

ACCT 2301
Principles of Financial
Accounting

Western Texas College

I. Basic Course Information:

- A. Course Description: This course is an introduction to the fundamental concepts of financial accounting as prescribed by U.S. generally accepted accounting principles (GAAP) as applied to transactions and events that affect business organizations. Students will examine the procedures and systems to accumulate, analyze, measure, and record financial transactions. Students will use recorded financial information to prepare a balance sheet, income statement, statement of cash flows, and statement of shareholders' equity to communicate the business entity's results of operations and financial position to users of financial information who are external to the company. Students will study the nature of assets, liabilities, and owners' equity while learning to use reported financial information for purposes of making decisions about the company. Students will be exposed to International Financial Reporting Standards (IFRS).
- B. Prerequisites: Meet TSI college-readiness standard for Mathematics: or equivalent. Recommended co-requisite: MATH 1324 – Mathematics for Business & Social Sciences.
- C. Required Grade for Enrolling in the Next Course in this Sequence: A grade of C in this course is required to advance to ACCT 2302.

II. Student Learning Outcomes (SLO):

- A. Use basic accounting terminology and the assumptions, principles, and constraints of the accounting environment.
- B. Identify the difference between accrual and cash basis accounting.
- C. Analyze and record business events in accordance with U.S. generally accepted accounting principles (GAAP).
- D. Prepare adjusting entries and close the general ledger.
- E. Prepare financial statements in a appropriate U.S. GAAP format, including the following: income statement, balance sheet, statement of cash flows, and statement of shareholders' equity.
- F. Analyze and interpret financial statements using financial analysis techniques.
- G. Describe the conceptual differences between International Financial Reporting Standards and U.S. generally accepted accounting principles.

III. Testing Requirements:

- A. Chapter exams and the final exam must be proctored by an approved testing organization. (Ask you instructor for more details.)
- B. Students are NOT allowed to use their textbook/notes/other resources while taking their proctored chapter exams and the final exam.

IV. Major Course Requirements:

- A. Major Requirement 1 – There will be 4 Exams, 2 proctored and 2 not proctored.
- B. Major Requirement 2 – There will be a comprehensive final exam.
- C. Exams 35%, Quizzes 10%, Assignments 20%, Ethics Paper 15%, Comprehensive Final exam 20%

V. Information on Books and Other Course Materials:

A. Text: Horngren's Financial and Managerial Accounting, 7th Ed., Nobles, Mattison, and Matsumura. Pearson/Prentice Hall. This book will be used for both Accounting I – Financial Accounting and Accounting I – Managerial Accounting.

B. Required Access Code: Students must purchase MyAccountingLab. If you are purchasing the book through the WTC bookstore, the access code will be included with the book. This code may be purchased with the textbook, the e-text, or separately.

VI. Other Policies, Procedures and Important Dates: Please refer to the WTC Course Catalog for the following:

- A. Campus Calendar
- B. Final Exam Schedule
- C. How to Drop a Class
- D. Withdraw Information
- E. Student Conduct/ Academic Integrity
- F. Class Attendance
- G. Students with Disabilities

VII. Course Organization and Schedule:

Chapter 1: Accounting and the Business Environment

- 1.1 Why is accounting important?
- 1.2 What are the organizations and rules that govern accounting?
- 1.3 What is the accounting equation?
- 1.4 How do you analyze a transaction?
- 1.5 How do you prepare financial statements?
- 1.6 How do you use the financial statements to evaluate business performance?

Chapter 2: Recording Business Transactions

- 2.1 What is an account?
- 2.2 What is double-entry accounting?
- 2.3 How do you record transactions?
- 2.4 What is the trial balance?
- 2.5 How do you use the debt ratio to evaluate business performance?

Chapter 3: The Adjusting Process

- 3.1 What is the difference between cash basis accounting and accrual basis accounting?
- 3.2 What concepts and principles apply to accrual basis accounting?
- 3.3 What are adjusting entries and how do we record them?
- 3.4 What is the purpose of the adjusted trial balance and how do we prepare it?
- 3.5 What is the impact of adjusting entries on the financial statements?
- 3.6 How could a worksheet help in preparing adjusting entries and the adjusted trial balance?
- 3.7 What is an alternative treatment of recording prepaid expenses and unearned revenues?

Chapter 4: Completing the Accounting Cycle

- 4.1 How do we prepare financial statements?
- 4.2 How could a worksheet help in preparing financial statements?
- 4.3 What is the closing process, and how do we close the accounts?
- 4.4 How do we prepare a post-closing trial balance?

- 4.5 What is the accounting cycle?
- 4.6 How do we use the current ratio to evaluate business performance?
- 4.7 What are reversing entries?

Chapter 5: Merchandising Operations

- 5.1 What are the merchandising operations?
- 5.2 How are purchases of merchandise inventory recorded in a perpetual inventory system?
- 5.3 How are sales of merchandise inventory recorded in a perpetual inventory system?
- 5.4 What are the adjusting and closing entries for a merchandiser?
- 5.5 How are a merchandiser's financial statements prepared?
- 5.6 How do we use the gross profit percentage to evaluate business performance?
- 5.7 How are merchandising inventory transactions recorded in a periodic inventory system?

Chapter 6: Merchandise Inventory

- 6.1 What are the accounting principles and controls that relate to merchandise inventory?
- 6.2 How are merchandise inventory costs determined under a perpetual inventory system?
- 6.3 How are financial statements affected by using different inventory costing methods?
- 6.4 How is merchandise inventory valued when using the lower-of-cost-or-market rule?
- 6.5 What are the effects of merchandise inventory errors on the financial statements?
- 6.6 How do we use inventory turnover and days' sales in inventory to evaluate business performance?
- 6.7 How are merchandise inventory costs determined under a periodic inventory system?
- 6.8 How can the cost of ending merchandise inventory be estimated?

Chapter 7: Internal Control and Cash

- 7.1 What is internal control and how can it be used to protect a company's assets?
- 7.2 What are the internal control procedures with respect to cash receipts?
- 7.3 What are the internal control procedures with respect to cash payments?
- 7.4 How can a petty cash fund be used for internal control purposes?
- 7.5 How can the bank account be used as a control device?
- 7.6 How can the cash ratio be used to evaluate business

Chapter 8: Receivables

- 8.1 What are common types of receivables and how are credit sales recorded?
- 8.2 How are uncollectibles accounted for when using the direct write-off method?
- 8.3 How are uncollectibles accounted for when using the allowance method?
- 8.4 How are notes receivable accounted for?

8.5 How do we use the acid-test ratio, accounts receivable turnover ratio, and days' sales in receivables to evaluate business performance?

Chapter 9: Plant Assets, Natural Resources, and Intangibles

9.1 How does a business measure the cost of a plant asset?

9.2 What is depreciation and how is it computed?

9.3 How are disposals of plant assets recorded?

9.4 How are natural resources accounted for?

9.5 How are intangible assets accounted for?

9.6 How do we use the asset turnover ratio to evaluate business performance?

9.7 How are exchanges of plant assets accounted for? Chapter 10: Investments

10.1 Why do companies invest?

10.2 How are investments in debt securities accounted for?

10.3 How are investments in equity securities accounted for?

10.4 How are debt and equity securities reported?

10.5 How do we use the rate of return on total assets to evaluate business performance?

Chapter 11: Current Liabilities and Payroll

11.1 How are current liabilities of known amounts accounted for?

11.2 How do companies account for and record payroll?

11.3 How are current liabilities that must be estimated accounted for?

11.4 How are contingent liabilities accounted for?

11.5 How do we use the times-interest-earned ratio to evaluate business performance?

Chapter 12: Long-Term Liabilities

12.1 How are long-term notes payable and mortgages payable accounted for?

12.2 What are bonds?

12.3 How are bonds payable accounted for using the straight-line amortization method?

12.4 How is the retirement of bonds payable accounted for?

12.5 How are liabilities reported on the balance sheet?

12.6 How do we use the debt to equity ratio to evaluate business performance?

12.7 What is the time value of money, and how is the present value of a future amount calculated?

12.8 How are bonds payable accounted for using the effective-interest amortization method?

Chapter 13: Stockholders' Equity

13.1 What is a corporation?

13.2 How is the issuance of stock accounted for?

13.3 How are dividends and stock splits accounted for?

13.4 How is treasury stock accounted for?

13.5 How is equity reported for a corporation?

13.6 How do we use stockholders' equity ratios to evaluate

business performance?

Chapter 14: The Statement of Cash Flows

14.1 What is the statement of cash flows?

14.2 How is the statement of cash flows prepared using the indirect method?

14.3 How do we use free cash flows to evaluate business performance?

14.4 How is the statement of cash flows prepared using the direct method?

14.5 How is the statement of cash flows prepared using the indirect method and a spreadsheet?

Chapter 15: Financial Statement Analysis

15.1 How are financial statements used to analyze a business?

15.2 How do we use horizontal analysis to analyze a business?

15.3 How do we use vertical analysis to analyze a business?

15.4 How do we use ratios to analyze a business?

15.5 How is the complete corporate income statement prepared?