

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

**BAC 121b- PURPOSES OF ACCOUNTING!
WINTER 2006**

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Office hours: M/W: 15:00 - 17:00

COURSE OBJECTIVES:

• The study of 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.

GRADING SCHEME:

Practice set (1) - Individual paper	20 %
Assignments (2 cases) - teams of 2	20 %
Midterm (1)	20 %
Final examination	<u>40 %</u>
	<u>100 %</u>

NOTE:

- Tests and examinations will cover all work completed to date;
- Assignments are due at the start of the class indicated. Late assignments will not be accepted; 10% of the marks will be allocated to the quality of the presentation;
- You need at least 50 % in total in the final examination to pass the course;
- No supplemental (tests or examination).

TEXT AND REFERENCES:

- Gibbins, Michael, Financial Accounting, Fifth Edition, Scarborough, Thomson Learning; packaged with Seethram, Jim, Study Guide for Use with Financial Accounting, Fifth Edition, Scarborough, Thomson Learning
- A-1 Photography Practice Set
- 2004 Annual Report — Leon's Furniture Limited (website: <http://www.leons.ca>)
- Canadian Cos.: SEDAR website <http://www.sedar.com> ; <http://www.tsx.ca/>
- US Cos.: EDGAR website <http://www.sec.gov/edar.shtml>
- Course material on the R-drive
- Hand-outs

CONTENTS

PART A *Preparing Financial Accounting's Reports*

I. INTRODUCTION

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

Readings: Chapter 1 (sections 1.1 to 1.9 incl.)
Chapter 5 (sections 5.2 and 5.3)

Self-Study practice: Problems 1.8, 1.11, 5.2, 5.3

II. MEASURING AND EVALUATING FINANCIAL POSITION

- The Balance Sheet
- Kinds Of Business Organization
- The Double-Entry System: a Balance Sheet View
- The Recording Process

Readings: Chapter 2 (sections 2.3 to 2.9 incl.)

Self-Study Practice: Problems 2.9, 2.13, 2.14, 2.18, 2.22, 2.25, 2.26, 2.27, 2.28

III. MEASURING AND EVALUATING FINANCIAL PERFORMANCE

- The Income Statement
- The Retained Earnings Statement
- The Recording Process and the Use of a Spreadsheet
- Adjusting Entries and the Adjusted Trial Balance
- The Accounting Cycle

Readings: Chapter 3 (sections 3.3 to 3.9 incl.)
Chapter 7 (section 7.2)

Self-Study Practice: Problems 3.4, 3.7, 3.11, 3.14, 3.20, 3.21, 3.25

IV. MEASURING AND EVALUATING CASH FLOW

- The Cash Flow Statement
- The Indirect Method
- The Direct Method

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

Self-Study Practice: Section 4.11 Demonstration Case; Problems 4.10, 4.14, 4.17, 4.29, 4.30

PART B *The Analysis of Financial Statements*

V. THE ANALYSIS OF FINANCIAL STATEMENTS

- Tools and Techniques
- Financial Ratios
- Cash Flows

Readings: Sections 2.10, 2.11, 3.10, 4.7, 4.8, 10.3, 10.4, 10.5

Self-study Practice: Problems 10.42, 10.43, 10.44 (questions 1 and 2 only)

PART C *Doing Financial Accounting*

VI. 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

Self-study Practice: Problems 6.17, 6.18, 6.24, 6.26, 6.38

VII. 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 and Depreciation
- Other Assets

Readings: Chapter 7: Sections 7.7 to 7.10
Chapter 8: Sections 8.2, 8.3, 8.4 to 8.8 incl, 8.10 to 8.13 incl.

Self-Study Practice: Problems 7.19, 7.23, 7.26, 7.39, 8.8, 8.12, 8.15, 8.18, 8.21, 8.27, 8.34, 8.42

VIII. 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)

**PURPOSES OF ACCOUNTING
WINTER 2006
ASSIGNMENTS AND TESTS**

<u>ASSIGN.*</u>	<u>DUE</u>	<u>TOPIC</u>	<u>MARKS</u>
#1	Feb. 14	<u>Preparing F/S</u> Practice Set <i>A-1 Photography</i> (keep a copy- solution will be discussed in class)	20
# 2	March 14	<u>F/S Analysis</u> <i>Vincor International Inc.</i> <i>and</i> <i>Andrés Wines Ltd</i>	10
# 3	April 13	<u>Doing Financial Accounting</u> 5 mini cases	10

** Reminder: 10% of the marks will be allocated to the quality of the presentation, namely: presence of a cover page, "cleanliness" of your paper (ass. #2 and 3 must be typed), clarity of your arguments, references appropriately cited. Late assignments will not be accepted*

TESTS

- I Midterm (1,5 hour) Feb. 23, 2006 20
- 1 Final (3 hours) 40