



COLLEGE OF BUSINESS
SAN JOSE STATE UNIVERSITY



**THE CORE & SPECIAL COMPETENCIES MODEL
FOR FINANCIAL ACCOUNTING 1A -- DE ANZA COLLEGE**

BY
MALLORY MCWILLIAMS, SJSU
KEN HARPER, DE ANZA COLLEGE

THE CALIFORNIA CORE COMPETENCY MODEL WITH SPECIAL COMPETENCIES -- DE ANZA COLLEGE

SOME SPECIFIC NOTES ABOUT OUR COMPETENCY MODEL

- The primary objective of this course is to help students learn how accounting meets the information needs of various **users** by developing and communicating information that is useful for decision-making. This objective will be achieved by requiring the following outcomes, core and special competencies. Appendix A explains the difference between outcomes, core and special competencies.
- The outcomes and core competencies you see are derived from the Accounting Education Change Commission's Position Statement Number Two entitled The First Course in Accounting. We strongly recommend that you study this document as background preparation before you view our model.
- Like the AECC, we define the first course in accounting to mean the full introductory accounting sequence taught at De Anza College over three quarters (Financial Accounting 1A, 1B and Managerial Accounting 1C).
- Do not interpret the user orientation of our financial accounting outcomes and competencies to mean that you should no longer prepare statements. Although we do not include the traditional detailed treatment of debits and credits in the core competencies, we do want students to develop the skills needed to intelligently **use** such financial reports as are found in an annual report. Accordingly, students must be able to prepare simple financial statements.
- Our model contains twelve outcomes divided into three categories of competencies: financial accounting (31 competencies), managerial accounting (29 competencies), and active learning (9 competencies). The active learning skills are intended to facilitate accounting content. Also, the competencies are not designed to be mutually exclusive. That is, when you analyze a case study in a group setting, the assignment may also involve one or more communication skills and problem solving skills.
- Some of the competencies have been duplicated in one or more courses. Additionally, some have been deleted from a particular course. Whenever possible content notes have been added for your convenience.

THE CORE & SPECIAL COMPETENCIES MODEL FOR FINANCIAL ACCOUNTING 1A -- DE ANZA COLLEGE

Message to Instructors and Student: The primary objective of this course is to help students learn how accounting meets the information needs of various users by developing and communicating information that is useful for decision-making. This objective will be achieved by requiring the following outcomes, core and special competencies.

Financial Accounting Outcomes with Core & Special Competencies:

1 Accounting's Role in Society

Part A: How does accounting meet the information needs of investors and creditors?

- ❖ Identify the types of decisions investors and creditors make and describe what information in the financial statements and/or related disclosures meets the information needs of each group.
- ❖ Discuss what role ethics plays in the preparation of financial statements.
- ❖ Identify and discuss examples of how U.S. accounting measurement techniques and financial statements differ from the measurement techniques and financial statements of other countries.

Part B: How does accounting meet the information needs of regulatory agencies and taxing authorities?

- ❖ Describe how information sources other than the annual report (e.g., SEC Form 10-K) can be used to learn more about the nature of an entity's business.

(Cash Flows are covered in depth in Financial Accounting 1B and Managerial Accounting 1C.)

Special Competencies For: Accounting's Role in Society

- Oral Communication:
 - Deliver messages with clarity.
 - Follow oral directions.
 - Participate in group discussions.
- Written Communication:
 - Organize thoughts into expressive written forms.
 - Proofread, edit and revise written documents.
 - Use correct grammar and spelling in writing.
- Reading:
 - Investigate meaning of unknown words.
 - Extract the main ideas of messages.
 - Identify relevant details, facts and specifications from reading.

2 Fundamental Business Concepts: How do businesses operate and how does accounting serve them?

- ❖ Explain the meanings of key business terms (e.g., assets, budget, collateral, financing, limited liability, and lease).

- ❖ Distinguish between profit, governmental and other nonprofit entities by identifying their respective goals and by looking at the content of their financial reports.
- ❖ Identify the characteristics of the corporate, partnership, and sole proprietorship forms of entity and discuss the advantages and disadvantages of each form.

(Corporations and Partnerships are covered in depth in Financial Accounting 1B.)

- ❖ Describe the key differences in the financial statements of merchandisers, manufacturers, non-financial service companies (e.g. United Air Lines), and financial service companies; and explain how these differences reflect the operating, investing, and financing activities of each type of entity.

(Manufacturing financial statements are covered in depth in Managerial Accounting 1C. Differences reflecting the operating, investing, and financing activities of each type of entity are covered in depth coverage of cash flow statements, Financial Accounting 1B and Managerial Accounting 1C.)

Special Competencies For: Fundamental Business Concepts: How do businesses operate and how does accounting serve them?

- Oral Communication:
 - Deliver messages with clarity.
 - Follow oral directions.
 - Participate in group discussions.
- Written Communication:
 - Organize thoughts into expressive written forms.
 - Proofread, edit and revise written documents.
 - Use correct grammar and spelling in writing.
- Reading:
 - Investigate meaning of unknown words.
 - Extract the main ideas of messages.
 - Identify relevant details, facts and specifications from reading.

3 Fundamental Accounting Concepts Underlying Financial Statements: What are the elements of, the relationships among, and the accounting concepts underlying the primary financial statements?

- ❖ Discuss what information is typically found in the balance sheet, income statement, statement of owners' equity, and statement of cash flows.
- ❖ Apply the fundamental accounting equation ($A = L + OE$) to:
 - Analyze the effects of accounting transactions on the elements of the balance sheet,
 - Prepare a balance sheet that reports the financial condition of any entity (e.g., a person, sole proprietorship, partnership, corporation, etc.).
- ❖ Apply the income statement equation ($R - E = NI$) to:
 - Discuss the criteria used to determine when revenue is recognized, and
 - Apply these criteria to a specific entity to determine when its revenue should be recognized,
 - Discuss the process used to recognize expense,
 - Prepare an income statement that reports the results of operations for any entity,

- ❖ Distinguish between the accrual and the cash basis of income measurement by preparing both an accrual basis and cash basis income statement from the same set of business transactions.
- ❖ Differentiate the balance sheet from the income statement by being able to classify account titles into asset, liability, owners' equity, and non-balance sheet accounts.
- ❖ Describe how the amounts reported on the income statement and balance sheet are determined by:
 - Distinguishing between the following valuation methods: historical cost, current cost, current market value, and the present value of cash flows,
 - Identifying the generally accepted valuation method for each of the major asset and liability accounts,
 - Describing how the balance in each major asset, liability, owners' equity, revenue, and expense account is calculated (e.g., accounts receivable and depreciation expense),
- ❖ Link the following related financial statements; balance sheet, income statement, statement of cash flows, and statement of owners' equity or retained earnings.
- ❖ Classify cash receipt and cash payment transactions as well as significant non-cash transactions into the appropriate statement of cash flow activity.

(Cash Flows are covered in depth in Financial Accounting 1B and Managerial Accounting 1C.)

Special Competencies For: Fundamental Accounting Concepts Underlying Financial Statements: What are the elements of, the relationships between, and the accounting concepts underlying the primary financial statements?

- Adjustment Process:
 - Explain why adjustments are necessary and list the characteristics of adjusting entries.
 - Journalize entries for accounts requiring adjustment
 - Summarize the adjustment process and prepare a trial balance and explain how it can be used to discover errors.
- Oral Communication:
 - Deliver messages with clarity.
 - Follow oral directions.
 - Participate in group discussions.
- Written Communication:
 - Organize thoughts into expressive written forms.
 - Proofread, edit and revise written documents.
 - Use correct grammar and spelling in writing.
- Reading:
 - Investigate meaning of unknown words.
 - Extract the main ideas of messages.
 - Identify relevant details, facts and specifications from reading.
- Mathematics Usage:
 - Use measuring tools and systems.
 - Use basic computational skills.
 - Use graphic formats to display and obtain information.

4 Uses and Limitations of Financial Statements: What are the uses and limitations of financial statements and related information in making both business and personal financial decisions?

- ❖ Identify several ways in which financial accounting information is used to make business and personal decisions.
- ❖ Calculate at least one financial statement ratio within each of the following four categories and discuss its usefulness and limitations in making decisions:
 - Liquidity e.g., current ratio and acid test ratio
 - Activity or turnover e.g., average collection period
 - Financial leverage e.g., debt to equity ratio
 - Profitability e.g., profit margin ratio and return on equity
 - Valuation e.g., price-earnings ratio and dividend yield

(In depth ration analysis will be preformed in Financial Accounting 1b.)

- ❖ Explain how inventories and accounts receivable can be mismanaged and describe how a manager can use financial statement analysis to monitor and control them.

(Inventories are covered in depth in Financial Accounting 1B.)

- ❖ Explain the relationship between net income and cash flows and discuss how a highly profitable, fast-growing business might face liquidity problems that could force it into bankruptcy.

(Cash Flows are covered in depth in Financial Accounting 1B and Managerial Accounting 1C.)

- ❖ Identify several limitations of the financial statements found in the annual report.

(Annual reports and SEC reports will be covered in depth in Financial Accounting 1B.)

Special Competencies For: Uses and Limitations of Financial Statements: What are the uses and limitations of financial statements and related information in making both business and personal financial decisions?

- Accounts and Notes Receivable:
 - List the common classifications of accounts receivables.
 - Describe the nature of and the accounting for uncollectable receivables;
 - o Direct write off method
 - o Allowance method based upon sales,
 - o Allowance method based upon aging.
 - Describe the nature and characteristics of promissory notes.
 - Prepare the Current assets presentation of receivables on the balance sheet.
- Oral Communication:
 - Deliver messages with clarity.
 - Follow oral directions.
 - Participate in group discussions.

- Written Communication:
 - Organize thoughts into expressive written forms.
 - Proofread, edit and revise written documents.
 - Use correct grammar and spelling in writing.
- Reading:
 - Investigate meaning of unknown words.
 - Extract the main ideas of messages.
 - Identify relevant details, facts and specifications from reading.
- Mathematics Usage:
 - Use measuring tools and systems.
 - Use basic computational skills.
 - Use graphic formats to display and obtain information.

5 Accounting Information Systems

Part A: How is the usefulness of information produced by an accounting system directly related to that system's design?

- ❖ Discuss how the need for relevance and reliability affect the design of an accounting information system.
- ❖ Discuss the basic principles of internal control and describe the attributes of an effective and efficient internal control system.
- ❖ Identify the strengths and weaknesses of an internal control system and, if appropriate, suggest improvements to this system.

Part B: How are business transactions input, processed by an accounting information system, and output by that same system to produce financial statements? To appreciate the role of technology in this process, students should work with one or more of the following tools: a spreadsheet, an accounting software package, a database, or other technology.

- ❖ Identify and apply the essential conditions necessary for a business event to qualify as an accounting transaction and, therefore, be recorded in the accounting information system.
- ❖ Distinguish between the recording phase and the reporting phase of the accounting process or cycle by being able to:
 - Record the effects of accounting transactions in an accounting information system.
 - Transfer the effects of these explicit transactions to individual asset, liability, and owners' equity accounts.
 - Analyze whether an adjustment or correction is needed in a particular situation.
 - Record and transfer the effects of adjustments and corrections to individual asset, liability, and owners' equity or shareholders' equity accounts.
 - Prepare the financial statements.
- ❖ Explain the significance of debits and credits as they are used in an accounting information system.

Special Competencies For:

Part A: How is the usefulness of information produced by an accounting system directly related to that system's design?

- Bank Reconciliation:
 - Describe the nature of cash and the importance of internal control over

cash.

- Summarize basic procedures for achieving internal control over cash receipts, cash payments; including the voucher system.
- Describe the nature of a bank account and its use in controlling cash.
- Prepare a bank reconciliation.

Part B: How are business transactions input, processed by an accounting information system, and output by that same system to produce financial statements? To appreciate the role of technology in this process, students should work with one or more of the following tools: a spreadsheet, an accounting software package, a database, or other technology.

- Computer Usage;
 - Use word-processing; communications.
 - Use a graphic program;
 - Use a spreadsheet program; database.
- Technology Usage;
 - Set up appropriate machines and equipment.
 - Produce a product using technology.
 - Maintain and troubleshoot technology.
- Systems Usage;
 - Identify the systems and its purpose
 - Monitor and improve performance.
 - Adapt to situations changes.

Note: Competencies six through nine have are included in Financial Accounting 1B and Managerial Accounting sections.

Active Learning Outcomes With Core & Special Competencies

10 Communication Skills: How can students demonstrate their ability to communicate effectively in both oral (speaking and listening) and written form?

- ❖ Engage in one or more of the following in-class speaking activities:
 - Summarize an accounting-related newspaper or magazine article
 - Present an accounting concept or homework problem applying a concept
 - Debate at least one side of an accounting issue
 - Present an analysis of an assigned case
 - Present the results of a research assignment or project
- ❖ Engage in one or more of the following in-class listening activities:
 - Listen to someone speak, summarize what they say, and ask them for feedback about your summary
 - Listen to someone's response to a question or assignment and compare it to your own
 - Compare notes you have taken to those taken by another student and evaluate the effectiveness of your listening skills
- ❖ Engage in one or more of the following written communication activities:
 - Accumulate a written record of the concepts and terminology learned in the course, e.g. writing a journal
 - Summarize the content of assigned readings, e.g. a reading log

- Describe what was learned in class, e.g. a one-minute response
 - Submit questions about concepts or problems
 - Submit potential exam questions
 - Respond to discussion questions or cases
 - Respond in essay form to questions in quizzes and exams
 - Submit an essay describing a particular issue
- ❖ Special Competencies For: How can students demonstrate their ability to communicate effectively in both oral (speaking and listening) and written form?
- Computer Usage:
 - Use word-processing; communications.
 - Use a graphic program;
 - Use a spreadsheet program; database.
 - Technology Usage:
 - Set up appropriate machines and equipment.
 - Produce a product using technology.
 - Maintain and troubleshoot technology.
 - Oral Communication:
 - Deliver messages with clarity.
 - Follow oral directions.
 - Participate in group discussions.
 - Written Communication:
 - Organize thoughts into expressive written forms.
 - Proofread, edit and revise written documents.
 - Use correct grammar and spelling in writing.
 - Reading:
 - Investigate meaning of unknown words.
 - Extract the main ideas of messages.
 - Identify relevant details, facts and specifications from reading.
 - Mathematics Usage:
 - Use measuring tools and systems.
 - Use basic computational skills.
 - Use graphic formats to display and obtain information.

11 Group Work Skills: How can students demonstrate their ability to work effectively in groups?

- ❖ Participate in groups whose task is to do one or more of the following:
- Solve problems
 - Discuss readings from the financial press
 - Analyze financial statements
 - Analyze case studies
- ❖ Perform the following tasks that are commonly associated with collaborative or cooperative learning:
- Facilitate the discussion and keep the group on task
 - Record the group's results
 - Report the results of the group's work to the class
 - Keep time, assist the leader, and fill vacant roles

Special Competencies For: How can students demonstrate their ability to work effectively in groups?

- Resourcing:
 - Schedule time to meet task/project deadlines.
 - Select appropriate human and material resources.
 - Allocate human and material resources to complete a task/project.
- Oral Communications; Participate in group discussions.
- Leadership:
 - Organize group work.
 - Involve all group members.
 - Set positive examples for others.
- Group Dynamics:
 - Contribute ideas, suggestions and efforts for completion of group tasks.
 - Solve conflict in positive ways.
 - Cooperate as a member of a multi-ethnic, mixed gender team.
- Responsibility:
 - Display punctuality and regular attendance.
 - Meet deadlines and complete tasks.
 - Take care of materials and equipment; respect others' property.
- Self Confidence:
 - Assess and evaluate criticism.
 - Demonstrate Initiative.
- Self Management:
 - Exhibit self-control.
 - Work without close supervision.
 - Evaluate and monitor personal performance.
- Integrity:
 - Exhibit trustworthy behavior.
 - Respect rights and property of others.
- Sociability:
 - Compromise.
 - Exhibit sensitivity to the attitudes, values and feelings of others.

12 Problem Solving Skills: How can students demonstrate their ability to reason creatively and critically rather than to memorize?

- ❖ Identify the problem, alternate ways of solving the problem, alternate positions, and position arguments for a controversial issue.
- ❖ Identify the assumptions and possible positions underlying an ethical issue.
- ❖ Evaluate a speaker's or writer's content for the appearance of underlying assumptions and of facts versus opinions.
- ❖ Analyze an unstructured problem that has no single correct answer.

Special Competencies For: How can students demonstrate their ability to reason creatively and critically rather than to memorize?

- Information Processing:
 - Select and evaluate information.
 - Select ways to organize information.
 - Interpret and communicate information.
- Technology Usage; Produce a product using technology.

- Mathematics Usage;
 - Use measuring tools and systems.
 - Use basic computational skills.
 - Use graphic formats to display and obtain information.
- Problem Solving;
 - Identify and define problems/issues.
 - Generate and select from alternative strategies to solve problems.
 - Consider consequences of actions.
 - Make informed decisions.
- Sociability;
 - Compromise.
 - Exhibit sensitivity to the attitudes, values and feelings of others.
- Personal Identification;
 - Produce a portfolio.
 - Produce a resume.

APPENDIX A

DEFINITIONS: OUTCOMES AND COMPETENCIES

HOW DO YOU DISTINGUISH AN OUTCOME FROM A COMPETENCY?

An outcome is "what" you are expected to achieve, whereas a competency demonstrates "how" you can achieve that outcome. Think of an outcome as an end and a competency as a means to that end.

Outcomes are the knowledge and skills recommended in the AECC's Position Statement Number Two entitled The First Course in Accounting. Competencies are the specific activities used to measure a student's mastery of the knowledge/skills or outcomes,

The outcome /competency approach is different from the traditional textbook/topic approach to accounting instruction. First, the choice of a textbook no longer dictates the organization and coverage of the course. Instead, the outcomes and competencies become the driver and the textbook becomes their vehicle. A related difference is that the course is driven by an output measure (outcomes/competencies) rather than an input measure (textbook/topics). Finally, you will clearly know the content what you are expected to study and the precise activities they must perform on examinations and other forms of evaluation by studying the outcome/competency pairings and working problems that reflect them.

AN EXAMPLE OF THE DISTINCTION

Outcome: Students completing the first accounting course should understand the elements of, the relationships among, and the accounting concepts underlying the primary financial statements. This understanding will be implemented if students can:

Competency 1: Discuss what information is typically found in the balance sheet, income statement, statement of owners' equity, and statement of cash flows.

Competency 2: Apply the fundamental accounting equation to prepare a balance sheet that reports the financial condition of any entity (e.g., a person, sole proprietorship, partnership, corporation, etc.).

HOW DO YOU DISTINGUISH CORE COMPETENCIES FROM SPECIAL COMPETENCIES?

The task force's articulation approach includes both core competencies and special competencies.

Core competencies are required of students in all accounting programs that subscribe to the outcome/competency articulation approach. Special competencies are competencies that are required by an individual accounting program to meet the special needs of its students.

WHAT COMPETENCIES ARE REQUIRED FOR ARTICULATION?

As the name implies, a core competency is an essential component of an articulation agreement, whereas a special competency is not. If a two-year program can document that its students are required to satisfy all of the core competencies, its course fulfills the articulation agreement. It is not required to fulfill any of the four-year program's special competencies. For a more concrete understanding, consider the following example:

Core Competency: Record the effects of accounting transactions in an accounting information system.

Special Competency: Record accounting transactions in journal entry form (i.e., debit-credit form).

APPENDIX B

Demonstration of Mastery of Competency

Since the competencies are interlinked, the following suggested demonstrations are meant to cover more than one competency. A successful student will be able to complete the following assignments after taking the Financial Accounting 1A course. The demonstration assignments are:

Discussion questions: You should be able to provide a written discussion on the following questions.

1. What is the objective of most for-profit business/organizations?
2. What is the objective of most non-profit business/organizations?
3. Who are normally included as the stakeholders of a business?
4. What role does accounting play in a business?
5. What are the basic principles that form the foundation of ethical behavior for a business entity?
6. Describe differences between private, public, and governmental accounting.
7. Who is responsible for setting accounting standards?
8. Name the elements of the accounting equation. Give examples of each element.
9. Describe the differences between an account payable and an account receivable.
10. Briefly describe the nature of the information provided by each of the following financial statements: (Using the WWW find examples from either Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>)
 - a. Income statement,
 - b. Statement of owners' equity, or retained earnings,
 - c. Balance sheet,
 - d. Statement of cash flows.
11. Explain the rules for debiting and crediting.
12. What proof does preparing a trial balance provide? Does it mean that if the two totals equal there are no errors in the accounting records?
13. How are revenues and expenses reported on the income statement under:
 - a. Cash basis of accounting,
 - b. Accrual basis of accounting?
14. Describe the nature of the following sections of a classified balance sheet: You can use Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) for your descriptions.
 - a. Current assets and current liabilities,
 - b. Property, plant and equipment,
 - c. Other assets and liabilities,
 - d. Long-term liabilities, and
 - e. Contributed and retained capital.
15. What accounts are referred to as real and temporary (nominal) accounts?
16. What are the differences between adjusting and closing entries?
17. Describe the differences between a calendar and fiscal year-end for an organization. What type of year-end does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have?
18. What are the four objectives of internal control?
19. Name and describe the five elements of internal control.
20. Why should the responsibility for a sequence of related operations be divided among different persons within an organization?
21. What are the advantages in using special journals?
22. Why should the responsibility for maintaining the accounting records be separated from the responsibility for operations?
23. What is the difference between application software and the operating system?
24. What distinguishes a merchandise business from a service business? What are the similarities and differences between a multi-step (classified) and a single-step income statement?
25. What type of income statement does Apple Computer (<http://www.apple.com/>) Hewlett Packard

- (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have? What are the advantages/disadvantages of each?
26. Describe the importance of gross profit (for both a number and a percentage). Calculate the gross profit (number and percentage) for either Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>). Can a business earn a gross profit and still incur a net loss?
27. What are the meaning of:
- 1/10,
 - n/60,
 - n/30, and
 - n/eom?
28. When are the following it used:
- A credit memorandum issued by the seller of merchandise, and
 - A debit memorandum issued by the buyer of merchandise?
29. What other types of gains and/or losses are reported after income from continuing operations? Does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have any such items?
30. Why does cash warrant special attention in designing an effective internal control structure?
31. What factors explain the reason for cash balances being different between the general ledger account and the bank statement?
32. What are the reasons for preparing bank reconciliation?
33. Describe compensating balances and how should they be reported in the financial statements? Does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have any?
34. What are the three classifications of receivable, and what type of economic event gives rise to an account receivable?
35. What are the basics elements of internal control that exist for any receivable?
36. Which two methods of accounting for uncollectable accounts provides for the early recognition of the expense? How is this different from the direct write off method?
37. Determine the gross and net accounts receivable for either Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) .

Problems and exercises: You should be able to use any first year accounting textbook and solve the following type of problems.

- Prepare the following financial statements:
 - Classified income statement,
 - Statement of owners equity, or retained earnings, and
 - Classified balance sheet.
- Journalize economic events using the rules of debiting and crediting.
- Prepare the following trial balances:
 - Unadjusted, and
 - Adjusted.
- Make simple adjustments needed to make net income accurate.
- Be able to comment on the use of special journals.
- Recognize internal control weakness and make recommendations for improvement.
- Prepare bank reconciliation.
- Calculate uncollectable accounts expense.

Case Studies: You should be able to successfully complete the following case studies in a timely fashion.

1. Ken Harper Cooking School,
2. Internal control field trip by Ken Harper.

Ratios: You should be able to calculate the following ratios: (Use Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) to test yourself.

1. Current ratio,
2. Quick ratio,
3. Working capital,
4. Doomsday ratio,
5. Accounts receivable turnover,
6. Ratio of net sales to assets,
7. Number of days' sales in receivables, and
8. Gross profit percentage.

Vocabulary: You should be familiar with the following business and accounting terminology.

Account form	Accounts Payable	Accounts receivable	Accounting	Accounting equation
Accrued expenses	Accrued revenues	Accumulated depreciation	Adjusted trial balance	Adjusting entries
Adjusting process	Book value of the asset	Cash basis	Closing entries	Contra account
Assets	Balance sheet	Business	Business entity concept	Business stakeholder
Business transaction	Corporation	Cost concept	Ethics	Expense
Cash equivalents	Cash short and over	Doomsday ratio	Electronic funds transfer	Petty cash fund
Chart of accounts	Credits	Debits	Double-entry accounting	Drawing
Controlling accounts	Elements of internal control	Employee fraud	General journal	Internal control
Cost of merchandise sold	Credit memorandum	Debit memorandum	Selling expense	Operating expenses
Current assets	Current liabilities	Current ratio	Fiscal year-end	Calendar year-end
Deferred expenses	Deferred revenues	Depreciation	Depreciation expense	Fixed assets
Financial Accounting	FASB	GAAP	Income statement	Liabilities
FOB destination	FOB shipping point	Gross profit	Income from operations	Inventory shrinkage
General ledger	Subsidiary ledger	Operating system	Administrative expenses	Cost of goods sold
Invoice	Loss from operations	Merchandise inventory	Multiple-step income statement	Other expense
Journal	Journal entry	Journalizing	Hardware	Software
Maker	Payee	Due date	Maturity date	Quick ratio

Managerial accounting	Managers	Manufacturing	Matching concept	Merchandising
Materiality concept	Objectivity concept	Posting	T accounts	Transposition
Maturity value	Number of days' sales in receivables	Promissory note	Uncollectible accounts expense	Interest
Net income	Net loss	Objectivity concept	Owner's equity	Partnership
Notes receivable	Post closing trial balance	Property, plant, and equipment	Real accounts	Solvency
Other income	Periodic inventory system	Perpetual inventory system	Physical inventory	Purchase returns and allowances
Plant assets	Carrying value of the asset	Revenue recognition concept	Accounting cycle	Closing entries
Prepaid expenses	Proprietorship	Report form	Revenues	Service
Purchase discounts	Sales discounts	Sales returns and allowances	Single-step income statement	Trade discounts
Statement of cash flows	Statement of owner's equity	Unit of measure concept	Account	Balance of the account
Temporary accounts	Work sheet	Working capital	Application	Special journals
Trial balance	Two-column	Unearned revenue	Accounting period concept	Accrual basis
Voucher system	Accounts receivable turnover	Aging of accounts receivable	Allowance method for accounts receivable	Direct write-off of accounts receivable