



# ILLINOIS VALLEY COMMUNITY COLLEGE

## COURSE OUTLINE

**DIVISION: Natural Sciences and Business**

**COURSE: ACT 2222 Intermediate Accounting II**

Date: Fall 2022

Credit Hours: 3

*Complete all that apply or mark "None" where appropriate:*

Prerequisite(s): ACT 2221

Enrollment by assessment or other measure?  Yes  No

If yes, please describe:

Corequisite(s): None

Pre- or Corequisite(s): None

Consent of Instructor:  Yes  No

Delivery Method:  **Lecture**                    **3 Contact Hours** (1 contact = 1 credit hour)  
 **Seminar**                    **0 Contact Hours** (1 contact = 1 credit hour)  
 **Lab**                                **0 Contact Hours** (2-3 contact = 1 credit hour)  
 **Clinical**                    **0 Contact Hours** (3 contact = 1 credit hour)  
 **Online**  
 **Blended**  
 **Virtual Class Meeting (VCM)**

Offered:  **Fall**     **Spring**     **Summer**

**CATALOG DESCRIPTION and IAI NUMBER (if applicable):**

A continuation of Intermediate Accounting I dealing with the theory and concepts of external reporting. Topics covered include current liabilities and contingencies, long term liabilities, leases (lessee), income taxes, pensions, stockholder's equity & dilutive securities, and accounting changes and error analysis.

## **ACCREDITATION STATEMENTS AND COURSE NOTES:**

None

## **COURSE TOPICS AND CONTENT REQUIREMENTS:**

1. Current Liabilities and Contingencies
2. Bonds and Long-Term Notes
3. Leases
4. Accounting for Income Taxes
5. Pensions and Other Postretirement Benefits
6. Shareholder's Equity
7. Share-Based Compensation and Earnings Per Share
8. Accounting Changes and Error Corrections
9. The Statement of Cash Flows Revisited

## **INSTRUCTIONAL METHODS:**

1. Class discussion
2. Exercises and Problems
3. Quizzes
4. Exams

## **EVALUATION OF STUDENT ACHIEVEMENT:**

1. Read and understand text
2. Class participation
3. Complete all homework assignments
4. Quizzes
5. Exams

## **INSTRUCTIONAL MATERIALS:**

### **Textbooks**

Intermediate Accounting, Spiceland

### **Resources**

Inclusive Access for Connect

## **LEARNING OUTCOMES AND GOALS:**

### **Institutional Learning Outcomes**

- 1) Communication – to communicate effectively;
- 2) Inquiry – to apply critical, logical, creative, aesthetic, or quantitative analytical reasoning to formulate a judgement or conclusion;
- 3) Social Consciousness – to understand what it means to be a socially conscious person, locally and globally;
- 4) Responsibility – to recognize how personal choices affect self and society.

## **Course Outcomes and Competencies:**

### **1. Current Liabilities and Contingencies**

- 1.1 Define liabilities and distinguish between current and long-term liabilities
- 1.2 Account for the issuance and payment of various forms of notes and record the interest on the notes

- 1.3 Characterize accrued liabilities and liabilities from advance collection and describe when and how they should be recorded
- 1.4 Determine when a liability can be classified as a noncurrent obligation
- 1.5 Identify situations that constitute contingencies and the circumstances under which they should be accrued
- 1.6 Demonstrate the appropriate accounting treatment for contingencies, including unasserted claims and assessments
- 1.7 Discuss the primary differences between U.S. GAAP and IFRS with respect to current liabilities and contingencies

## **2. Bonds and Long-Term Notes**

- 2.1 Identify the underlying characteristics of debt instruments and describe the basic approach to accounting for debt
- 2.2 Account for bonds issued at face value, at a discount or at a premium, recoding interest using the effective interest method or using the straight-line method
- 2.3 Characterize the accounting treatment of notes, including installment notes, issued for cash or for noncash consideration
- 2.4 Describe the disclosures appropriate to long-term debt in its various forms and calculate related financial ratios
- 2.5 Record the early extinguishment of debt, its conversion into equity securities, and bond issues with warrants
- 2.6 Understand the option to report liabilities at their fair values
- 2.7 Discuss the primary differences between U.S. GAAP and IFRS with respect to accounting for bonds and long-term notes

## **3. Leases**

- 3.1 Explain why companies frequently choose to lease assets and describe the basis for each of the criteria used to classify leases
- 3.2 Describe and demonstrate how the lessee accounts for a finance lease and the lessor accounts for a sales-type lease with no selling profit
- 3.3 Describe and demonstrate how the lessor accounts for a sales-type lease with a selling profit
- 3.4 Describe and demonstrate how the lessor and lessee account for all transactions associated with operating leases
- 3.5 Explain when and how a lessee accounts for a lease by the shortcut method
- 3.6 Explain the impact on lease accounting of uncertainties, including uncertain lease terms, variable lease payments, residual values, purchase options, and termination penalties
- 3.7 Determine whether a contract contains a lease and explain the impact on lease accounting of other payments, including nonlease payments, initial direct cost, and leasehold improvements
- 3.8 Describe the impact of leases on the statement of cash flows and disclosure requirements pertaining to leases
- 3.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to leases

#### **4. Accounting for Income Taxes**

- 4.1 Explain the conceptual underpinnings of accounting for temporary differences and the four-step method used to calculate income tax expense
- 4.2 Describe the types of temporary differences that cause deferred tax liabilities and determine the amounts needed to record periodic income taxes
- 4.3 Describe the types of temporary differences that cause deferred tax assets and determine the amounts need to record periodic income taxes
- 4.4 Describe when and how a valuation allowance is recorded for deferred tax assets
- 4.5 Explain why permanent differences have no deferred tax consequences
- 4.6 Explain how a change in tax rates affects the measurement of deferred tax amounts
- 4.7 Describe when and how the tax effects of net operating losses are recognized in the financial statements
- 4.8 Explain how deferred tax assets and deferred tax liabilities are reported in a classified balance sheet and describe related disclosures
- 4.9 Demonstrate how to account for uncertainty in income tax decisions
- 4.10 Explain intraperiod tax allocation
- 4.11 Discuss the primary differences between U.S. GAAP and IFRS with respect to accounting for income taxes

#### **5. Pensions and Other Postretirement Benefits**

- 5.1 Explain the fundamental differences between a defined contribution pension plan and a defined benefit pension plan
- 5.2 Distinguish among the vested benefit obligation, the accumulated benefit obligation, and the projected benefit obligation (PBO)
- 5.3 Describe the five events that might change the balance of the PBO
- 5.4 Explain how plan assets accumulate to provide retiree benefits and understand the role of the trustee in administering the fund
- 5.5 Describe the funded status of pension plans and how that amount is reported
- 5.6 Describe how pension expense is a composite of periodic changes that occur in both the pension obligation and the plan assets
- 5.7 Record for pension plans the periodic expense and funding as well as new gains and losses and new prior service cost as they occur
- 5.8 Understand the interrelationships among the elements that constitute a defined benefit pension plan
- 5.9 Describe the nature of postretirement benefit plans other than pensions and identify the similarities and differences in accounting for those plans and pensions
- 5.10 Explain how the obligation for postretirement benefits is measured and how the obligation changes
- 5.11 Determine the components of postretirement benefit expenses
- 5.12 Discuss the primary differences between U.S. GAAP and IFRS with respect to accounting for postretirement benefit plans

#### **6. Shareholder's Equity**

- 6.1 Describe the components of shareholders' equity and explain how they are reported in a statement of shareholders' equity
- 6.2 Describe comprehensive income and its components
- 6.3 Understand the corporate form of organization and the nature of stock

- 6.4 Record the issuance of shares when sold for cash and for noncash consideration
- 6.5 Distinguish between accounting for retired shares and for treasury shares
- 6.6 Describe retained earnings and distinguish it from paid-in capital
- 6.7 Explain the basis of corporate dividends, including the similarities and differences between cash and property dividends
- 6.8 Explain stock dividends and stock splits and how we account for them
- 6.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to accounting for shareholders' equity

## **7. Share-Based Compensation and Earnings Per Share**

- 7.1 Explain and implement the accounting for restricted stock plans
- 7.2 Explain and implement the accounting for stock options
- 7.3 Explain and implement the accounting for employee share purchase plans
- 7.4 Distinguish between a simple and a complex capital structure
- 7.5 Describe what is meant by the weighted-average number of common shares
- 7.6 Differentiate the effect on EPS of the sale of new shares, a stock dividend or stock split, and the reacquisition of shares
- 7.7 Describe how preferred dividends affect the calculation of EPS
- 7.8 Describe how options, rights, and warrants are incorporated in the calculation of EPS
- 7.9 Describe how convertible securities are incorporated in the calculation of EPS
- 7.10 Determine whether potential common shares are antidilutive
- 7.11 Describe the two components of the proceeds used in the treasury stock method and how restricted stock is incorporated in the calculation of EPS
- 7.12 Explain the way contingently issuable shares are incorporated in the calculation of EPS
- 7.13 Describe the way EPS information should be reported in an income statement
- 7.14 Discuss the primary differences between U.S. GAAP and IFRS with respect to accounting for share-based compensation and earnings per share

## **8. Accounting Changes and Error Corrections**

- 8.1 Differentiate among the three types of accounting changes and distinguish among the retrospective, modified retrospective, and prospective approaches to accounting for and reporting accounting changes
- 8.2 Describe how changes in accounting principle typically are reported
- 8.3 Explain how and why some changes in accounting principle are reported prospectively
- 8.4 Explain how and why changes in estimates are reported prospectively
- 8.5 Describe the situations that constitute a change in reporting entity
- 8.6 Understand and apply the four-step process of correcting and reporting errors, regardless of the type of error or the timing of its discovery
- 8.7 Discuss the primary differences between U.S. GAAP and IFRS with respect to accounting changes and error corrections

## **9. The Statement of Cash Flows Revisited**

- 9.1 Explain the usefulness of the statement of cash flows
- 9.2 Define cash equivalents
- 9.3 Determine cash flows from operating activities by the direct method
- 9.4 Determine cash flows from operating activities by the indirect method

- 9.5 Identify transactions that are classified as investing activities
- 9.6 Identify transactions that are classified as financing activities
- 9.7 Identify transactions that represent noncash investing and financing activities
- 9.8 Prepare a statement of cash flows with the aid of a spreadsheet or T-accounts
- 9.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to the statement of cash flows