

Financial Accounting

Course Text

Williams, Jan R., Susan F. Haka, Mark S. Bettner, and Joseph V. Carcello. Financial and Managerial Accounting: The Basis for Business Decisions, 18th edition, McGraw-Hill/Irwin, 2018, ISBN: 9781259692406

Course Description

Students in this course explore basic accounting concepts and procedures and the interpretation of financial statements. The principles of accrual and deferral accounting are presented, including proper use of debits, credits, and fiscal year-end procedures. Students also examine merchandising transactions, inventory costing and valuation, cash management, and accounts receivable. The reporting of long-term assets, liabilities, and bonds are also discussed.

Course Objectives

After completing this course, you will be able to:

- Understand and use the four basic financial statements.
- Define and apply the accounting equation.
- Review and employ the principles of accrual and deferral accounting.
- Record debits and credits, and close a fiscal year's books.
- Make merchandising entries and handle inventory.
- Practice cash accounting and internal control.
- Account for receivables.
- Understand and handle long-term assets and liabilities.

Course Prerequisites

There are no prerequisites for this course. StraighterLine does suggest that students complete Accounting I and II (ACC101 and ACC102) prior to enrolling in this course.

Important Terms

In this course, different terms are used to designate tasks:

- Proctoring: all final exams require proctoring which can be completed conveniently from your home. A webcam is required.
- Tutoring: memberships include online tutoring for students to access with any content/subject related questions in the place of faculty. If your tutor is not able to answer your questions please contact a student advisor.
- Review Activities: A non-graded assignment to assist you in practicing the skills

[Privacy Policy](#) | [Student Handbook](#)

discussed in a topic.

- Graded Exam: A graded online assessment.

Course Evaluation Criteria

StraighterLine provides a percentage score and letter grade for each course. See [Academic Questions](#) section in FAQ for further details on percentage scores and grading scale. A passing percentage is **70%** or higher.

If you have chosen a Partner College to award credit for this course, your final grade will be based upon that college's grading scale. Only passing scores will be considered by Partner Colleges for an award of credit.

There are a total of 1000 points in the course:

Topic	Assessment	Points Available
4	Graded Exam #1	125
7	Graded Exam #2	125
	Cumulative Graded Midterm Exam	200
10	Graded Exam #3	125
14	Graded Exam #4	125
	Cumulative Graded Final Exam	300
Total		1000

Course Topics and Objectives

Topic	Topic	Subtopics	Objectives
1	Introduction to Financial Accounting in the Business Environment	<ul style="list-style-type: none"> • Accounting Today • Ethics in Accounting • The Basic Accounting Equation 	<ul style="list-style-type: none"> • Explain the purpose and importance of accounting. • Identify users and uses of, and opportunities in accounting. • Explain why ethics are crucial to accounting. • Explain generally accepted accounting principles and define and apply several accounting principles.

[Privacy Policy](#) | [Student Handbook](#)

			<ul style="list-style-type: none"> • Define and interpret the accounting equation and each of its components. • Analyze business transactions using the accounting equation. • Identify basic financial statements and explain how they interrelate.
2	The Accounting Cycle: Analyzing and Recording Transactions	<ul style="list-style-type: none"> • Recording Debits and Credits • General Ledger and Chart of Accounts • The Trial Balance • Preparing Financial Statements 	<ul style="list-style-type: none"> • Explain the steps in processing transactions and the role of source documents. • Describe an account and its use in recording transactions. • Describe a ledger and a chart of accounts. • Define debits and credits and explain double-entry accounting. • Analyze the impact of transactions on accounts and financial statements. • Compute the debt ratio and describe its use in analyzing financial condition. • Record transactions in a journal and post entries to a ledger. • Prepare and explain the use of a trial balance. • Prepare financial statements from business transactions.
3	Accounting Methods, Adjustments and Financial Statements	<ul style="list-style-type: none"> • Accounting Adjustments • The Accounting Cycle • Types of Financial Statements • The Balance Sheet • The Income Statement • The Statement of Cash Flows and the Statement of Changes in Owners' Equity 	<ul style="list-style-type: none"> • Explain the importance of periodic reporting and the time period assumption. • Explain accrual accounting and how it improves financial statements. • Identify steps in the accounting cycle. • Explain and prepare a classified balance sheet. • Explain how accounting adjustments link to financial statements. • Compute profit margin

			<p>and describe its use in analyzing company performance.</p> <ul style="list-style-type: none"> • Compute the current ratio and describe what it reveals about a company's financial condition. • Prepare and explain adjusting entries. • Explain and prepare an adjusted trial balance. • Prepare financial statements from an adjusted trial balance. • Describe and prepare closing entries. • Explain and prepare a post-closing trial balance.
4	Accounting for Merchandising Operations	<ul style="list-style-type: none"> • Merchandising Costs • Inventory • Reporting Sales • Profitability 	<ul style="list-style-type: none"> • Describe merchandising activities and identify income components for a merchandising company. • Identify and explain the inventory asset and cost flows of a merchandising company. • Compute the acid-test ratio and explain its use to assess liquidity. • Compute the gross margin ratio and explain its use to assess profitability. • Analyze and record transactions for merchandise purchases using a perpetual system. • Analyze and record transactions for merchandise sales using a perpetual system. • Prepare adjustments and close accounts for a merchandising company. • Define and prepare multiple-step and single-step income statements.
5	Inventories and	<ul style="list-style-type: none"> • Costing Methods and 	<ul style="list-style-type: none"> • Identify the items making

	Cost of Sales	<ul style="list-style-type: none"> Company Benefits Reporting Inventory and Cost of Goods Sold Periodic and Perpetual Inventory Systems 	<ul style="list-style-type: none"> up merchandise inventory. Identify the costs of merchandise inventory. Analyze the effects of inventory methods for both financial and tax reporting. Analyze the effects of inventory errors on current and future financial statements. Assess inventory management using both inventory turnover and days' sales in inventory. Compute inventory in a perpetual system using the methods of specific identification, FI FO, LIFO, and weighted average. Compute the lower of cost or market amount of inventory.
6	Cash and Internal Controls	<ul style="list-style-type: none"> Internal Controls Cash and Cash Equivalents Bank Reconciliation 	<ul style="list-style-type: none"> Define internal control and identify its purpose and principles. Define cash and cash equivalents and explain how to report them. Compute the days' sales uncollected ratio and use it to assess liquidity. Apply internal control to cash receipts and disbursements. Explain and record petty cash fund transactions. Prepare a bank reconciliation.
7	Accounts and Notes Receivable	<ul style="list-style-type: none"> Accounting for Receivables Notes Receivable 	<ul style="list-style-type: none"> Describe accounts receivable and how they occur and are recorded. Describe a note receivable, the computation of its maturity date, and recording of its existence. Explain how receivables can be converted cash.

			<ul style="list-style-type: none"> • Compute accounts receivable turnover to help assess financial condition. • Apply the direct write-off method of accounts receivable. • Apply the allowance method and estimate uncollectibles based on sales and accounts receivable. • Record the honoring and dishonoring of a note and adjustments for interest.
8	Long-Term Assets	<ul style="list-style-type: none"> • Tangible Assets • Intangible Assets • Natural Resources 	<ul style="list-style-type: none"> • Understand the term plant asset. • Compute depreciation expense under the various methods and understand its impact on the financial statements. • Compare and contrast revenue and capital expenditures. • Determine the cost of an intangible asset and test for impairment when necessary. • Calculate and record the cost of natural resources.
9	Current Liabilities	<ul style="list-style-type: none"> • Current Liabilities 	<ul style="list-style-type: none"> • Describe current and long-term liabilities and their characteristics. • Identify and describe known current liabilities. • Compute the times interest earned ratio and use it to analyze liabilities. • Prepare entries to account for short-term notes payable. • Compute and record employee payroll deductions and liabilities. • Compute and record employer payroll expenses and liabilities. • Account for estimated liabilities, including

			warranties and bonuses.
10	Long-Term Liabilities	<ul style="list-style-type: none"> Accounting for Long-Term Liabilities Stock and Bond Financing Equity Reporting 	<ul style="list-style-type: none"> Explain the types and payment patterns of notes. Compare bond financing with stock financing. Assess debt features and their implications. Compute the debt-to-equity ratio and explain its use.
11	Corporate Reporting and Analysis	<ul style="list-style-type: none"> Corporations Dividends Retained Earnings Earnings Per Share Management Stock transactions Treasury Stock 	<ul style="list-style-type: none"> Identify characteristics of corporations and their organization. Explain characteristics of Dividends Explain the items reported in retained earnings. Record the issuance of corporate stock. Record transactions involving cash dividends, stock dividends, and stock splits. Record purchases and sales of treasury stock and the retirement of stock.
12	Reporting Cash Flows	<ul style="list-style-type: none"> Cash Flow Statement Analysis Operating and Financing Activities 	<ul style="list-style-type: none"> Distinguish between operating, investing, and financing activities. Describe how noncash investing and financing activities are disclosed. Analyze the statement of cash flows. Prepare a statement of cash flows. Compute cash flows from operating activities using the indirect method. Determine cash flows from both investing and financing activities.
13	Analysis of Financial Statements	<ul style="list-style-type: none"> Ratio Analysis Horizontal and Vertical Analysis 	<ul style="list-style-type: none"> Explain the purpose and identify the building blocks of analysis. Describe standards for comparisons in analysis.

			<ul style="list-style-type: none">• Summarize and report results of analysis.• Explain and apply methods of horizontal analysis.• Describe and apply methods of vertical analysis.• Define and apply ratio analysis.
14	Review Topic	<ul style="list-style-type: none">• Review	<ul style="list-style-type: none">• Review