



## **Course Description**

### **ACG2031 | Accounting Theory | 3.00 credits**

Designed primarily for the transferring accounting major, the course covers current topics in both financial and managerial accounting. It exposes the student to a computerized accounting system. It also familiarizes the student with current accounting literature and includes a review of the preparation and analysis of financial statements. Prerequisites: ACG2071.

### **Course Competencies:**

**Competency 1:** The student will demonstrate knowledge of the role of accounting in business administration by:

1. Describing the nature of a business
2. Describing the role of accounting in business
3. Describing the importance of business ethics and the basic principles of proper ethical conduct
4. Describing the profession of accounting
5. Summarizing the development of accounting principles and relating them to practice
6. Stating the accounting equation and defining each element of the equation
7. Describing the financial statements of a corporation and explaining how they interrelate
8. Explaining how business transactions can be stated in terms of the resulting changes in the three basic elements of the accounting equation

**Competency 2:** The student will demonstrate knowledge in analyzing transactions by:

1. Explaining why accounts are used to record and summarize the effects of transactions on financial statements
2. Explaining the characteristics of an account, the journal, and the general ledger
3. Listing the rules of debit and credit and the normal balances of accounts
4. Journalizing and posting general business transactions
5. Preparing a trial balance and explaining how it can be used to discover errors
6. Discovering errors in transactions and making corrections

**Competency 3:** The student will illustrate the matching concept and the adjusting process by:

1. Explaining how the matching concept relates to the accrual basis and cash basis of accounting
2. Explaining why adjustments are necessary and listing the characteristics of adjusting entries
3. Journalizing and posting entries for accounts requiring adjustment
4. Summarizing the adjustment process and preparing an adjusted trial balance
5. Analyzing the effects of omissions of adjustments on the financial statements

**Competency 4:** The student will demonstrate knowledge in completing the accounting cycle by:

1. Explaining the difference between
2. Permanent and temporary accounts
3. Identifying and preparing a classified balance sheet
4. Journalizing and posting closing entries
5. Explaining the difference between a fiscal year and the natural business year
6. Demonstrating an understanding of the steps of the accounting cycle
7. Showing a full understanding of the steps in the accounting cycle

**Competency 5:** The student will illustrate the accounting of a merchandising business by:

1. Distinguishing the activities of a service business from those of merchandising business
2. Journalizing the entries for merchandise transactions, including:
  - a. Merchandise purchase
  - b. Merchandise sales

- c. Merchandise transportation costs
- d. Transactions for both the buyer and the seller
- 3. Preparing an income statement for a merchandising business
- 4. Identifying the difference between the single-step and multiple-step income statements
- 5. Describing the accounting cycle for a merchandising business

**Competency 6:** The student will describe the principles of internal control, accounting systems and cash accounting by:

- 1. Listing the three objectives of internal control and defining and giving examples of the five elements of internal control
- 2. Describing the nature of cash and the importance of internal control over cash
- 3. Summarizing basic procedures for achieving internal control over cash receipts
- 4. Summarizing the basic procedures for achieving internal control over cash payments, including the use of a voucher system
- 5. Describing the nature of a bank account and its use in controlling cash
- 6. Preparing a bank reconciliation and journaling any necessary entries
- 7. Accounting for small cash transactions using a petty cash fund

**Competency 7:** The student will demonstrate knowledge of receivables by:

- 1. Listing the common classification of receivables
- 2. Summarizing and providing examples of internal control procedures that apply to receivables
- 3. Describing the nature of and the accounting for uncollectible receivables
- 4. Journalizing the entries for the allowance method of accounting for uncollectible, and estimating uncollectible receivables based on sales and on an analysis of receivables
- 5. Journalizing the entries for the direct write-off method of accounting for uncollectible receivables
- 6. Describing the nature and characteristics of promissory notes. G. Journalizing the entries for notes receivable transactions
- 7. Describing the presentation of receivables on the balance sheet

**Competency 8:** The student will demonstrate knowledge of accounting concepts, principles and procedures related to merchandise inventory by:

- 1. Summarizing and providing examples of internal control procedures that apply to inventory.
- 2. Describing the effect of inventory errors on financial statements
- 3. Describing the three main inventory cost flow assumptions and how they impact the financial statements
- 4. Computing the cost of inventory under the periodic inventory system, using the fifo (first-in, first-out), lifo (last-in, first-out), and average cost method
- 5. Computing the cost of inventory under the perpetual inventory system, using the fifo (first-in, first-out) and lifo (last in, first- out)
- 6. Comparing and contrasting the use of the three main inventory costing methods
- 7. Computing the proper valuation of inventory at other than cost, using the lower-of-cost-or market concept
- 8. Describing the presentation of merchandise inventory on the balance sheet
- 9. Estimating the cost of inventory using the retail and gross project methods

**Competency 9:** The student will demonstrate knowledge of accounting for fixed and intangible assets by:

- 1. Defining fixed assets, natural resources, and intangible assets
- 2. Identifying what items are included in the cost of a fixed asset
- 3. Classifying fixed asset costs as either capital expenditures or revenue expenditures
- 4. Computing depreciation, using the following methods: straight-line, units-of-production, and declining-balance method
- 5. Computing depletion and journalizing the entry for depletion
- 6. Understanding the accounting for intangible assets, including amortization

7. Journalizing entries for the disposal of fixed assets
8. Describing internal controls over fixed assets
9. Describing how depreciation expenses are reported in an income statement
10. Describing the presentation of fixed assets, natural resources, and intangible assets on the balance sheet

**Competency 10:** The student will illustrate accounting procedures for current liabilities by:

1. Journalizing entries for short-term notes payable
2. Determining gross pay, deductions, and net pay for an individual employee
3. Determining employer liabilities for payroll
4. Describing the accounting for payroll and the use of a payroll register
5. Journalizing payroll, employers' liability, and employee fringe benefits
6. Describing the accounting treatment for contingent liabilities and product warranties

**Competency 11:** The student will explain the nature of the corporate form of organization and how a corporation accounts for stock by:

1. Describing the characteristics of the corporate form of organization
2. Listing the major sources of paid-in capital, including the two main classes of stock
3. Determining dividend distribution for the two main classes of stock
4. Journalizing the entries for issuing stock
5. Journalizing the entries for treasury stock transactions
6. Journalizing the entries for cash dividends and stock dividends
7. Stating the effect of stock splits on corporate financial statements

**Competency 12:** The student will demonstrate knowledge of accounting principles relating to accounting for bonds by:

1. Describing the characteristics of bonds
2. Computing the present value of bonds payable
3. Journalizing entries for bonds payable. Journalizing entries for bond redemptions
4. Journalizing entries to amortize bond premiums or discounts
5. Journalizing entries to record the sale of bond investments
6. Preparing a corporation balance sheet
7. Computing the potential impact of long-term borrowing on the earnings per share of a corporation

**Competency 13:** The student will demonstrate knowledge of the Statement of Cash Flows by:

1. Describing the nature of the statement of cash flows
2. Illustrating the reporting of the cash flows from operating, investing, and financing activities
3. Preparing a statement of cash flows using the indirect or the direct method

**Competency 14:** The student will analyze and interpret corporate annual reports with the help of various measurements by:

1. Describing the basic financial statement analytical procedures
2. Computing different ratios to evaluate the company's solvency
3. Computing different ratios to evaluate the company's profitability
4. Identifying the contents of corporate annual reports
5. Describing the different sections of the auditors' report

**Competency 15:** The student will show the ability to solve problems related to markups and markdowns by:

1. Computing and calculating dollar markup and percentage markup on cost
2. Computing and calculating selling price when you know the cost and percentage markup on cost
3. Computing cost when dollar and percent markup on cost are known
4. Calculating cost when you know the selling price and percent markup on cost
5. Computing and calculating dollar markup and percent markup on selling price
6. Computing and calculating selling price when dollar and percent markup on selling price are known

7. Calculating selling price when cost and percent markup on selling price are known
8. Calculating cost when selling price and percent markup on selling price are known
9. Converting from percent markup on selling price to percent markup on cost and vice versa
10. Calculating markdowns, comparing markdowns and markups

**Learning Outcomes:**

- Use quantitative analytical skills to evaluate and process numerical data
- Solve problems using critical and creative thinking and scientific reasoning
- Use computer and emerging technologies effectively