



Course Outline

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

School of Business

Program: Financial Management

Option: Accounting

FMGT 3110

Financial Accounting 1

Start Date: September 2005

End Date: December 2005

Course Credits:

Term/Level: 3

Total Hours: 75

Total Weeks: 15

Hours/Week: 5

Lecture: 2

Lab:

Shop:

Seminar: 3

Other:

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%.

Course Description

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.

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, assignments, contribution	15%	Exams are 3 hours in length.
Midterm Exam	35%	
Final Exam	50%	
TOTAL	100%	

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. Recognize and measure revenue in accordance with GAAP for specific revenue transactions including measurement of revenue deferrals.
4. Recognize and measure expenses in accordance with GAAP for specific expenditure transactions including deferrals.
5. Properly record the various revenue and expense transactions in the accounting cycle including adjusting, closing and reversing entries.
6. Prepare a statement of income in proper form properly identifying and classifying other gains and losses, extraordinary items and other irregular items.
7. Prepare a statement of retained earnings from data supplied including identifying and properly presenting adjustments to beginning balances.
8. 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.
9. Explain the criteria for classifications of various statement components such as current assets versus non-current assets.
10. Properly determine expenses in various situations; account for estimates, contingencies, subsequent events; and ascertain the desired combination of expense recognition policies afforded within GAAP and consistent with management's operating/reporting objectives.
11. Properly report and measure inventory values and the resulting cost of goods sold using various cost flow assumptions (i.e. FIFO, LIFO, Average).
12. Apply LCM concept to inventory.
13. 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.
14. Estimate inventory values using the gross margin method.
15. Identify and value types of capital assets and deferred charges; accounting for non-productive assets; similar and dissimilar asset exchanges; assets acquired through favourable financing and share exchanges; self-constructed assets; intangible assets and introduction to purchased goodwill.
16. Perform the various methods of amortization of tangible and intangible assets; industry or business specific amortization methods.
17. Identify asset impairments and be able to measure the amount of impairment.
18. Be able to read and understand basic parts of the CICA Handbook.

Course Content Verification

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

Douglas Yee, CA

Authoring Instructor

Douglas Yee

August 2005

Date

I verify that this course outline has been reviewed.

Ralph Gioia, CA

Program Head/Chief Instructor

August 2005

Date

I verify that this course outline complies with BCIT policy.

Tim Edwards, Dipl.T., MBA, CMA

Dean/Associate Dean

August 2005

Date

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

Instructor:

E-mail:

Office No.:

Office Phone:

Learning Resources

Required:

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

Financial calculator; example: Sharp EL-733. It is assumed students have and can apply financial calculators.

Solutions to selected additional questions are available on your my.bcit **course homepage**.

The CICA Handbook is available through a BCIT on-campus computer at www.edu.knotia.ca.

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.



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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 Assignments will generally be debriefed the week following the lecture. Students MUST prepare in advance. Instructor may provide check keys to verify work.
Week 1 Sept. 5	Course Introduction. Students are expected to attend ALL classes this week. Refer to the <i>Detailed Content and Examinable Bases</i> , below. Introduction to GAAP.	Chapter 1	<i>You probably need to review your ability to handle the accounting cycle!</i> A1-2,6,8,10,18
Week 2 Sept. 12	Criteria for Accounting Choices	Chapter 2	A2-1,5,22,23,25
Week 3 Sept. 19	Income Statement & Statement of Retained Earnings <i>Shinerama – Wednesday, 21st</i>	Chapter 3	A3-2,7,12,18,22,29
Week 4 Sept. 26	Balance Sheet and Disclosure Notes	Chapter 4	A4-18,21,23,24
Week 5 Oct. 3	Cash Flow Statement	Chapter 5	A5-26,31
Week 6 Oct. 10	Review Session <i>Thanksgiving – Monday, 10th</i>		
Week 7 Oct. 17	Mid-term Exam Week		Chapters 1 to 5
Week 8 Oct. 24	Revenue and Expense Recognition	Chapter 6	Mid-term Debrief A6-10,12,23,31,33,36
Week 9 Oct. 31	Revenue and Expense Recognition	Chapter 6	

Week 10 Nov. 7	Inventories <i>Remembrance Day – Friday, 11th</i>	Chapter 8	A8-2,12,22,24,29,35
Week 11 Nov. 14	Capital Assets, Goodwill, and Deferred Charges	Chapter 9	A9-7,13,16,18,23,31,39,42
Week 12 Nov. 21	Amortization and Impairment	Chapter 10	A10-9,11,14,17,20,27,29, 30,36
Week 13 Nov. 28	Extra week for Chapters 9 and 10		
Week 14 Dec. 5	Review Session		
Week 15 Dec. 12	Final Exam Week		

Detailed Course Content and Examinable Bases

Review the Text Appendix, pages 675-704. It is assumed that incoming students can handle the accounting cycle proficiently. If students cannot handle problems A-19, A-21 on their own (self-test), they will encounter difficulty in FMGT3110 Chapters 1-5, which assumes a strong understanding of the accounting cycle.

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 purpose for using it.
- 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 (substitution, increase in the asset account or reduction of accumulated amortization).
- Goodwill: Definition and treatment.
- Appendix: Government Assistance -- understanding of implications on asset value; net and deferral methods: know how to apply.
- Exclusions: 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.