability ratios

- b. Liquidity ratios
 - c. Solvency ratios
- III. The accounting information system
 - A. Accounting transactions
 - B. Doubleentry system
 - 1. Use of two or more accounts
 - 2. Debit and credit rules
 - C. Steps in the recording process
 - 1. Entering transactions into the journal
 - 2. The chart of accounts
 - 3. Posting journal entries to the general ledger accounts
 - 4. Preparing the trial balance
 - 5. Limitations of trial balance
- IV. Completing the accounting cycle
 - A. Steps in the accounting cycle
 - B. Timing issues
 - 1. Revenue recognition principle
 - 2. Matching principle
 - C. Accrual vs. cash basis accounting
 - D. Adjusting entries
 - 1. Why needed
 - 2. Types
 - a. Prepayments
 - b. Accruals
 - E. Adjusted trial balance
 - F. Closing entries
 - 1. Permanent accounts
 - 2. Temporary accounts
 - G. Post closing trial balance
- V. Accounting for a merchandising business
 - A. Differences between a service enterprise and a merchandising business
 - B. Recording merchandising transactions
 - 1. Perpetual inventory system
 - 2. Periodic inventory system
 - C. Singlestep vs. multiplestep income statement
 - D. Determining cost of goods sold under periodic inventory system
 - E. Evaluating profitability
 - 1. Gross profit rate
 - 2. Profit margin
- VI. Reporting and analyzing inventory
 - A. Classifying inventory
 - B. Determining inventory quantities
 - 1. Taking a physical inventory
 - 2. Determining ownership of goods
 - C. Inventory costing
 - 1. Specific identification

- 2. Cost flow assumptions
 - a. First in, first out (FIFO)
 - b. Last in, first-out (LIFO)
 - c. Average cost
 - D. Financial statement and tax effects of cost flow methods
 - E. Consistent use
 - F. Lower of cost or market
 - G. Analysis of inventory
 - 1. Inventory turnover ratio
 - 2. LIFO reserve
- VII. Internal control and cash
- A. Principles of internal control
 - B. Limitations of internal control
 - C. Applying internal control to cash receipts and cash disbursements
 - D. Preparing a bank reconciliation
 - E. Reporting cash
 - 1. Cash equivalents
 - 2. Restricted cash
 - F. Managing and monitoring cash
 - 1. Basic principles
 - 2. Cash budgeting
 - G. Petty cash
 - 1. Establishing fund
 - 2. Making payments
 - 3. Replenishing
 - 4. Reporting

3. Expenditures during useful life
 4. Impairments
 5. Disposals
 - a. Sale
 - b. Retirement
 6. Analyzing plant assets
 - a. Return on assets ratio
 - b. Asset turnover ratio
 - c. Profit margin ratio
- B. Intangible assets
1. Basic issues related to reporting intangible assets
 2. Types
- C. Financial statement presentation of long-term assets
- IX Reporting and analyzing liabilities
- A. Current liability
1. Definition
 2. Accounting for various types
 - a. Notes payable
 - b. Sales taxes payable

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