

Accounting 4--Intermediate

Course Outcome Summary

Course Information

Organization	Madison Area Technical College
Developers	William A. Padley
Development Date	1/7/2004
Revised By	William A. Padley
Revised Date	3/16/2009
Course Number	10-101-122
Instructional Level	Associate Degree
Instructional Area	Accounting
Division	Business and Applied Arts
Potential Hours of Instruction	72
Total Credits	4

Description

Emphasizes analysis of financial statements. Generally accepted accounting principles are applied in the preparation, analysis, and interpretation of financial statements. Particular emphasis is applied to valuation of current and long-term liabilities and stockholders' equity, timing of the recognition of revenue, and earnings per share. Special topics included are income taxes, investments, pensions, and leases. Additional consideration is given to accounting changes, and the statement of cash flows.

Types of Instruction

Instruction Type	Contact Hours	Credits
Classroom Presentation	72	4

Textbooks

Spiceland, Sepe, Tomassini. *Intermediate Accounting*. Irwin Publishers. 2009. **Edition:** 5th.

Learner Supplies

Financial Calculator. **Manufacturer:** Texas Instruments BAII Plus (recommended).

Prerequisites

Accounting 3 - Intermediate Accounting (10-101-121)

Competencies

A. Record investments

You will demonstrate your competence:

- A.1. by satisfactorily completing all homework assignments
- A.2. by satisfactorily completing all exercises and making all corrections requested by instructor
- A.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- A.1. you determine the proper classification for various types of investments
- A.2. you record the purchase, realized income, and the unrealized gain or loss from transactions in

trading securities

A.3. you record the purchase, realized income, and the unrealized gain or loss from transactions in securities available for sale

A.4. you record the purchase, the investor's share of invested's net income or loss, dividends received, and amortization of goodwill, and additional depreciation using the equity method

Learning Objectives

- a. Explain the basis for classifying investments
- b. Determine which investments in securities should be recorded as trading securities
- c. Determine which investments in securities should be recorded as available for sale securities
- d. Determine when the equity method is appropriate for recording investments in common stock

B. Explain the classification of liabilities

You will demonstrate your competence:

- B.1. by satisfactorily completing all homework assignments
- B.2. by satisfactorily completing all exercises and making all corrections requested by instructor
- B.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- B.1. you determine the essential characteristics that must be met for an amount to be considered a liability
- B.2. you differentiate between a current and a noncurrent liability

Learning Objectives

- a. Examine what constitutes a liability
- b. Analyze the characteristics of a current liability
- c. Analyze the characteristics of noncurrent liability

C. Record general liabilities

You will demonstrate your competence:

- C.1. by satisfactorily completing all homework assignments
- C.2. by satisfactorily completing all exercises and making all corrections requested by instructor
- C.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- C.1. you record routine current liability transactions
- C.2. you compute the present value and record a noninterest-bearing note
- C.3. you record typical accrued liabilities including interest payable, payroll payable, accrued paid absence time, etc.

Learning Objectives

- a. Determine the accounting treatment of typical current liabilities
- b. Compute and record accrued interest on interest-bearing and noninterest-bearing notes payable
- c. Identify the types of accrued liabilities that must be recorded at the end of the period

D. Record payroll liabilities

You will demonstrate your competence:

- D.1. by satisfactorily completing all homework assignments
- D.2. by satisfactorily completing all exercises and making all corrections requested by instructor
- D.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- D.1. you record the gross-to-net payroll from the payroll register given a payroll register and employee expense accounts
- D.2. you compute and record the employer's payroll tax expense and liability
- D.3. you compute the proper end-of-period adjusting entry to record payroll earned but unpaid as of end of current period

D.4. you record the estimated liability for compensated absences

Learning Objectives

- a. Review procedure for recording the gross-to-net payroll from the payroll register
- b. Compute and record the employers payroll tax expense and liabilities
- c. Compute and record accrued payroll at end of the accounting period
- d. Determine what conditions must be met before compensated absences must be recorded

E. Record contingent liabilities

You will demonstrate your competence:

- E.1. by satisfactorily completing all homework assignments
- E.2. by satisfactorily completing all exercises and making all corrections requested by instructor
- E.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- E.1. you identify what should be recorded given a list of typical contingent liabilities
- E.2. you record the provision for warranty costs properly

Learning Objectives

- a. Explain the nature of a contingent liability
- b. Determine the conditions that must be met before a contingent liability may be recorded

F. Record long-term bonds

You will demonstrate your competence:

- F.1. by satisfactorily completing all homework assignments
- F.2. by satisfactorily completing all exercises and making all corrections requested by instructor
- F.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- F.1. you justify issuing long-term bonds rather than stock
- F.2. you differentiate the market rate of interest from the stated rate of interest
- F.3. you compute the price of a bond using a business calculator
- F.4. you prepare a bond amortization schedule
- F.5. you record the sale of the bond and routing interest accrual and payments
- F.6. you record the reacquisition of a bond, including any gain or loss on the transaction

Learning Objectives

- a. Explain the purpose for a corporation issuing bonds rather than common stock
- b. Explain the difference between the stated and the market rate of interest
- c. Compute bond selling price
- d. Explain the purpose for discount or premium
- e. Prepare a bond amortization schedule
- f. Record bonds

G. Record the provision for income taxes

You will demonstrate your competence:

- G.1. by completing all homework assignments
- G.2. by completing all exercises and making all corrections requested by instructor
- G.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- G.1. you compute and record the provision for income taxes with the intraperiod tax allocation
- G.2. you compute and record the provision for income taxes with the interperiod tax allocation

Learning Objectives

- a. Explain how income tax return preparation differs from recording the provision for income taxes
- b. Differentiate intraperiod tax allocation from interperiod tax allocation
- c. Explain permanent and temporary differences between book and taxable income

- d. Compute the net income before tax on the income statement
- e. Compute taxable income before tax on the income statement
- f. Compute taxable income
- g. Compute the income tax liability using current income tax rates
- h. Compute the deferred tax liability and/or asset
- i. Record the provision for income taxes

H. Record a net operating loss

You will demonstrate your competence:

- H.1. by completing all homework assignments
- H.2. by completing all exercises and making all corrections requested by instructor
- H.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- H.1. you explain the purpose for the net operating loss carryback and carryforward
- H.2. you compute the correct loss to be carried back to previous periods and the remaining loss to be carried forward to future periods
- H.3. you record the tax benefit of the operating loss in the loss year
- H.4. you record the tax benefit of the operating loss carryforward in subsequent periods
- H.5. you prepare the bottom section of the income statement for the loss year

Learning Objectives

- a. Define net operating loss carryback and carryforward
- b. Compute and record the tax benefit for an operating loss carryback and carryforward
- c. Determine the criteria for recording a net operating loss carryforward and when a valuation allowance for the asset is required
- d. Decide how the benefit of a net operating loss is to appear on the income statement in the loss year

I. Record a lease

You will demonstrate your competence:

- I.1. by completing all homework assignments
- I.2. by completing all exercises and making all corrections requested by instructor
- I.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- I.1. you justify leasing rather than buying an operating asset
- I.2. you prepare a list of the four criteria that indicate a capital lease
- I.3. you record an operating lease
- I.4. you prepare a lease amortization schedule for a capital lease
- I.5. you prepare the journal entries to record a direct financing type of capital lease on both lessee's and lessor's books
- I.6. you prepare the journal entries to record a sales type of capital lease on both lessee's and lessor's books

Learning Objectives

- a. Examine the basic purpose for leasing
- b. Explain the criteria to determine if a lease is operating or capital
- c. Prepare entries required to record and operating lease
- d. Prepare a lease amortization schedule for a capital lease
- e. Differentiate a direct financing from a sales type of capital lease

J. Record a sale-leaseback

You will demonstrate your competence:

- J.1. by completing all homework assignments
- J.2. by completing all exercises and making all corrections requested by instructor

J.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

J.1. you explain the basic reason for a corporation selling an asset and subsequently leasing back

J.2. you justify deferral of a gain or loss on sale-leaseback

J.3. you record a sale-leaseback on both lessee and lessor books, and properly amortize the gain on sale-leaseback

Learning Objectives

a. Examine the purpose for a sale-leaseback

b. Explain why the gain or loss on sale-leaseback is deferred and amortized over the entire lease

c. Examine the required treatment for recording a sale-leaseback

K. Record provision for pensions

You will demonstrate your competence:

K.1. by completing all homework assignments

K.2. by completing all exercises and making all corrections requested by instructor

K.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

K.1. you differentiate a defined benefit pension plan from a defined contribution pension plan

K.2. you compute and record the pension expense, the appropriate prepaid or accrued pension costs, and the funding of the plan

Learning Objectives

a. Examine the difference between a defined benefit and a defined contribution type of pension plan

b. Identify the elements to be included in pension expense

c. Compute and record pension expense

L. Record basic corporate equity transactions

You will demonstrate your competence:

L.1. by completing all homework assignments

L.2. by completing all exercises and making all corrections requested by instructor

L.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

L.1. you explain the principal objective in accounting for corporate capital

L.2. you record the sale of common stock for cash

L.3. you record common stock for services, assets, or other noncash consideration

L.4. you justify the purchase of treasury stock

L.5. you record the purchase and sale of treasury stock

L.6. you record the retirement of common stock whether held in the treasury or not

Learning Objectives

a. Explain the primary objective in corporate equity

b. Record the issuance of common stock for cash, property, or services

c. Explain the purpose for treasury stock

d. Record basic treasury stock transaction

e. Record treasury stock transactions

M. Record dividends

You will demonstrate your competence:

M.1. by completing all homework assignments

M.2. by completing all exercises and making all corrections requested by instructor

M.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

M.1. you explain why a corporation issues dividends

- M.2. you record a cash or a mixed cash and property dividend including adjusting the property to fair market value
- M.3. you justify the issuance of a stock dividend
- M.4. you compute and record a small stock dividend
- M.5. you explain the purpose for a stock split
- M.6. you record a retained earnings appropriation

Learning Objectives

- a. Explain the nature and purpose of dividends
- b. Determine the procedure to be used to record cash dividends or mixed cash and property dividends
- c. Determine the objective for a stock dividend
- d. Compute a small stock dividend
- e. Explain the purpose for a stock split
- f. Explain the purpose for a retained earnings appropriation

N. Record a stock option plan

You will demonstrate your competence:

- N.1. by completing all homework assignments
- N.2. by completing all exercises and making all corrections requested by instructor
- N.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- N.1. you explain the purpose for executive stock options
- N.2. you compute the total compensation to be recorded on the measurement date
- N.3. you record the journal entry to record the option on the grant date, amortization of the compensation expense, and the exercise of the stock option

Learning Objectives

- a. Explain why companies use stock option plans in addition to cash to compensate executives
- b. Compute the compensation to be recorded for the plan
- c. Determine the journal entries required for a stock option plan

O. Compute earnings per share

You will demonstrate your competence:

- O.1. by completing all homework assignments
- O.2. by completing all exercises and making all corrections requested by instructor
- O.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- O.1. you compute simple EPS
- O.2. you compute primary EPS
- O.3. you present EPS on the income statement for net income before extraordinary items, for extraordinary items, and for net income

Learning Objectives

- a. Explain the importance of EPS
- b. Determine the required reporting for a simple or complex capital structure
- c. Compute weighted shares outstanding including stock dividends and splits
- d. Compute the dilutive shares for stock options
- e. Compute simple earnings per share
- f. Perform test to determine if convertible bonds or preferred stock are common stock equivalents
- g. Compute shares to be issued if convertibles are actually converted to common stock
- h. Compute primary earnings per share
- i. Determine the required treatment of earnings per share on the income statement

P. Prepare a complex statement of cash flows

You will demonstrate your competence:

- P.1. by completing all homework assignments
- P.2. by completing all exercises and making all corrections requested by instructor
- P.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- P.1. you justify the necessity for a statement of cash flows
- P.2. you explain how the direct or indirect format affect the preparation of the cash from operations only
- P.3. you prepare a statement of cash flows on a direct basis including the required reconciliation between accrual basis net income and cash from operations
- P.4. you prepare a statement of cash flows on an indirect basis including supplement disclosure for interest and taxes paid

Learning Objectives

- a. Examine why the statement of cash flow is necessary to provide complete cash inflow and outflow information to the financial statement reader
- b. Explain the difference between the direct method and the indirect method for preparing a statement of cash flows
- c. Explain the purpose for the three major classifications of cash flows on the statement
- d. Determine how net income is adjusted to cash from operations
- e. Determine which transactions should be classified as investing activities
- f. Determine which transactions should be classified as financing activities
- g. Determine what must be included in the supplemental disclosure required for the indirect method

Q. Record accounting changes**You will demonstrate your competence:**

- Q.1. by completing all homework assignments
- Q.2. by completing all exercises and making all corrections requested by instructor
- Q.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

- Q.1. you justify the necessity for changing previously published financial statements
- Q.2. you record a basic change in accounting principle
- Q.3. you record a change in accounting estimate
- Q.4. you record the correction in the current period of a material error made in a current period of a material error made in a prior period
- Q.5. you prepare an income statement that includes a change in principle, change in estimate, and the correction of an error
- Q.6. you compute pro forma net income and earnings per share

Learning Objectives

- a. Examine the need for changes to previously published financial statements
- b. Explain what types of changes constitute a change in accounting principles, change in estimate, or an error correction
- c. Determine required accounting treatment for a change in accounting principle
- d. Determine the required accounting treatment for a change in accounting estimate
- e. Determine how to record correction of a material error
- f. Determine the required presentation of accounting change information of the published financial statements
- g. Explain why pro forma net income and EPS data is required for a change in accounting principle

R. Compute financial statement analysis ratios**You will demonstrate your competence:**

- R.1. by completing all homework assignments
- R.2. by completing all exercises and making all corrections requested by instructor

R.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

R.1. you justify the need for financial statement ratios

R.2. you compute the basic ratios

R.3. you interpret the meaning of simple ratios

Learning Objectives

a. Explain the purpose for analyzing financial statements

b. Explain the computation of the basic financial statement ratios

c. Interpret some typical ratios

S. Utilize a financial calculator

You will demonstrate your competence:

S.1. by completing all homework assignments

S.2. by completing all exercises and making all corrections requested by instructor

S.3. by passing a closed book exam with at least 70% correct

Your performance will be successful when:

S.1. you compute the issue price of a bond

S.2. you utilize the calculator to amortize a bond

S.3. you compute the monthly/yearly payment of a long term liability

S.4. you complete a loan amortization schedule

S.5. you compute the present value of the minimum lease payments

S.6. you prepare a lease amortization schedule using both an annuity due payment schedule and an ordinary annuity payment schedule

S.7. you calculate the value of a capitalized lease and the lease payable