

**BISHOP'S UNIVERSITY
WILLIAMS SCHOOL OF BUSINESS AND ECONOMICS**

**BAC 121 (SECTION 1)
PURPOSES OF ACCOUNTING**

Prof. P. Cunningham
Office: Morris Room 17
Secretary: Mrs. M. Turner H212
e-mail: pcunning@ubishops.ca

Fall 2004
OFFICE HRS.
T,W,Th 11:30-12:30 p.m.
Or by appointment

COURSE OBJECTIVES:

1. To study accounting and its role in the analysis and communication of financial events. The information provided by accounting, particularly through the financial statements, and issues associated with existing accounting processes will be explored.
2. To introduce students to the content and format of financial statements.
3. To acquire the ability to interpret financial statements.

EVALUATION : (tentative)

2 Assignments	10%
Class test	20%
2 Projects	30%
Final exam (50% needed to pass)	<u>40%</u>
	100%

NOTES:

1. Tests and examinations will cover all work to date.
2. Assignments are due beginning of class specified. Up to 20% of marks may be deducted for inadequate presentation.
3. Late assignments will not be accepted.
4. **NO** supplementary exams are given in this course.
5. All 4 components of the evaluation must be fulfilled.

TEXTS:

Required: Gibbins, Michael, Financial Accounting, 5th edition, Scarborough
International Thomson Publishing (at Bookstore)
A-1 Photography Practice Set (at Bookstore)
2003 Annual Report – Leon's Furniture Limited (website: <http://www.sedar.com>)

Available: Seethram, Jim, Study Guide to Accompany Financial Accounting,
4th edition, Scarborough, International Thomson Publishing.

Reference: SEDAR website <http://www.sedar.com>
EDGAR website <http://www.sec.gov/edgar.shtml>
Toronto Stock Exchange <http://tsx.ca>

Course Material: R drive of University computer system

**BAC 121
PURPOSES OF ACCOUNTING
COURSE OUTLINE – Fall 2004**

DATES	TOPICS	READINGS FOR THIS LECTURE (Details in Contents Section)	PROJECT & ASSIGNMENTS DUE
Sept. 9	Introduction	Ch. 1 & 5	
Sept. 14 & 16	Balance Sheet	Ch. 2	
Sept. 21 & 23	Balance Sheet & Income Statement	Ch. 2 & 3	
Sept. 28 & 30	Income Statements	Ch.3	
Oct. 5 & 7	Cash Flow Statements	Ch. 4	Assignment Oct 7 Financial Statement Preparation
Oct. 14	Principals	Ch. 5	
Oct. 19 & 21	Revenue & Expense Recognition	Ch. 6	1 st Project Oct. 14 Accounting
Oct. 26	Records & Control	Ch. 7	
Oct. 28	No Class		
Oct. 29	Mid-term Test		
Nov. 2	Records & Control	Ch. 7	
Nov. 4 & 9	Assets	Ch. 8	
Nov. 11 & 16	Liabilities and Equity	Ch. 9	2 nd Project Nov. 11 Financial Statement Analysis
Nov. 18 & 23	Cash Flow Statement	Ch. 4	
Nov. 25 & Dec. 2	Financial Statement Analysis	Ch.10	Assignment Nov. 25

UNIVERSITY DATES

FINAL DATE FOR COURSE CHANGE	Sept. 21
FINAL DATE FOR WITHDRAWAL	Oct. 26
FINAL EXAMINATION	Dec. 7 to 20 inclusive

CONTENTS

I. INTRODUCTION

- Financial Accounting
- Financial Statements
- Elements of Financial Statements
- Accrual Accounting
- Financial Accounting's Procedures

Readings: Chapter 1 (Sections 1.1 to 1.11 incl.)
Chapter 5 (Sections 5.2, 5.3, 5.6, 5.7 & 5.8)

Self-Study Practice: Problems 1.4, 1.8, 1.11, 1.33
Problems 5.2 to 5.4, 5.8, 5.9, 5.24, Case 5B

II. MEASURING AND EVALUATING FINANCIAL POSITION

- The Balance Sheet
- Kinds of Business Organization and the Equity Section
- The Double-Entry System: A Balance Sheet View
- Analyzing the Balance Sheet: Reitmans, Case 2b

Readings: Chapter 2 (sections 2.3 to 2.10 incl.)
Chapter 10 (page 656 item 4, page 663 items 15,16,17, page 665 items 18 & 19)

Self-Study Practice: Problems 2.5, 2.9, 2.13, 2.14, 2.18, 2.22, 2.26, 2.28

III. MEASURING AND EVALUATING FINANCIAL PERFORMANCE

- The Income Statement
- The Retained Earnings Statement
- The Double-Entry System and Financial Accounting
- Demonstration Problems
- Performance Ratios

Readings: Chapter 3 (sections 3.3, 3.5, 3.6, 3.8, 3.9)
Chapter 10 (pages 654 to 658, 662 items 12 to 14)

Self-Study Practice: Problems 3.4, 3.7, 3.11, 3.14, 3.21, 3.24, 3.25, 3.35, 3.39

IV. MEASURING AND EVALUATING CASH FLOW

- The Cash Flow Statement
- The Indirect Method
- The Direct Method
- Interpreting the Cash Flow Statement
- Demonstration Problem

Readings: Chapter 4 (sections 4.2, 4.3, 4.5, 4.6, 4.7)

Self-Study Practice: Section 4.11 Demonstration Case; Problems 4.1, 4.10, 4.14, 4.23, 4.26, 4.30

V. REVENUE AND EXPENSE RECOGNITION

- Accrual Accounting and Accounting Policy Choices
- Revenue Recognition
- Expense Recognition
- Prepaid and Accrued Expenses
- Examples of Journal Entries

Readings: Chapter 6: Sections 6.2 to 6.10 incl.

Self-study Practice: Problems 6.5, 6.17, 6.20, 6.24, 6.26, 6.38

VI. ASSETS ACCOUNTING

- Balance Sheet Valuation
- The Cost of an Asset
- Cash and Temporary Investments
- Accounts Receivable and Bad Debts
- Inventory and COGS
- Fixed Assets and Amortization
- Intangible Assets
- Other Assets

Readings: Chapter 7: Sections 7.3, 7.7 to 7.10
Chapter 8: Sections 8.3 to 8.14 incl.

Self-Study Practice: Problems 7.19, 7.20, 7.23, 7.26, 7.36, 7.39
Problems 8.8, 8.15, 8.18, 8.21, 8.27, 8.34, 8.42

VII. LIABILITIES, EQUITY AND CORPORATE GROUPS

- Liabilities: current, non-current; income tax accounting
- Equity
- Corporate Groups: intercorporate investments and consolidation

Readings: Chapter 9 (selected topics to be mentioned in class)
Chapter 10 (page 659 items 8 to 11)

Self-Study Practice: Problems 9.1, 9.14, 9.17, 9.29, 9.32
Problems 10.6, 10.42