



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

School of Business

Program: Financial Management

## Course Outline

**FMGT 3110**

**Financial Accounting 1**

Start Date: September 2007

End Date: December 2007

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### Course Credits:

**Term/Level: 3**

**Total Hours:** 75

**Total Weeks:** 15

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**Hours/Week:** 5

**Lecture:** 2

**Lab:**

**Shop:**

**Seminar:** 3

**Other:**

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### Prerequisites

**FMGT 3110 is a Prerequisite for:**

**Course No. Course Name**

FMGT 2100 with a mark of 70% or

FMGT 2105 with a mark of 65%

**Course No. Course Name**

FMGT 4110 Financial Accounting 2

Students transferring to BCIT's second year from other departments or colleges must have completed the equivalent of FMGT 1100 and 2100 with a minimum grade of 70%.

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### Course Description

This course begins with a rigorous review of the concepts, principles, measurements and accounting process, acquired in the introductory level. This foundation is subsequently built upon on topic specific bases; current assets, capital assets, goodwill, deferred charges and critical income and expense recognition applications in diverse and complex business situations. These topics are continuously incorporated into an increasingly complex accounting model with the culmination (preparation, presentation and disclosures) of the financial statements (Statement of Operations, Balance Sheet, Retained Earnings, Statement of Cash Flows). The strengths, limitations and utility of the GAAP accounting model are discussed with each topic and its application. Note: Full-time Financial Management students applying for transfer credit for this course from other post-secondary institutes must have achieved a grade of 65% or better.

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### Course Goals

This is the first of two courses in intermediate accounting designed to prepare the student to enter a professional accounting program at the intermediate level. FMGT 3110 covers a review of the accounting cycle taken in FMGT 1105/2105; the application of GAAP and accounting concepts and principles to the accounting process; the preparation of all financial statements; recognition and measurement of revenues/gains/expenses/losses under GAAP including all necessary adjustments; presentation and measurement of the assets side of the balance sheet.

## Evaluation

Quizzes	10%
Assignments	10%
Midterm Exam (3 Hours)	30%
Final Exam (3 Hours)	50%
<b>TOTAL</b>	<b>100%</b>

**Failure to complete (not necessarily achieve a pass) in ALL of these assessment components will result in an 'Incomplete' assigned to the course.**

## Course Learning Outcomes/Competencies

1. Identify and explain the major accounting concepts and principles and be able to identify which of the principles or concepts apply to specific accounting situations.
2. Explain the objectives of financial reporting and explain the application of those objectives in statement preparation.
3. Properly record the various revenue and expense transactions in the accounting cycle including adjusting, closing and reversing entries.
4. Prepare a statement of income in proper form, properly identifying and classifying other gains and losses, extraordinary items, and other irregular items.
5. Prepare a statement of retained earnings from data supplied, including identifying and properly presenting adjustments to beginning balances.
6. Identify the components and minimum disclosures for the statement of cash flow — with properly identified operating, financing, and investing activities. Application to direct and indirect formats.
7. Explain the criteria for classifications of various statement components such as current assets versus non-current assets.
8. Recognize and measure revenue in accordance with GAAP.
9. Properly determine expenses in various situations; account for estimates, contingencies, and subsequent events; and ascertain the desired combination of expense recognition policies afforded within GAAP and consistent with management's operating/reporting objectives.
10. Properly report and measure inventory values and the resulting cost of goods sold using various cost flow assumptions (i.e. FIFO, Average).
11. Apply LCM concept to inventory.
12. Account for inventory transactions using both perpetual and periodic inventory methods and report on the effect on income and asset values due to the choice.
13. Estimate inventory values using the gross margin method.
14. Identify and value types of capital assets and deferred charges; accounting for held-for-sale assets; non-monetary exchanges; assets acquired through favourable financing and share exchanges; self-constructed assets; and intangible assets.
15. Understand the various methods of amortization of tangible and intangible assets; industry or business specific amortization methods.
16. Identify asset impairments and be able to measure the amount of impairment.
17. Be able to read and understand basic parts of the CICA Handbook.

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### Course Content Verification

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

  
Bryan Parker, CA

Authoring Instructor

May, 2007

Date

I verify that this course outline has been reviewed.

  
Mathew Haussmann, CMA

Program Head

May, 2007

Date

I verify that this course outline complies with BCIT policy.

  
Tim Edwards, Dipl. T., MBA, CMA

Dean/Associate Dean

May, 2007

Date

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

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### Instructors:

### Office No.: Office Phone:

### E-mail:

### All through WebCT for this course

Bryan Parker

SE6-337

451-6752

David Chan

SE6-381

451-6753

Nadine Lancaster

SE6-383

451-6795

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### Learning Resources

#### Required:

Text: Intermediate Accounting, Beechy, Conrod, Volume 1, **Third Edition**, McGraw-Hill

Financial calculator.

The online course support application is WebCT. Refer to separate summary for access and resources available.

The CICA Handbook is available online through the BCIT library. Access instructions are at the end of this course outline.

## **STUDENT INFORMATION ON POLICIES AND PROCEDURES**

**COURSE OUTLINES:** This course outline may assist you in the 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 this course outline be safely filed for future reference.

**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 aegrotat 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.**

**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 driver's 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.)

Programmable calculators and calculators with alphabetic capability will not be allowed in exams.





BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY  
School of Business  
Program: Financial Management

**Schedule**

**FMGT 3110  
Financial Accounting 1**

Week # Week of	Outcome/Material Covered Refer to attached "Detailed Course Content & Examinable Bases" by Chapter	Reference/ Reading	Assignment See following note on handling of assignments
Week 1 Sept. 3	"What have I remembered?" Lecture: "The Benchmark"		Labs: "The Boot Camp"
Week 2 Sept. 10	Introduction to GAAP Criteria for Accounting Choices	Chapter 1 Chapter 2	A1-2,6,8,10,18 A2-1,5,18,22,25 CICA Handbook*
Week 3 Sept. 17	Income Statement & Statement of Retained Earnings	Chapter 3	A3-2,7,12,18,22,29
Week 4 Sept. 24	Balance Sheet and Disclosure Notes <i>Shinerama – Wednesday, 26th</i>	Chapter 4	A4-18,21,23,26 *CICA Handbook Due
Week 5 Oct. 1	Cash Flow Statement	Chapter 5	A5-26,31
Week 6 Oct. 8	Revenue Recognition – Part I <i>Thanksgiving – Monday, 8<sup>th</sup></i>	Chapter 6	A6-10,12,23
Week 7 Oct. 15	Review/Debrief		Chapters 1-5 & 6 (Part i)
<b>Week 8 Oct. 22</b>	<b>Mid-term Exam – 3 hours</b>		<b>Chapters 1-5 &amp; 6 (Part I)</b>
Week 9 Oct. 29	Revenue and Expense Recognition – Part II	Chapter 6	Mid-term Debrief A6 - 31,33,36
Week 10 Nov. 5	Inventories	Chapter 8	A8-2,11,22,24,29,35
Week 11 Nov. 12	Capital Assets, Goodwill, and Deferred Charges <i>Remembrance Day – Monday, 12th</i>	Chapter 9	A9-7,13,16,18,23,42
Week 12 Nov. 19	Amortization and Impairment	Chapter 10	A10-11,14,28,29,30,36
Week 13 Nov. 26	Extra week for Chapters 9 and 10		
Week 14 Dec. 3	Review Session		
<b>Week 15 Dec. 10</b>	<b>Final Exam – 3 hours</b>		

**\*\*\*IMPORTANT\*\*\***

## **Handling of Assignments**

**Except as otherwise indicated, the assignment set indicated by each week's topic will be expected to be completed for the following week for Instructor review and debrief. For example: The assignments indicated in Week 2 will be due and debriefed in Week 3.**

There are three Set level hours assigned to this course. To use this time most effectively, the following guidelines will apply. Please be clear; you will only pass this course if you stay current on all assignments.

The particular assigned questions to be debriefed in each of the three-hour periods will be announced the week prior.

Pre-formatted solution work-papers will be provided for download from WebCT for *most* of the assigned questions. These will assist you structuring an efficient approach to the solutions.

**In all cases, the Instructor must see completed assignments in the student's own handwriting.**

Those students who have completed the assignment before class, the Instructor need only review it and If it is correct, the student may continue to participate in that class time as he or she wishes.

Those students who wish to use the class time to complete the assignment and obtain individual assistance, may do so during the class period. One assignment will usually be provided for completion and review without benefit of the pre formatted work-papers.

The Instructors **will not** collect assignments or permit assignments to be submitted outside of the three hours provided for this purpose.

**To repeat, the Instructor must see the completed assignments, *in the student's handwriting*, before the assignment credit will be granted for the course.**

## **Detailed Course Content and Examinable Bases**

### **Chapter 1 – The Environment of Accounting**

- What is GAAP?
- Hierarchy of GAAP.
- Applicability of GAAP; notably CICA Section 1300, Differential Reporting, Page 10.
- Objectives of Financial Reporting.
- Management Motivations.
- Exclusions: None.

### **Chapter 2 – Criteria for Accounting Choices**

- All components of Exhibit 2-1, Structure of the Accounting Choice Process
- The AcSB's Financial Statement Concepts
- Ethical Professional Judgement.
- Underlying Assumptions.
- Qualitative Criteria – know them and trade-offs.
- Elements of Financial Statements
- Recognition and Measurement Conventions.
- The Exercise of Ethical Professional Judgement.
- Know the Key Terms section of this chapter – a good foundation.
- Exclusions: None.

### **Chapter 3 – The Income Statement and the Statement of Retained Earnings**

- Economic versus Accounting Income.
- Preparation of Income Statement in Single-step and Multiple-step formats.
- Recognition of income statement presentation groupings, continuing operations, discontinued operations, extraordinary items and related intraperiod tax allocation.
- Handling of unusual items within continuing operations.
- All aspects of Discontinued Operations.
- Criteria for and presentation of extraordinary items.
- Comprehensive Income – Understand components and "other comprehensive income".
- Continuity characteristics of Statement of Retained Earnings.
- Ability to restate (provide accounting entries), and present in proper form, Retained Earnings under both error correction and change in accounting policy – elementary level.
- Distinguish change in estimate from change in accounting policy.
- Understand Appropriations of Retained Earnings.
- Comprehensive preparation of income statement with irregular items (discontinued, extraordinary) under either (single, multiple step) continuing operations format.
- Exclusions: None.

## Chapter 4 – Balance Sheet and Disclosure Notes

- Because specific Balance Sheet items are covered in-depth throughout the course, this chapter will focus on the following selected topics only:
- Balance Sheet limitations.
- Formatting Choices.
- Notes to the Financial Statements: Six purposes and forms of note disclosures.
- Specific Significant Disclosures:
  - Financial Instruments - Definition of Financial Instruments and specific disclosures (4 possible) related to Financial Instruments.
  - Segmented Information
  - Related Party Transactions
  - Contingencies: Criteria for recording versus disclosing
  - Subsequent Events: Conditions for adjusting year-end accounts (and adjusting entries) and conditions for disclosure only in the notes.
- Management's Decision and Analysis (MD&A)
- Exclusions: International Perspective, The Auditor's Report.

## Chapter 5 – Cash Flow Statement (CFS):

- This chapter establishes the foundation for students' understanding and preparation of the cash flow reporting related to specific topics covered in FMGT 3110 and FMGT 4110.
- Ability to prepare CFS under Direct and Indirect Method of intermediate complexity.
- No particular method of CFS statement preparation is advocated [Worksheet, Direct Account Analysis, or T-Account (Appendix)]
- Exclusions: None

## Chapter 6 – Revenue and Expense Recognition

- Revenue recognition criteria: theoretical basis.
- Primary recognition bases: Exhibit 6-2 is an excellent summary.
- Exhibit 6-3: Know the revenue (profit/loss) recognition points and related accounting for three events: Delivery; Pre-delivery; and Post-delivery.
- Before delivery: Know the specific business conditions and relating accounting.
- After delivery: Installment Method Accounting and Cost Recovery Method
  - Know the relationship between Installment Accounts Receivable and deferred gross profit.
  - Know accounting for reposessions.
- Revenue recognition on Performance Expended Basis (a variant of before-delivery recognition):
  - Percentage-of-Completion (POC) and Completed Contract (CC) methods; situations for applications and all related accounting.
  - POC: accounting for losses.
  - CC: accounting for total project loss.
  - Balance sheet presentation.
- Revenue recognition methods for service industries.
- Choosing a revenue recognition policy; contemplate diverse industries/business/services and how companies would develop a revenue recognition policy.
- Expense Recognition – all aspects. Note definitional approach versus matching approach.
- Exclusions: None

## Chapter 7 – Current Monetary Balances. This chapter is covered in FMGT4110.

## Chapter 8 –Inventories and Cost of Sales

- Types of inventory.
- Inventory policy issues – know all aspects.
- Periodic versus perpetual inventory; significance on cost flow assumptions (4 cost flow assumptions). Be able to perform calculations.
- Know the Income Tax Implications of choice in inventory valuation basis.
- Accounting for Damaged and Obsolete Inventories.
- Accounting for Purchase Commitment Losses.
- LCM evaluation, impact of various groupings; valuation account and subsequent LCM re-valuations.
- Market value basis of inventory valuation (unique circumstances; related to revenue recognition).
- Estimated inventory valuation methods. Know Gross Margin Method, including its purpose.
- Exclusions: Retail Inventory Method.

## Chapter 9 – Capital Assets, Goodwill, and Deferred Charges

- Overview of Long-lived Assets.
- Definition of Capital Assets.
- Capitalizable costs.
- Excellent summary of Common Capitalization Practices on Exhibit 9-1.
- Handle the value allocation in a basket purchase situation.
- Handle assets acquired for LTD issue; introduction of discount and subsequent accounting treatment.
- Exchange of assets for shares – know how to establish value of the transaction; donated assets.
- Self-constructed assets. Know issues: capitalizing overhead and interest, and application of fair market value cap.
- Asset retirement obligations.
- Deferred Charges and Intangible assets: Overview of types and accounting treatment.
  - Organization costs
  - Share issue costs (emphasis on offset method)
  - Pre-operating costs
  - Research and Development costs
  - Computer software costs
  - Website development costs
  - Exploration and development costs
  - Costs for enterprises in the development stage.
- Disposals of capital assets.
- Exchanges of non-monetary assets. Know accounting by both parties.
- Post acquisition expenditures: know types (4), conditions and related accounting treatments.
- Appendix: Government Assistance -- understanding of implications on asset value; net and deferral methods: know how to apply.
- Exclusions: Goodwill and Negative goodwill.

## Chapter 10 -- Amortization and Impairment

- Know basic methods of amortization; emphasis in this chapter on unique methods.
- Minimum Amortization Test – definition and application.
- Fractional-Year Amortization – know and apply.
- Sinking Fund Method – definition and businesses where applied (no application required).
- Impairment of capital assets and goodwill.
- Capital assets held for sale.
- Group & composite system – know and apply.
- Inventory appraisal system – understand concept. No application required.
- Retirement and replacement systems – understand concept. No application required.
- Disclosure requirements of Amortization.
- Exclusions: Appendix 1 – Capital Cost Allowance; Appendix 2 – Revaluation of Capital Assets.

### **CICA Handbook : How to access electronically**

#### **Access through the BCIT Library website:**

<http://www.bcit.ca/library> > Articles & databases > Business > CICA: Standards and Guidance Collection

**If on campus:** You should be able to access databases by following the above path.

**If off campus:** You will be asked for your Student Number (A00123456) and your BCIT Library PIN/password.\*

\*How to create your BCIT Library PIN/password:

<http://www.bcit.ca/library> > Your library account

Click Create a PIN.

Fill in your BCIT ID number (A00123456) and choose a password of six digits.

It can be letters or numbers, but not punctuation symbols, and don't repeat digits.

Click submit.

Type in your PIN/password two more times.

Click enter.

You should have created your Library Account.

Remember your PIN as that is the information you need to type in when you are off campus.

If you cannot create this account or if you forget your PIN:

Contact BCIT Burnaby Library Service Desk at 604-432-8370

or email us at [libcirc@bcit.ca](mailto:libcirc@bcit.ca)

BCIT School of Business – Financial Management

FMGT3110 – Intermediate Accounting

**ADVICE OF COURSE EVALUATION CHANGE**

To better reflect evaluation of this course, please note the following revision to the grade distribution for FMGT3110 – Intermediate Accounting.

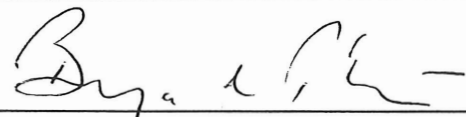
*Current Grade distribution:*

Quizzes:	10%
Assignments:	10%
Midterm Exam:	30%
Final exam:	<u>50%</u>
Total:	<u>100%</u>


**REVISED Grade distribution:**

<b>Quizzes &amp; assignments:</b>	<b>10%</b>
<b>Midterm exam:</b>	<b>40%</b>
<b>Final exam:</b>	<b><u>50%</u></b>
<b>Total:</b>	<b><u>100%</u></b>

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 13 Sept. 2007  
Bryan Parker, Authoring Instructor

  
Matthew Haussmann, Program Head, Accounting

  
Jennifer Figner, Program Head, Finance

  
Tim Edwards, Associate Dean

Distribution (paper): All second year students  
Nadine Lancaster  
David Chan