



COLLEGE OF BUSINESS
SAN JOSE STATE UNIVERSITY



**THE CORE & SPECIAL COMPETENCIES MODEL
FOR FINANCIAL ACCOUNTING 1B -- 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 1B -- 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.
- ❖ Identify some of the differences between the objectives of tax accounting and financial accounting and at least one difference between taxable income and financial accounting income.
- ❖ Explain how a tax return is actually a special version of the income statement.

(This section is covered in depth, as apposed to introductory in Financial Accounting 1A. 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.
- ❖ Classify business transactions into operating, investing, and financing activities.
- ❖ 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 between, 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.
- ❖ 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,

(Present value concepts are covered in depth in the coverage of 'bonds' part of Financial Accounting 1B.)

- 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.
- ❖ Classify cash receipt and cash payment transactions as well as significant non-cash transactions into the appropriate statement of cash flow activity.

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?

- Inventories:
 - Describe the effect of inventory errors on the financial statements.
 - Describe three inventory cost flow assumptions and how they impact the income statement and balance sheet.
 - Compute the cost of inventories under the perpetual and periodic inventory systems, using the following costing methods;
 - o First-in, First-out
 - o Last-in, First-out
 - Compute the proper valuation of inventory at other than cost, using the lower-of-cost-or market and net realized value concepts.
 - Prepare a balance sheet presentation of merchandising inventory.
 - Estimate the cost of inventory, using the retail method and gross profit method.
- Fixed Assets & Intangible Assets:
 - Define fixed assets and describe the accounting for their costs.
 - Compute depreciation, using the following methods;
 - o Straight-line,
 - o Units of production, and
 - o Declining-balance method.
 - Classify fixed asset costs as either capital expenditures or revenue expenditures.
 - Calculate the gain or loss from the disposal of fixed assets.
 - Define a lease and summarize the accounting rules related to the leasing of fixed assets.
 - Define intangible assets and describe the accounting for their costs.
 - Compute amortization of intangible assets.
 - Describe how depreciation and amortization expenses are reported in an income statement, and prepare a balance sheet that includes fixed assets and intangible assets.
- Current Assets:
 - Define and give examples of current assets.
 - Calculate interest income/costs from notes receivable/payable.
 - Describe the accounting treatment for contingent liabilities.
- Partnerships:
 - Describe the nature of the partnership form of organization.
 - List the steps in creating a partnership.

- Calculate the following
 - o Admissions of a new partner,
 - o Division of profits and losses,
 - o Liquidation of a partnership.
- Corporations:
 - Describe the nature of the corporate form of organization.
 - List the steps in formatting a corporation.
 - List the two main sources of stockholders' equity.
 - List the major sources of paid-in capital, including the various classes of stock.
 - Describe the process of selling stock.
 - Describe the nature of treasury stock, and list the reason why a company would purchase its own stock.
 - Explain the effect of a cash dividend on the corporation and the investor.
 - State the effects of stock dividends and stock splits on the corporate financial statements.
 - Differentiate the differences between corporate income taxes expense and deferred income taxes.
 - Prepare an income statement reporting the following unusual items;
 - o Discontinued operations,
 - o Extraordinary items, and
 - o Changes in accounting principle.
 - Prepare an income statement reporting earnings per share data.
 - Describe the concept and the reporting of comprehensive income.
 - Describe the accounting for investments in stocks.
 - Describe alternative methods of combining businesses and how consolidated financial statements are prepared.
- Bonds:
 - Compute the potential impact of long-term borrowing on the earnings per share of a corporation.
 - Describe the characteristics of bonds.
 - Describe the process of selling bonds and discuss why investors purchase bonds.
 - Compute the present value of bonds payable.
 - Prepare an amortization schedule, using the effective interest method, for bonds sold at a premium and discount.
- 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
- ❖ Explain how percentage analysis can be used to uncover important relationships and trends in the financial statements.
- ❖ Explain how inventories and accounts receivable can be mismanaged and describe how a manager can use financial statement analysis to monitor and control them.

(Accounts receivable is covered in depth in Financial Accounting 1A.)

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

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?

- Horizontal Analysis:
 - Use horizontal analysis to compare financial statements from different periods.
- Vertical Analysis (common-sizing):
 - Use vertical analysis to compare financial statement items with each other and with industry averages.
- Trend Analysis:
 - Use trend analysis to compare financial statement items with each other and with industry averages.
- 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.
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- Mathematics Usage:
 - Use measuring tools and systems.
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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 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?

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. a writing 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 1B course. The demonstration assignments are:

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

1. What security measures should a company use to protect their inventory?
2. Which inventory method, periodic or perpetual, provides the most effective means of controlling inventories?
3. Why is it important to take a physical inventory?
4. What is inventory shrinkage, when do you calculate it, and how do you prevent it from occurring?
5. Describe the procedures use to request and purchase inventory? Be sure to include proper internal control procedures.
6. What does it mean to consign inventory? Does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have any?
7. What are the differences between FOB shipping point and FOB destination? Who is responsible for damage or losses?
8. What are the differences between FIFO, LIFO, and average-cost method? Which one is the flow of product, the flow of cost? Which one does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) use?
9. Which of the three methods of costing will in general yield an inventory cost most nearly approximating current replacement cost?
10. Can a company change its inventory cost method?
11. What value should be placed on inventory item because of damage?
12. What uses can be made of the estimated inventory determined by the gross profit method?
13. What are the qualitative characteristics of tangible and intangible assets?
14. Describe the two depreciation methods allowed by the IRS.
15. What are the advantages of each of the following inventory methods and which method does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) use?
 - a. Straight-line,
 - b. Units of production,
 - c. Double declining balance method, and
 - d. MACRS.
16. Differentiate between capital expenditures and revenue expenditures.
17. When do you recognize the gain or loss when trading in an old piece of equipment?
18. What are the various costs associated with employees?
19. Contrast the owners' liability to creditors of a:
 - a. Partnership, and
 - b. Corporation.
20. Distinguish between paid-in capital and retained capital of a corporation. Use Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) for your discussion.
21. Describe the various classes of stock. What type does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have? When do you sell these types of stock?
22. Describe the various types of dividends. What are the three important dates of a dividend? Which ones are taxable? What type did Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) pay?

23. Why does a company purchase treasury stock? How is the investment in treasury stock handled on the balance sheet? Does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have any treasury stock?
24. Indicate which of the following accounts would be reported as part of paid-in capital on the balance sheet (It is ok to sue Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) for your discussion:
 - a. Retained earnings,
 - b. Common stock,
 - c. Donated capital,
 - d. Treasury stock, and
 - e. Preferred stock.
25. What is the purpose in a stock-split?
26. What are the three basic rights of a common shareholder?
27. How should the amount of income taxes payable be classified on the balance sheet?
28. What are the differences between inter-period and intra-period tax allocation?
29. How should a company disclose the discontinuance of several business segments?
30. What two criteria must be met to classify an item as an extraordinary item on the income statement? Does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have any extraordinary items on their income statement?
31. If significant changes are made in the accounting principles applied from one period to the next, why should the effect of these changes be disclosed in the financial statements?
32. Indicate how prior period adjustments would be reported on the financial statements? Did Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have any prior period adjustments?
33. How is comprehensive income determined?
34. Why would a company want to invest in another company?
35. What are the differences between realized and unrealized gains and losses? Did Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) report any of these gains or losses?
36. If a company reported \$3.10 in EPS (earnings per share), does that mean that the company will pay \$3.10 in dividends? Yes or no. Explain your answer. What are Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) EPS?
37. What is meant by consolidated financial statements?
38. Explain the meaning of each of the following terms as they relate to a bond issue:
 - a. Convertible,
 - b. Callable,
 - c. Debenture,
 - d. Subordinate, and
 - e. Covenants?
39. What is meant by the "time value of money"?
40. Why would a company sell/buy a bond at a discount, a premium?
41. Describe a company's use of a sinking fund in relationship to bonds.
42. How should bonds, sold for a discount or premium, be shown on the balance sheet?
43. At what amount should bonds investments, held-to-maturity, be reported?
44. What are the advantages and disadvantages of the direct and indirect methods for reporting cash flows?
45. What are the three categories for reporting cash flows?
46. What are the major sources of cash flows for Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>)?
47. What are the major differences between horizontal and vertical (common-sizing) analysis?
48. Describe the two major areas of ratios analysis and their uses? What are some of the common ratios for each area?
49. Explain the various areas of a typical annual report.

50. What are four types of auditor's opinions? What type does Apple Computer (<http://www.apple.com/>) Hewlett Packard (<http://www.hp.com/>) or IBM (<http://www.ibm.com/>) have?

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

1. Calculate ending-inventory and cost of goods sold methods using one of the following methods:
 - a. First-in, first out,
 - b. Last-in, first out,
 - c. Average cost method,
 - d. Retail method,
 - e. Gross profit method, and
 - f. Net realizable method.
2. Depreciate plant assets using one of the following methods:
 - a. Straight-line method,
 - b. Double declining balance method, and
 - c. Units of production.
3. Calculate depletion of natural resources.
4. Amortize the following intangible assets:
 - a. Patents,
 - b. Trademarks,
 - c. Leasehold improvements,
 - d. Goodwill, and
 - e. Copyrights.
5. Calculate the gain or loss from the sale or exchange of a plant asset.
6. Calculate net pay.
7. Calculate the amount of a discount on a note.
8. Determine the amount that should be expensed for warranty, pension, and accrued vacation pay.
9. Describe in detail the elements of the Statement of Stockholders' Equity".
10. Differentiate the difference between a cash and stock dividend, and a stock split. Make necessary calculations to demonstrate differences.
11. Illustrate the various treasury stock transactions.
12. Prepare an income statement with the following elements:
 - a. Income from continuing operations,
 - b. Gain or loss from discontinued operations,
 - c. Gain or loss from extraordinary item, and
 - d. Cumulative effect from change in accounting principle.
13. Prepare a statement of stockholders equity when there is a prior period adjustment.
14. Calculate ending investment using the cost and equity method.
15. Calculate realized and unrealized gains or losses from investments.
16. Calculate the selling price for a bond.
17. Using the effective interest method calculate the amount of interest expense, and resulting carrying value for a bond payable.
18. Prepare a statement of cash flows, describing the three basic elements of the statement.
19. Prepare the following financial statement analysis (both calculations and written discussion as to their meaning):
 - a. Vertical analysis (common-sizing),
 - b. Horizontal analysis,
 - c. Trend analysis, and
 - d. Calculate the ratios listed below.
20. Read and make comments concerning any annual report.

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

1. Depreciation
2. Annual report project

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. Working capital
2. Current ratio
3. Quick ratio
4. Acid-test ratio
5. Accounts receivable turnover
6. Number of days' sales in receivables
7. Inventory turnover
8. Number of days' sales in inventory
9. Ratio of fixed assets to long-term liabilities
10. Book value per share
11. Ratio of liabilities to stockholders' equity
12. Number of times interest earned
13. Ratio of fixed assets to total assets
14. Rate earned on total assets
15. Rate earned on common stockholders' equity
16. Equity per share (EPS)
17. Price-earnings ratio
18. Dividends per share of common stock
19. Dividend yield

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

Amortization	Betterment	Book value	Carrying value	Capital expenditures
Average cost method	First-in, first-out (FIFO)	Gross profit method	Inventory turnover	Last-in, first-out (LIFO)
Bond fund	Bond indenture	Carrying amount	Contract rate	Stated rate
Capital expenditures	Capital leases	Copyright	Declining-balance method	Depletion
Cash dividend	Cumulative preferred stock	Deficit	Available for sale securities	Balance sheet
Cash flows from operating activities	Direct method – cash flow statement	Indirect method - cash flow statement	Free cash flow	Common-size statements
Comprehensive income	Consolidated financial statements	Consolidation	Cost method	Discontinued operations
Current ratio	Dividends per share	Horizontal analysis	Inventory turnover	Leverage
Depreciation	Extraordinary repair	Fixed assets	Goodwill	Intangible assets
Discount	Effective interest rate	Future value held-to-maturity securities	Number of times interest charges earned	Premium
EPS	Equity method	Equity per share	Equity security	Extraordinary items
FICA Tax	Fringe benefits	Gross pay	Net pay	Payroll
Investments	Merger	Minority interest	Parent company	Permanent differences
Lower-of-cost-or-market (LCM)	Net realized value	Physical inventory	Retail inventory method	Accelerated depreciation method
Number of days' sales in inventory	Number of days' sales in receivables	Profitability	Quick assets	Rate earned on common stockholders' equity
Operating leases	Patents	Ratio of fixed assets to long-term liabilities	Ratio of fixed assets to total assets	Residual value
Paid-in capital	Par value	Preferred stock	Premium	Retained earnings
Payroll register	Postretirement benefits	Quick ratio	Nonparticipating preferred stock	Outstanding stock

Pooling of interest	Price-earnings ratio	Prior period adjustments	Purchase method	Statement of cash flows
Present value	Present value of an annuity	Sinking fund	Cash flow from financing activities	Cash flows from investing activities
Rate of return on stockholders' equity	Rate earned on total assets	Rate of liabilities to stockholders' equity	Ratio of net sales to assets	Solvency
Retained capital	Contributed capital	Stated value	Stock	Common stock
Scrap value	Salvage value	Revenue expenditures	Straight-line method	Trade-in allowance
Statement of stockholders' equity	Subsidiary company	Taxable income	Temporary differences	Temporary investments
Stock dividend	Stock split	Stockholders' equity	Treasury stock	Paid-in capital from the sale of treasury stock
Trademark	Units-of-production	Discount	Discount rate	Employee's earnings record
Trading securities	Unrealized holding gain or loss	Annuity	Available for sale securities	Bond
Vertical analysis	Working capital	Quick ratio	Acid-test ratio	Accounts receivable turnover