



# ILLINOIS VALLEY COMMUNITY COLLEGE

## COURSE OUTLINE

**DIVISION: Natural Sciences and Business**

**COURSE: ACT 2221 Intermediate Accounting I**

Date: Fall 2022

Credit Hours: 3

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

Prerequisite(s): ACT 1010

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 study of the theory, concepts and procedures that underlie the preparation of external accounting reports for corporate organizations. Topics to be covered include: accounting standards and the conceptual framework, the processing of accounting information, financial statement preparation, revenue recognition, monetary assets, inventories, plant assets, intangibles, and time value of money concepts.

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

None

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

1. Environment and Theoretical Structure of Financial Accounting
2. Review of the Accounting Process
3. The Balance Sheet and Financial Disclosures
4. The Income Statement, Comprehensive Income, and the Statement of Cash Flows
5. Time Value of Money Concepts
6. Revenue Recognition
7. Cash and Receivables
8. Inventories: Measurement
9. Inventories: Additional Issues
10. Property, Plant, and Equipment and Intangible Assets: Acquisition
11. Property, Plant, and Equipment and Intangible Assets: Utilization and Disposition
12. Investments

## **INSTRUCTIONAL METHODS:**

1. Lecture
2. Class discussion
3. Exercises and problems
4. Quizzes
5. Exams

## **EVALUATION OF STUDENT ACHIEVEMENT:**

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

## **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. Environment and Theoretical Structure of Financial Accounting**

- 1.1 Describe the function and primary focus of financial accounting
- 1.2 Explain the difference between cash and accrual accounting
- 1.3 Define generally accepted accounting principles (GAAP) and discuss the historical development of accounting standards, including convergence between U.S. and international standards
- 1.4 Explain why establishing accounting standards is characterized as a political process
- 1.5 Explain factors that encourage high-quality financial reporting
- 1.6 Explain the purpose of the conceptual framework
- 1.7 Identify the objective and qualitative characteristics of financial reporting information and the elements of financial statements
- 1.8 Describe the four basic assumptions underlying GAAP
- 1.9 Describe the recognition, measurement, and disclosure concepts that guide accounting practice
- 1.10 Contrast a revenue/expense approach and an asset/liability approach to accounting standard setting
- 1.11 Discuss the primary differences between U.S. GAAP and IFRS with respect to the development of accounting standards and the conceptual framework underlying accounting standards

### **2. Review of the Accounting Process**

- 2.1 Understand routine economic events – transactions – and determine their effects on a company's financial position and on specific accounts
- 2.2 Describe the steps in the accounting processing cycle
- 2.3 Analyze and record transactions using journal entries
- 2.4 Post the effects of journal entries to general ledger accounts and prepare an unadjusted trial balance
- 2.5 Identify and describe the different types of adjusting journal entries
- 2.6 Record adjusting journal entries in general journal format, post entries, and prepare an adjusted trial balance
- 2.7 Describe the four basis financial statements
- 2.8 Explain the closing process
- 2.9 Convert from cash-basis net income to accrual-basis net income

### **3. The Balance Sheet and Financial Disclosures**

- 3.1 Describe the purpose of the balance sheet and understand its usefulness and limitations
- 3.2 Identify and describe the various asset classifications
- 3.3 Identify and describe the various liability and shareholders' equity classifications
- 3.4 Explain the purpose of financial statement disclosures
- 3.5 Describe disclosures related to management's discussion and analysis, responsibilities, and compensation
- 3.6 Explain the purpose of an audit and describe the content of the audit report
- 3.7 Describe the techniques used by financial analysts to transform financial information into forms more useful for analysis
- 3.8 Identify and calculate the common liquidity and solvency ratios used to assess risk

- 3.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to the balance sheet, financial disclosures, and segment reporting

#### **4. The Income Statement, Comprehensive Income, and the Statement of Cash Flows**

- 4.1 Discuss the importance of income from continuing operations and describe its components
- 4.2 Describe earnings quality and how it is impacted by management practices to alter reported earnings
- 4.3 Discuss the components of operating and nonoperating income and their relationship to earnings quality
- 4.4 Define what constitutes discontinued operations and describe the appropriate income statement presentation for these transactions
- 4.5 Discuss additional reporting issues related to accounting changes, error corrections, and earnings per share (EPS)
- 4.6 Explain the difference between net income and comprehensive income and how we report components of the difference
- 4.7 Describe the purpose of the statement of cash flows
- 4.8 Identify and describe the various classifications of cash flows presented in a statement of cash flows
- 4.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to the income statement, statement of comprehensive income, and statement of cash flows
- 4.10 Identify and calculate the common ratios used to assess profitability

#### **5. Time Value of Money Concepts**

- 5.1 Explain the difference between simple and compound interest
- 5.2 Compute the future value of a single amount
- 5.3 Compute the present value of a single amount
- 5.4 Solve for either the interest rate or the number of compounding periods when present value and future value of a single amount are known
- 5.5 Apply present value techniques in the valuation of notes
- 5.6 Explain the difference between an ordinary annuity and an annuity due
- 5.7 Compute the future value of both an ordinary annuity, an annuity due, and a deferred annuity
- 5.8 Compute the present value of an ordinary annuity, an annuity due, and a deferred annuity
- 5.9 Solve for unknown values in annuity situations involving present value
- 5.10 Briefly describe how the concept of the time value of money is incorporated into the valuation of bonds, long-term leases, installment notes, and pension obligations

#### **6. Revenue Recognition**

- 6.1 State the core revenue recognition principle and the five key steps in applying it
- 6.2 Explain when it is appropriate to recognize revenue at a single point in time
- 6.3 Explain when it is appropriate to recognize revenue over a period of time
- 6.4 Allocate a contract's transaction price to multiple performance obligations
- 6.5 Determine whether a contract exists, and whether some frequently encountered features of contracts qualify as performance obligations

- 6.6 Understand how variable consideration and other aspects of contracts affect the calculation and allocation of the transaction price
- 6.7 Determine the timing of revenue recognition with respect to licenses, franchises, and other common arrangements
- 6.8 Understand the disclosures required for revenue recognition, accounts receivable, contract assets, and contract liabilities
- 6.9 Demonstrate revenue recognition for long-term contracts, both at a point in time when the contract is completed and over a period of time according to the percentage completed
- 6.10 Discuss the primary differences between U.S. GAAP and IFRS with respect to revenue recognition

## **7. Cash and Receivables**

- 7.1 Define what is meant by internal control and describe some key elements of an internal control system for cash receipts and disbursements
- 7.2 Explain the possible restrictions on cash and their implications for classification in the balance sheet
- 7.3 Distinguish between the gross and net methods of accounting for cash discounts
- 7.4 Describe the accounting treatment for merchandise returns
- 7.5 Describe the accounting treatment of anticipated uncollectible accounts receivable
- 7.6 Describe how to estimate the allowance for uncollectible accounts using the CECL model
- 7.7 Describe the accounting treatment of notes receivable
- 7.8 Differentiate between the use of receivables in financing arrangements accounted for as a secured borrowing and those accounted for as a sale
- 7.9 Describe the variables that influence a company's investment in receivables and calculate the key ratios used by analysts to monitor that investment
- 7.10 Discuss the primary differences between U.S. GAAP and IFRS with respect to cash and receivables

## **8. Inventories: Measurement**

- 8.1 Explain the types of inventory and the differences between a perpetual inventory system and a periodic inventory system
- 8.2 Explain which physical units of goods should be included in inventory
- 8.3 Account for transactions that affect net purchases and prepare a cost of goods sold schedule
- 8.4 Differentiate between the specific identification, FIFO, LIFO, and average cost methods used to determine the cost of ending inventory and cost of goods sold
- 8.5 Discuss the factors affecting a company's choice of inventory method
- 8.6 Understand supplemental disclosures of LIFO reserves and the effect of LIFO liquidations on net income
- 8.7 Calculate the key ratios used by analysts to monitor a company's investment in inventories
- 8.8 Determine ending inventory using the dollar-value LIFO inventory method
- 8.9 Discuss the primary difference between U.S. GAAP and IFRS with respect to determining the cost of inventory

## **9. Inventories: Additional Issues**

- 9.1 Understand and apply rules for measurement of inventory at the end of the reporting period
- 9.2 Estimate ending inventory and cost of goods sold using the gross profit method
- 9.3 Estimate ending inventory and cost of goods sold using the retail inventory method, applying the various cost flow methods
- 9.4 Explain how the retail inventory method can be made to approximate the lower of cost or market rule
- 9.5 Determine ending inventory using the dollar-value LIFO retail inventory method
- 9.6 Explain the appropriate accounting treatment required when a change in inventory method is made
- 9.7 Explain the appropriate accounting treatment required when an inventory error is discovered
- 9.8 Discuss the primary differences between U.S. GAAP and IFRS with respect to the lower of cost or net realizable value rule for valuing inventory

## **10. Property, Plant, and Equipment and Intangible Assets: Acquisition**

- 10.1 Identify the various costs included in the initial cost of property, plant, and equipment, natural resources, and intangible assets
- 10.2 Determine the initial cost of individual property, plant, and equipment and intangible assets acquired as a group of lump-sum purchase price
- 10.3 Determine the initial cost of property, plant, and equipment and intangible assets acquired in exchange for a deferred payment contract
- 10.4 Determine the initial cost of property, plant, and equipment and intangible assets acquired in exchange for equity securities or through donation
- 10.5 Calculate the fixed-asset turnover ratios used by analysts to measure how effectively managers use property, plant, and equipment
- 10.6 Determine the initial cost of property, plant, and equipment and intangible assets acquired in exchange for other nonmonetary assets
- 10.7 Identify the items included in the cost of a self-constructed asset and determine the amount of capitalized interest
- 10.8 Explain the difference in the accounting treatment of costs incurred to purchase intangible assets versus the costs incurred to internally develop intangible assets
- 10.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to the acquisition of property, plant, and equipment and intangible assets

## **11. Property, Plant, and Equipment and Intangible Assets: Utilization and Disposition**

- 11.1 Explain the concept of cost allocation as it pertains to property, plant, and equipment and intangible assets
- 11.2 Determine periodic depreciation using both time-based and activity-based methods and account for dispositions
- 11.3 Calculate the periodic depletion of a natural resource
- 11.4 Calculate the periodic amortization of an intangible asset
- 11.5 Explain the appropriate accounting treatment required when a change is made in the service life or residual value of property, plant, and equipment and intangible assets
- 11.6 Explain the appropriate accounting treatment required when a change in depreciation, amortization, or depletion method is made

- 11.7 Explain the appropriate treatment required when an error in accounting for property, plant, and equipment and intangible assets is discovered
- 11.8 Identify situations that involve a significant impairment of the value of property, plant, and equipment and intangible assets and describe the required accounting procedures
- 11.9 Discuss the accounting treatment of repairs and maintenance, additions, improvements, and rearrangements to property, plant, and equipment and intangible assets
- 11.10 Discuss the primary differences between U.S. GAAP and IFRS with respect to the utilization and impairment of property, plant, and equipment and intangible assets

## **12. Investments**

- 12.1 Describe the key characteristics of a debt investment and demonstrate how to account for a purchase and for interest revenue
- 12.2 Demonstrate how to identify and account for debt investment classified for reporting purposes as held-to-maturity
- 12.3 Demonstrate how to identify and account for debt investments classified for reporting purposes as trading securities
- 12.4 Demonstrate how to identify and account for debt investments classified for reporting purposes as available-for-sale securities
- 12.5 Demonstrate how to identify and account for equity investments classified for reporting purposes as fair value through net income
- 12.6 Demonstrate how to identify and account for equity investments accounted for under the equity method
- 12.7 Explain the adjustments made in the equity method when the fair value of the net assets underlying an investment exceeds their book value at acquisition
- 12.8 Explain how electing the fair value option affects accounting for investments
- 12.9 Discuss the primary differences between U.S. GAAP and IFRS with respect to investments