



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

School of Business
Program: Financial Management
Option: Accounting

FMGT 3110
Financial Accounting 1

Start Date: September 2004

End Date: December 2004

Course Credits:

Term/Level: 3

Total Hours: 70

Total Weeks: 14

Hours/Week: 5

Lecture: 2

Lab: 1

Shop:

Seminar: 2

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 Calendar 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 and related valuations, current liabilities, fixed assets 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 (Income, 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 from other post-secondary institutes for this course 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 current assets, current liabilities, and fixed assets.

Evaluation

Quizzes, assignments, participation	15%	Exams are 3 hours in length.
Midterm Exam	40%	
Final Exam	45%	
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; debt and equity classifications based on economic substance.
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 FIFO, LIFO, Weighted Average, Moving Average, and application of LCM concept as permitted in the Handbook.
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 and the retail inventory method approximating Lower of Cost or Market Valuation.
14. Identify and value types of fixed assets; accounting for non-productive assets; similar and dissimilar asset exchanges; assets acquired through favourable financing and share exchanges; self-constructed assets; asset impairments; intangible assets and introduction to purchased goodwill.
15. Amortization of tangible and intangible assets; industry or business specific amortization methods; development of depletion rates (including depletion base components) in the natural resource sector and related accounting application.

Course Content Verification

I verify that the content of this course outline is current, accurate, and complies with BCIT Policy.

Developed by: Douglas Yee, CA Date: June 2004
Instructor

Revised by: _____ Date: _____

Approved by: Tim Edwards, Dipl.T, MBA, CMA Date: June 2004
Associate Dean

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, **Second Edition**, McGraw-Hill

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

Resource Website for solutions to selected additional questions and other professional related information:

www.3110-4110.Pageout.net

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.



Schedule

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**FMGT 3110
 Financial Accounting 1**

Week # Week of	Outcome/Material Covered Refer to attached Detailed Content & Examinable Basis 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. 6	Course Introduction. Students are expected to attend ALL classes this week. Refer to the <i>Detailed Content and Examinable Basis</i> , below. Introduction to GAAP.	Chapter 1	<i>You probably need to review your ability to handle the accounting cycle!</i> A1-6,8,9,16
Week 2 Sept. 13	Criteria for Accounting Choices	Chapter 2	A2-4,13,14,17
Week 3 Sept. 20	Income Statement & Statement of Retained Earnings <i>Shinerama – Wednesday, 22nd</i>	Chapter 3	A3-7,9,17,21
Week 4 Sept. 27	Balance Sheet and Disclosure Notes	Chapter 4	A4-16,17,18,21
Week 5 Oct. 4	Revenue Recognition	Chapter 6	A6-11,13,23,32
Week 6 Oct. 11	Revenue Recognition <i>Thanksgiving – Monday, 11th</i>	Chapter 6	
Week 7 Oct. 18	Mid-term Exam Week		Chapters 1-6
Week 8 Oct. 25	Cash Flow Statement	Chapter 5	Mid-term Debrief A5-25,30
Week 9 Nov. 1	Expense Recognition	Chapter 7	Mid-term Debrief A7-6,11,20,21,24,25

Week 10 Nov. 8	Inventories	Chapter 9	A9-17,18,19,26,32
Week 11 Nov. 15	Capital Assets and Goodwill	Chapter 10	A10-6,12,16,18,21,30 CFS: A10-34
Week 12 Nov. 22	Amortization and Impairment <i>Remembrance Day – Thursday, 11th</i>	Chapter 11	A11-11,15,16,21,27,28
Week 13 Nov. 29	Review Session		
Week 14 Dec. 6	Final Exam Week		

Detailed Course Content and Examinable Bases

Review the Text Appendix, pages 666-720. It is assumed that incoming students can handle the accounting cycle proficiently and this is the expectation of any prerequisite courses. If students can not handle problems A-18, A-19 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.

Chapter 2 – Criteria for Accounting Choices

- All components of Exhibit 2-1, Structure of the Accounting Choice Process
- Significance of Professional Judgement.
- Underlying Assumptions.
- Qualitative Criteria – know ingredients.
- Recognition and Measurement Conventions.
- 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 verses 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.
- Ignore textbook coverage of Discontinued Operations (pages 92-96).
- Criteria for presentation of Discontinued Operations.
- Detailed Measurement and Presentation of Discontinued Operations.
- Criteria for and presentation of extraordinary items.
- Situational comparison of same event being treated as unusual in one company but extraordinary in another company.
- 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: Value-Added Statements (Appendix, page 110).**

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.
- ❑ 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 verses disclosing
 - Subsequent Events: Conditions for adjusting year-end accounts (and adjusting entries) and conditions for disclosure only in the notes.
- ❑ **Exclusions: International Perspective, The Auditor's Report, Management's Decision and Analysis (MDA), pages 139-152 (reference only).**

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.
- ❑ CICA Handbook, Section 1540 requirements; Summary of Disclosure Requirements (p.202).
- ❑ 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 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
 - Know the relationship between Installment Accounts Receivable and deferred gross profit.
 - Know accounting for repossessions.
- ❑ 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: conditions causing and accounting for period losses **on an otherwise overall profitable contract** and **total contract loss** where profit has been previously recognized.
 - CC: accounting for total project loss.
 - Balance Sheet presentation of multiple projects.
 - 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.
- ❑ **Exclusions: none**

Chapter 7 – Expense Recognition

- This is an overview chapter that reviews previous expense topics and discusses specific treatments.
- Review of previous topics – with managerial objectives of maximizing or minimizing reported net income.
 - Cost of Goods Sold
 - Asset Amortization
 - Deferred Costs
- Specific Accounting Treatments:
 - Research & Development (Important Topic)
 - Computer Software development
 - Website Development
 - Exploration and Development Costs

Chapter 8 – Current Monetary Balances. This chapter is moved to FMGT4110.

Chapter 9 – Inventories

- Know inventorable costs
- Periodic versus perpetual inventory; significance on cost flow assumptions (4 cost flow assumptions).
- 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 revaluations.
- Market value basis of inventory valuation (unique circumstances; related to revenue recognition).
- Estimated inventory valuation methods. Know:
 - Gross Margin Method & Purpose
 - Retail Method (with application that approximates LCM valuation)

Chapter 10 – Capital Assets and Goodwill

- Definition.
- Capitalizable costs.
- Excellent summary of Common Capitalization Practices on Exhibit 10-1.
- 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.
- Government Assistance; understanding of implications on asset value; net and deferral methods: know how to apply.
- Self-constructed assets. Know issues: capitalizing overhead and interest, and application of fair market value cap.
- Intangible assets: Overview of types and accounting treatment.
- Goodwill: Definition and treatment.
- Negative goodwill treatment: knowledge of treatment only.
- Exchanges of non-monetary assets. Know accounting by both parties under conditions of similar (with and without >10% cash consideration) and dissimilar assets.
- Post acquisition expenditures: know types (4), conditions and related accounting treatments (substitution, increase in the asset account or reduction of accumulated amortization).

Chapter 11: Amortization, Impairment and Revaluation

- Know basic methods; emphasis in this chapter on unique methods.
- Minimum Amortization Test – definition and application.
- Sinking Fund Method – definition and businesses where applied (no application required).
- “Inventory” appraisal system – know and apply.
- Group & composite system – know and apply.
- Retirement & replacement system – know and apply.
- Impairment Accounting for Capital Assets and Goodwill – know conditions and applications/accounting.
- Know disclosure requirements of Amortization.
- **Exclusions: Site Restoration Costs (page 555); Revaluation of Capital assets (page 565) and the APPENDIX: Capital Cost Allowance.**