San Bernardino Valley College
Curriculum Approved: September 29, 2003
Last Updated: September 2003

I. CATALOG DESCRIPTION:

A. Department Information:

Division:	Business & Information Technology
Department:	Accounting
Course ID:	ACCT 200
Course Title:	Principles of Accounting I
Units:	4
Lecture:	4 Hours
Laboratory:	None
Prerequisite:	None
Departmental Advisory:	BUSCAL 050 or ACCT 010

B. Catalog and Schedule Description: Development of the basic principles and practices applicable to the general accounting process, primarily in a corporation including transaction analysis, statement preparation and analysis, internal control, payroll, revenue recognition, and user analysis of accounting information and systems.

II. NUMBER OF TIMES COURSE MAY BE TAKEN FOR CREDIT: One

III. EXPECTED OUTCOME FOR STUDENTS:

Upon successful completion of the course the student should be able to:

A. Describe the content and purpose of each of the financial statements
B. Explain the meaning of assets, liabilities, and stockholders' equity, and state the basic accounting equation
C. Explain the meaning of generally accepted accounting principles and describe the basic objective of financial reporting
D. Discuss the qualitative characteristics of accounting information
E. Identify and compute ratios for analyzing a company's profitability, liquidity and solvency
F. Analyze the effect of business transactions on the basic accounting equation
G. Define debits and credits and explain how they are used to record business transactions
H. Explain the revenue recognition principle and the matching principle
I. Differentiate between the cash basis and the accrual basis of accounting
J. Prepare adjusting entries for prepayment
K. Explain the recording of purchases and sales revenue under a perpetual inventory system
L. Identify the unique features of the financial statements for a merchandising company
M. Explain the factors affecting profitability and explain how to determine cost of goods sold under a periodic inventory system and describe the steps in determining inventory quantities
N. Compute and interpret the inventory turnover ratio and identify the principles of internal control
O. Prepare a bank reconciliation
P. Discuss the basic principles of cash management and cash budgets
Q. Identify the different types of receivables and describe the methods used to account for bad debts
R. Compute the maturity date of and interest on notes receivable
S. Describe the principles of sound accounts receivable management
T. Identify ratios to analyze a company's receivables and accelerate the receipt of cash from receivables
U. Explain the concept of depreciation and compute periodic depreciation using the straight-line method, and contrast its expense pattern with those of other methods
V. Explain how to account for the disposal of plant assets

W. Identify and discuss the major characteristics of a corporation
X. Record the issuance of common stock and explain the accounting for the purchase of treasury stock
Y. Differentiate preferred stock from common stock and prepare the entries for cash dividends and stock dividends
Z. Evaluate a corporation's dividend and earnings performance from a stockholders' perspective

IV. COURSE CONTENT:

A. Introduction to Financial Statements
    1. Forms of Business Organization
    2. Users and Uses of Financial Information
    3. Business Activities
        a) Financing Activities
        b) Investing Activities
        c) Operating Activities
    4. Communicating With Users
        a) Income Statement
        b) Retained Earnings Statement
        c) Balance sheet
        d) Statement of Cash Flows
        e) Interrelationships of Statements
    5. A Quick Look at Starbucks' Financial Statement
    6. Assumptions and Principles in financial Reporting
B. A Further Look at Financial Reporting
    1. Just Fooling Around?
    2. Objectives of Financial Reporting
    3. Characteristics of Useful Information
        a) Comparability and Consistency
    4. Constraints In Accounting
    5. The Financial Statements Revisited
    6. The Income Statement
    7. The Statement of Stockholders' Equity
    8. The Classified Balance Sheet
        a) Using a Classified Balance Sheet
    9. The Statement of Cash Flows
C. The Accounting Information System
    1. Accounting Transactions
        a) Analyzing Transactions
        b) Summary of Transactions
    2. The Account
    3. Steps in the Recording Process
        a) Posting
    4. The Recording Process Illustrated
    5. The Trial Balance
D. Accrual Accounting Concepts
    1. The Basics of Adjusting Entries
        a) Types of Adjusting Entries
        b) Summary of Basic Relationships
    2. The Adjusted Trial Balance and Financial Statements
    3. Closing the Books
    4. Summary of the Accounting Cycle
E. Merchandising Operations
    1. Merchandising Operations
        a) Operating Cycles
        b) Inventory Systems

2. Recording Purchases of Merchandise
3. Recording Sales of Merchandise
4. Income Statement Presentation
5. Evaluating Profitability

F. Reporting and Analyzing Inventory
1. Classifying Inventory
2. Periodic Inventory System
3. Inventory Costing
4. Valuing Inventory at the Lower of Cost or Market
5. Analysis of Inventory
    a) Inventory Turnover ratio
    b) Analysts' Adjustments for LIFO Reserve
6. Income Statement effects
7. Balance Sheet Effects

G. Internal Control and Cash
1. Internal Control
2. Cash Controls
3. Reporting Cash
4. Managing and Monitoring Cash
5. Assessing Cash Adequacy
6. Establishing the Petty Cash Fund
7. Making Payments from Petty Cash
8. Replenishing the Petty Cash Fund

H. Reporting and Analyzing Receivables
1. Types of Receivables
2. Accounts Receivable
3. Notes Receivable
    a) Valuing Notes Receivable
4. Statement Presentation of Receivables
5. Managing Receivables

I. Reporting and Analyzing Long-Lived Assets
1. Determining the Cost of Plant Assets
2. Accounting for Plant Assets
3. Analyzing Plant Assets
4. Accounting for Intangible Assets
5. Types of Intangible Assets
    a) Patents
    b) Research and Development Costs
    c) Copyrights
    d) Trademarks and Trade Names
    e) Franchises and Licenses
    f) Goodwill
6. Financial Statement Presentation of Long-Lived Assets
7. Declining-Balance
8. Units-Of-Activity

J. Reporting and Analyzing Stockholders' Equity
1. The Corporate Form of Organization
    a) Characteristics of a Corporation
    b) Forming a Corporation
    c) Stockholder Rights
2. Stock Issue Considerations
    a) Authorized Stock
    b) Issuance of Stock
    c) Par and No-Par Value Stocks
    d) Accounting for Common Stock Issues
3. Accounting for Treasury Stock

a) Purchase of Treasury Stock
4. Preferred Stock
5. Dividends
6. Retained Earnings
7. Stockholders' Equity Presentation
8. Measuring Corporate Performance

V. METHODS OF INSTRUCTION:

A. Lecture
B. Demonstration
C. Discussion
D. Group Problem Solving
E. Video
F. Applications
G. Project (Oral or Written)

VI. TYPICAL ASSIGNMENTS:

A. Group Learning Activity
   1. After reviewing the formulas for working capital and the current Ratio, analyze the Current Assets and Current Liabilities amounts for the following two companies, then:
      a) Compute these ratios
      b) State which company is more solvent?
      Complete this activity in small groups.
B. Written Assignment on overhead and white board.
   1. Write the seven steps of the Accounting Cycle on the board
      a) Ask students to record what information is needed as input to each step in the accounting cycle. For example, source documents that are needed in order to analyze transactions and record them in the journal.
      b) Review the inputs needed for each step. Show student that knowing that information is needed to complete each step in the Accounting Cycle. This will make it easy to put steps in the proper order.
C. Demonstration Problem – Cost of Merchandise Sold
   1. To reinforce this concept, you may want to ask your students to calculate a company's cost of merchandise sold using the following information.
      a) Beginning Inventory = $5,000
      b) Purchases = $120,000
      c) Ending Inventory = $10,000
      d) Cost of Merchandise Sold = (Answer: $115,000)
   2. Next, give the class the following additional information:
      a) The same company had purchase returns of $2,000
      b) Purchases discounts of $3.500
      c) Transportation Cost of $1,500
      d) What did it cost the company to purchase its merchandise, and what is the cost of merchandise sold?
      e) (Answers: Cost of Merchandise Purchased = $116,000
      f) Cost of Merchandise Sold = $111,000
   3. Use Transparency to illustrate that cost of merchandise purchased is simply one part of calculation cost of merchandise sold.
D. Application—Cost of Merchandise Sold
   1. The following story is one way to illustrate the basic computation of cost of merchandise sold.
      a) Assume that you are a "Twinkies junkie." Whenever you study, you eat Twinkies. One evening, before a big accounting test, you go to your cupboard and find that you have only 3 Twinkies left. You know that 3 Twinkies will never get you through the night, so you head off to the grocery

to buy another box. The box contains 12 Twinkies. You then decide to figure out how many Twinkies you ate while studying. You didn't count the Twinkies as you ate them, but you know the old box is empty and the new box has only 5 Twinkies left. How many Twinkies did you eat?
b) (After waiting for a response, continue the illustration).
2. Let's review your calculation using accounting terminology. You started with a beginning inventory of 3 Twinkies. You then purchase 12 Twinkies. This gave you 15 Twinkies available for consumption. Since 5 Twinkies were left in ending inventory, you must have eaten 10. This is the same methodology a merchandiser uses to calculate the cost of merchandise sold.
   a) Beginning Inventory + <u>Cost of Merchandise Purchased</u>
   b) Merchandise Available for Sale
   c) Minus Ending Inventory ==Cost of Merchandise Sold

E. Reading, Writing, Problem Solving or Performance
   1. Answer Discussion Questions. Write your answers.
   2. Complete the following Brief Exercises
   3. Complete exercise and do the following tasks:
      a) Complete a bank reconciliation
      b) Journalize the adjusting entries
   4. Complete a comparative analysis for Starbucks vs. Green Mountain Coffee.

VII. EVALUATION(S):

A. Methods of Evaluation:
   1. Students are evaluated on their ability to apply course concepts to what they read.
   2. End of chapter written assignment
   3. Objective and subjective examinations. Typical questions include: Quizzes, tests, and Examinations. Sample Test Questions:
      Multiple Choices Allowance for Doubtful Accounts is represented as a (n):
      a) Addition to Accounts Receivable on the balance sheet.
      b) Operating expense on the income statement.
      c) Deduction from Sales on the income statement.
      d) Contra asset on the balance sheet.
   4. Problem Solving
      The management of KMOE Company estimates that credit sales by August, September, October, and November will be $100,000, $140,000, $150,000, and $90,000, respectively. Experience has shown that collections are made as follows:
      a) In the month of sale 25%
      b) In first month after sale 60%
      c) In second month after sale 10%
      d) Determine the collections from customers in October and November. Show all computations.
   5. Your roommate is uncertain about the advantages of a promissory note. Compare the advantages of a note receivable with those of an account receivable.

B. Frequency of Evaluation:
   1. Examinations at the end of each chapter
   2. Final examination

VIII. TYPICAL TEXT(S):

Albrecht, W. Steve and Stice, Earl K. and Stice, James D. and Skousen, K. Fred. <u>Accounting: Concepts and Applications.</u> Albrecht, W. Steve and Stice, Earl K. and Stice, James D. and. Skousen, K. Fred. <u>Financial Accounting: Tools</u>. New York: John Wiley and Sons, Inc., 2000. McQuaig, Daniel and Bille, Patricia. College Accounting, Boston: Houghton-Mifflin Company, 2000. Albrecht, W. Steve and Stice, Earl K. and Stice, James D. and Skousen, K. Fred. Management Accounting, Cincinnati: Southwestern Publishing, 2000.

IX. OTHER SUPPLIES REQUIRED OF STUDENTS: