



A POLYTECHNIC INSTITUTION

School of Business

Program: Business Administration Post-Diploma

Option:

FMGT 1110

Financial Management 1

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<b>Start Date:</b>	September 2004	<b>End Date:</b>	December 2004
<b>Total Hours:</b>	60	<b>Total Weeks:</b>	15
<b>Hours/Week:</b>	4	<b>Lecture:</b>	2
		<b>Lab:</b>	2
<b>Prerequisites</b>		<b>Term/Level:</b>	Post-Diploma
<b>Course No.</b>	<b>Course Name</b>	<b>Course Credits:</b>	4
		<b>Shop:</b>	
		<b>Seminar:</b>	<b>Other:</b>
		<b>is a Prerequisite for:</b>	
		<b>Course No.</b>	<b>Course Name</b>
		FMGT 2110	Financial Management 2

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### Course Description

Covers basic accounting concepts and procedures including; analyzing business transactions; adjustments and closing the books; merchandise operations; financial statements; ledger organization and special journals; forms of business organization; accounting principles; accounting for cash, accounts receivable, inventory, capital stock and capital assets; analysis of financial data and financial statements.

### Course Goals

In this course students will study the conventional accounting system, learn to understand accounting terminology, and gain an appreciation of the uses and limitations of financial statements.

### Evaluation

Review Quizzes, Assignments and Participation	25	%
Mid term exam – 2 hours	35	%
Final Exam – 2 hours	40	%
<b>TOTAL</b>	<b>100</b>	<b>%</b>

### Course Learning Outcomes/Competencies

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

1. Analyze simple business transactions using the accounting equation.
2. Identify steps in the accounting cycle and explain accrual accounting and how it adds to the usefulness of financial statements; and prepare basic adjusting entries.
3. Analyze and record transactions for merchandise purchases and sales using a perpetual system.

4. Calculate the cost of an inventory using various methods and explain the financial statement effects of choosing one method over the others.
5. Analyze the effect of inventory errors on current and future financial statements and compute the lower of cost or market value of inventory.
6. Explain the use of special journals and subsidiary ledgers in an accounting system.
7. Explain why internal control procedures are needed in a large organization and state the broad principles of internal control.
8. Prepare journal entries to record petty cash fund transactions.
9. Prepare a basic bank reconciliation.
10. Estimate accounts receivable uncollectibles using methods based on sales and accounts receivable.
11. Prepare journal entries to account for temporary investments and explain how lower of cost or market is reported on such investments.
12. Calculate the cost and record the purchase of plant assets.
13. Calculate amortization by the straight-line, units-of-production and declining balance methods.
14. Account for the disposal or exchange of capital assets.
15. Explain the different forms of business organization and explain the advantages, disadvantages and organization of corporations.
16. Record the issuance of corporate shares.
17. Explain the characteristics of common and preferred shares and distribute dividends between common and preferred shares.
18. Prepare analytical financial statements: horizontal, vertical, and common size.
19. Compute standard financial ratios used for decision making.

**Course Content Verification**

I verify that the content of this course outline is current.

Keith Lownie, Dipl.T., CA, CFP, CIM

Instructor

September 1, 2004

Date

I verify that this course outline has been reviewed.

I verify that this course outline complies with BCIT policy.

Tim Edwards, Dipl.T., MBA, CMA

Associate Dean

Date

Date

Note: Should changes be required to the content of this course outline, students will be given reasonable notice.

**Instructor:**

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	Location: SE6	Home Phone: 604-824-8279
	Office	E-mail Address: Keith_Lownie@bcit.ca
	Hrs.: Posted	

**Learning Resources**

**Required:**

*Text:* Weygandt, Kieso, Kimmel and Trenholm "Accounting Principles, Parts 1, 2 and 3" Third Canadian Edition

*Text website:* [www.wiley.com/canada/veygandt](http://www.wiley.com/canada/veygandt) (useful for additional exercises for practice)

*Other:* Calculator (Note: programmable calculators devices not allowed)  
Study Notes and Demo Problems prepared by Keith Lownie (which you pick up online and print out each week)  
from my website located at: <http://keithlownie.pageout.net>

**Information for Students**

*This course outline may assist you in future to receive credit for all or part of a course from another post-secondary institution or from a professional program. It is strongly recommended that you keep this course outline in a safe place for future reference.*

**Ethics:** BCIT assumes that all students attending the Institute follow a high standard of ethics. Incidents of cheating or plagiarism may, therefore, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course.

**Attendance:** The attendance policy as outlined in the current BCIT Calendar will be enforced. Attendance will be taken at the beginning of each session. Students not present at that time will be recorded as absent.

**Illness:** A doctor's note is required for any illness causing you to miss assignments, quizzes or exams.

**Attempts:** Students must successfully complete a course within a maximum of three attempts at the course. Students with two attempts in a single course will be allowed to repeat the course only upon special written permission from the Associate Dean. Students who have not successfully completed a course within three attempts will not be eligible to graduate from the appropriate program.

**Course Outline Changes:** The material or schedule specified in this course outline may be changed by the instructor. If changes are required, they will be announced in class.

**Photo Identification:** To write exams, students are required to produce photo-identification at examination centres. Photo identification must be placed on the desk before an exam will be issued to the student and must remain in view on the desk while writing the exam for inspection by invigilators. Students should bring a BCIT OneCard or alternatively two pieces of identification, one of which must be government photo I.D. such as a drivers license.

**Cheating, Plagiarism and Dishonesty:** Acts of cheating, plagiarism and dishonesty are not tolerated; the degree of punitive action may range from a written warning to withdrawal from the program. These penalties may also be applied to a student who knowingly contributes to the act of dishonesty, cheating and plagiarism. (Refer to the current BCIT Calendar.)

**Examinations:** Recently there has been a greater tendency for students to miss scheduled examinations. Students who miss examinations often request that they be allowed to write make-up examinations. This is often unfair to those who wrote the scheduled examination and time-consuming for the instructor who is asked to prepare alternative examinations.

In an effort to be consistent within Financial Management, the Department has adopted the following policy to deal with mid-term and final examinations:

It is imperative that students write examinations on either the scheduled day per the course outline or the date and time as determined by the Registrar during the formal examination periods. Please make a note of the following Departmental policy:

Subject to circumstances outlined below, a student who fails to write an examination on the scheduled date and time will receive a zero on that examination.

Other than in emergency situations, a student must provide his/her instructor with a reason acceptable to the instructor for missing an examination at least 24 hours prior to the scheduled time of the examination. Should such notice be given and should the reason be acceptable to the instructor, the student may, subject to the discretion of the instructor, be permitted to either write an alternative examination or have an agrotat mark established. It is the student's responsibility to contact the instructor by phone, fax, e-mail, etc.

It is impossible to list every acceptable reason. However, for greater certainty, reasons such as being unprepared or having too many other examinations in the same week will not be accepted. Written documentation, i.e., doctor's notes, will be required in all cases of missed examinations.

**Instructors are asked to promptly notify the program head or the academic coordinator of any student who misses an examination together with any supporting documentation.**

### **Details Concerning Assignments and Evaluation**

#### **Scope of student's responsibility**

The examinable material in this course consists of the material covered in the lectures, labs and in the assigned readings (text and study notes). Most of this material will be reviewed in the assigned exercises and problems that you are expected to do as homework and that we will take up in the labs. It is the student's responsibility for being prepared to review the assigned problems when we take them up in labs (i.e students are expected to have completed the assigned readings and exercises and demo problems before arriving at the labs that are scheduled to deal with that material)

In my opinion, it will be very difficult for you to learn the material in this course if you do not first do the exercises and problems on your own, and then come to lab ready to check your work for accuracy. Doing the work in advance is the only way for you to determine which parts of the material you do not understand, so that you can ask questions and get clarification. I cannot emphasize enough that doing the work in advance is the only way for you to learn from our working on the solutions together. If you come to lab only to copy out the correct solutions in the hope that that will help you prepare for the exams, you will inevitably not learn the material adequately.

**Marking:** When solving questions on exams, review tests or assignments students must demonstrate that they have correctly followed the steps required to achieve the solutions. Short cuts or just providing a final answer may jeopardize receiving all available marks. Therefore, where calculations are required, the mathematical process by which your answer was obtained must be shown. Marks may also be deducted for poor grammar, sloppiness and spelling mistakes.

**Student Study Suggestions:** You will need your textbook at all lectures and labs. Students are expected to study the appropriate textbook chapters and the chapter's glossary (before the lecture on the chapter). As an additional reference you should printout and review my study notes and any demo problems for the chapter as well. (available each week online at <http://keithlownie.pageout.net>). After you read the text and my study notes it is also helpful to review each text chapter's Summary of Study Objective and Self-Study questions (answers to these Self Study questions are at the end of the chapter) to see if you have learned the material. Answers to the additional text questions will be available during the lab sessions each week. As a minimum reference, a successful FMGT 1110 student should complete all lab exercises and problems (per outline) and all demo problems posted to my website. First year accounting is like learning another language and is a subject that is best learned through doing a sufficient number of questions.

**Student Website:** Students are expected to print out study notes and demo problems/answers from my student website: <http://keithlownie.pageout.net> Please check the site regularly for announcements concerning the material to be covered each week.

## Course Schedule

Lecture # / Week of	Outcome/Material Covered	Text/Study Notes	Lab Questions (from text)	Quiz/Assign. Due Dates
Lecture 1 Sept. 6	Introduction to accounting, financial statements, and accounting transactions.	Chapter 1	Ex. 1-1, 1-3, 1-5, 1-8 Prob. 1-1A, 1-3A, 1-4A	
Lecture 2 & 3 Sep. 13	Analyzing and recording transactions.	Chapter 2	Ex. 2-1, 2-2, 2-3, 2-4, 2-5 / Prob. 2-2A	
Lecture 4 & 5 Sep. 20	Adjusting accounts for financial statements <i>*Note: Sept. 22 - Shinerama</i>	Chapter 3	Ex. 3-1, 3-3, 3-4, 3-11 Prob. 3-1A, 3-2A,	<b>Quiz #1</b> (Chps 1,2)
Lecture 6 & 7 Sep. 27	Completing the accounting cycle and classifying accounts	Chapter 4	Ex. 4-4, 4-6 Prob. 4-2A	
Lecture 8 & 9 Oct. 4	Accounting for merchandising activities	Chapter 5	Ex. 5-1, 5-3, 5-6, 5-8, 5-9 / Prob. 5-1A, 3-2A,	<b>Assignment #1 Due</b>
Lecture 10 & 11 Oct. 11	Merchandise inventories and cost of sales <i>*Note: Thanksgiving Day Oct. 11</i>	Chapter 6	Ex. 6-1, 6-3, 6-5, 6-7, 6-9 / Prob. 6-7A	<b>Quiz #2</b> (Chps 3,4,5)
Lecture 12 & 13 Oct. 18	Review session <b>Midterm exam</b>	Chapters 1,2,3,4,5 and 6		
Lecture 14 & 15 Oct. 25	Internal control and managing cash; Accounting Systems and Special journals and ledgers	Chapter 7  Appendix C (Part 1 Text)	Ex. 7-2, 7-4, 7-6, 7-7, 7-8 Ex. C-1	
Lecture 15 & 16 Nov. 1	Receivables; Temporary investments	Chapter 8 Chapter 16 (pgs 749 - 756)	Ex. 8-2, 8-5, 8-6, 8-13 / Prob. 8-2A Ex. 16-9	<b>Quiz #3</b> (Chps 6,7, App. C)
Lecture 17 & 18 Nov. 8	Capital assets	Chp 9	Ex. 9-1, 9-2, 9-4, 9-5, 9-8 / Prob. 9-5A	
Lecture 19 & 20 Nov. 15	Current Liabilities	Chp 10	Ex. 10-4, 10-5, 10-7, 10-11 / Prob. 10-1A	<b>Quiz #4</b> (Chps 8,16, 9)
Lecture 21 & 22 Nov. 22	Capital Stock	Chp 13	Ex. 13-2, 13-3, 13-4, 13-6 / Prob. 13-1A	<b>Assignment #2 Due</b>
Lecture 22 & 23 Nov. 29	Financial Statement Analysis	Chp 18	Ex. 18-3, 18-4, 18-7, Prob. 18-3A	<b>Quiz #5</b> (Chps 10,13)
Lecture 24 & 25 Dec. 6	Review Session <b>Final Exam</b>	All chapters with emphasis on Chp AppC, 7, 8, 9, 10,13, 16 and 18		

## FMGT 1110 Chapter 1 - Accounting in Action - Study Notes

Prepared by Keith Lownie, Dipl.T., CA, CFP, CIM

**I. Technology's Growing Role in Accounting** Outline changes in accounting due to computer use and ease of acquiring more information.

### **A. What is Accounting**

*Accounting is an information and measurement system that identifies, records and communicates relevant information to people to help them make better decisions that are key to business and individual financial success = the language of business.*

Role of accounting in business:

- A business is one or more individuals selling products or services for profit.
- Accounting measures business profit and reports details to interested individuals.

### **B. Focus of Accounting**

Accounting activities include identifying, measuring, reporting and analyzing economic events and transactions. They also involve interpreting information and designing information systems to provide useful reports that monitor and control an organization's activities = *economic events are classified and summarized.*

### **C. Role of Accounting in Business**

A business is one or more individuals selling products or services for profit. Accounting measures business profit (in dollars and cents) and reports details to interested individuals. .

Revenues-Expenses=Net Income (when expenses less than revenues)

Revenues-Expenses=Net Loss (when expenses more than revenues)

## **II. Forms of Business Organization**

### **A. Business Organization**

One that is operated to make a profit. *The Economic entity principle (GAAP)* requires that each organization is accounted for separately from its owner's personal activities. There are three forms and each form has implications to legal liability, taxation, continuity, number of owners, and legal status. The three forms are:

1. Sole Proprietorship - a business owned by one person who is subject to unlimited liability. The business is not subject to an income tax but the owner is responsible for personal income tax on the net income of entity.
2. Partnership - a business owned by two or more people, called partners, who are subject to unlimited liability. The business is not subject to an income tax but the owners are responsible for personal income tax on the net income of entity.
3. Corporation - a business that is a separate legal entity whose owners are called shareholders or stockholders. These owners have limited liability. The entity is responsible for a business income tax and the owners are responsible for personal income tax on profits that are distributed to them in the form of dividends.

### **B. Nonbusiness organizations**

Include not-for-profit and government organizations. They operate for reasons other than profit. The difference is that they lack an identifiable owner.

## **III. Activities in Organizations**

Three major types of activities are discussed here. Planning is required for all three activities. Planning involves defining ideas, goals and actions of the organization and laying out strategies and tactics.

1. **Financing-** activities associated paying for resources like land, buildings, machinery and other plans.
2. **Investing-** activities involved with buying and selling resources that an organization uses to sell its



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products or services.

3. Operating- activities are the carrying out of an organization's plans and main purposes.

### IV. Users of Accounting Information

**A. External information users are those not directly involved in running the organization.**

1. External reporting is handled in an area of accounting called Financial Accounting which provides external reports called financial statements to help users analyze an organization's activities. These reports must follow rules referred to as *GAAP* (see below).

2. External Users--lenders, shareholders, external auditors, employees, regulators, and others.

*Note:* a major difference between an internal and external report is the need for external reports to comply with *GAAP* whereas internal reports do not.

**B. Internal information users are directly involved in managing and operating an organization.**

They include managers, officers, and other important internal decision-makers. The role of accounting internally is to help these users improve efficiency and effectiveness of and organization in delivering products or services.

1. Managerial accounting is aimed at serving decision makers within an organization. Special purpose reports may be designed at any time by management accountants as a part of their role to serve internal users' needs. These needs may vary over time.

2. Internal operating functions and information they require may include any or all of the following::

- a. Research and Development - needs current and projected costs and potential sales to decide whether to pursue or continue research and development projects.

- b. Purchasing - needs both quality and quantity of purchases.

- c. Human Resources - needs current payroll costs, employee benefits, and other performance and compensation data.

- d. Production - needs costs and quality reports.

- e. Distribution - needs quantity and timely delivery schedules.

- f. Marketing - needs sales and costs to effectively target consumers and set pricing.

- g. Servicing - needs warranties and maintenance information to bridge between seller and buyer.

### V. Ethics

**A. Understanding Ethics--Ethics are beliefs that separate right from wrong or accepted standards of good and bad behaviour.**

1. Ethical behaviour is important in all successful organizations.

2. Ethical behaviour is necessary in accounting if the information it provides is to be trusted (i.e. The corporate scandals of 2000).

3. The ethical challenge is to make ethical decisions

4. Social responsibility is a concern for the impact of our actions on society as a whole.

### VI. Generally Accepted Accounting Principles (GAAP)

These are standards that are developed over time that are generally accepted and universally practiced.

## FMGT 1110 Chapter 1 - Accounting in Action - Study Notes

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Information presented using these principles is considered to be relevant, reliable, consistent and comparable.

To meet the objective of financial reporting = to communicate information that is useful to investors, creditors and other users when they make decisions.

### Fundamental Principles of Accounting

Include both general and specific principles and assumptions are discussed throughout the book. The principles discussed in this chapter are:

1. Cost principle—all transactions are recorded at cost which is based on actual cash amount received. Or the value exchanged at the time something is acquired. (Why cost? = reliable, definite and verifiable).
2. Going-concern Assumption—financial statements are to reflect the assumption that the business will continue operating (into the foreseeable future) instead of being closed or sold, unless evidence shows that it will not continue.
3. Monetary Unit Assumption—transactions and events must be expressed in monetary, or money, units which is generally the currency in which it operates (i.e. CDN dollar). Accounting assumes a stable monetary unit, which means we do not account for change in the value of currency. I.e. inflation (a rise in prices) or deflation (a drop in prices) is ignored.
4. Business entity Assumption—can be any organization or unit in society. Every "business entity" is to be accounted for separately and distinctly from its owner or owners, and from all other economic entities.

### VII Basic Accounting equation

Assets = Liabilities and Owners' Equity

Assets—properties or economic resources owned by the business. Common characteristic is the ability to provide probable future economic benefits to the business.

Liabilities—obligations of a business or organization, or claims against assets. A common characteristic is capacity to reduce future assets or to require future services or products.

Owner's Equity—is the owner's claim to the assets or the residual interest in the assets of an entity after deducting liabilities; also called net assets.

Revenues—inflows of assets received in exchange for goods or services provided to customers as part of the primary operations of the business.

Expenses—outflows of assets as a result of providing products and service to customers.

Net income (excess of revenues over expenses) or net loss (excess of expenses over revenues) for a period.

Revenues-Expenses=Net Income (when expenses less than revenues)

Revenues-Expenses=Net Loss (when expenses more than revenues)

Essential Chapter 1 term: annual report, assets, liabilities, revenues, expenses, Owner's equity, limited liability, unlimited liability, proprietorship, partnership, corporation, net income, net loss, drawings