

# Minnesota State University Moorhead

## ACCT 230: Principles of Accounting I

### A. COURSE DESCRIPTION

Credits: 3

Lecture Hours/Week: 3

Lab Hours/Week: 0

OJT Hours/Week: \*.\*

Prerequisites: None

Corequisites: None

MnTC Goals: None

From a user's perspective, an introduction to the content and concepts underlying the three basic financial statements prepared by management for use by investors and creditors. Includes financial statement analysis.

### B. COURSE EFFECTIVE DATES: 06/01/1995 - Present

## C. OUTLINE OF MAJOR CONTENT AREAS

1. Long-Term Liabilities & Time Value of Money  
Types of bonds, time value of money, pricing bonds, recording bonds, other long-term liabilities, leases, debt analysis (debt-to-equity ratio, times-interest-earned ratio).
2. The Accounting Information System:  
Business transactions and effects on the accounting equation (debits/credits)
3. The Financial Reporting Process: Accounting principles, accrual basis, cash basis, accounting cycle, adjusting entries, closing entries.
4. Cash and Internal Controls: Cash equivalents, Sarbanes-Oxley Act, COSO framework for designing internal controls, bank reconciliations, petty cash.
5. Receivables and Sales: Credit sales, discounts, returns, allowances, allowance method (aging), direct write-off method, notes receivable, account analysis (receivables turnover ratio, average collection period).
6. Inventory and Cost of Goods Sold : Choice of cost methods (specific identification, FIFO, LIFO, average cost), choice of systems (periodic and perpetual), lower-of-cost-or-market method, account analysis (inventory turnover ratio, average days in inventory, gross profit ratio).
7. Long-Term Assets: Property, plant and equipment, intangible assets, accounting for expenses on long-term assets after acquisition, cost allocation methods (straight-line, declining-balance, and units of production), dispositions, account analysis (return on assets ratio, profit margin and asset turnover).
8. Current Liabilities:  
Classification, notes payable, accounts payable, payroll liabilities, other current liabilities, contingencies, liquidity analysis (working capital, current ratio, acid-test/quick ratio).
9. Long-Term Liabilities & Time Value of Money:  
Types of bonds, time value of money, pricing bonds, recording bonds, other long-term liabilities, leases, debt analysis (debt-to-equity ratio, times-interest-earned ratio).
10. Stockholders' Equity:  
Common stock, preferred stock, treasury stock, retained earnings, dividends, statement of stockholders' equity, equity analysis (return on equity, earnings per share, price-earnings ratio).
11. Statement of Cash Flows: Classification of transactions, statement preparation, cash flow analysis (return on assets, return on cash assets).
12. Financial Statement Analysis: Vertical analysis, horizontal analysis, risk and profitability analysis (review of ratios covered previously covered in course), earnings persistence and quality.
13. International Financial Reporting Standards (IFRS): Reasons for differences in accounting practices throughout world and need for convergence.

## **D. LEARNING OUTCOMES (General)**

1. Summarize how accounting measures and communicates information to different users of accounting information, understand how changes to one of the four financial statements will impact the other statements, identify the basic assumptions underlying generally accepted accounting principles, defend why ethics are important, categorize accounting information for multiple-step income statement and classified balance sheet presentation, and distinguish private versus public accounting.
2. Describe the affect of various transactions on the accounting equation, and identify which accounts increase (decrease) with debits and which accounts increase (decrease) with credits.
3. Apply the revenue recognition and matching principles, distinguish accrual-basis from cash-basis accounting, and perform the accounting cycle (including adjusting and closing entries).
4. Identify cash equivalents, justify the Sarbanes-Oxley Act, illustrate components of the COSO framework for designing internal controls, and reconcile a bank statement and petty cash.
5. Distinguish between cash and credit sales, differentiate components of net sales, contrast allowance and direct write-off methods, perform aging of receivables and record adjustment to the allowance account, generate accounting entries for notes receivable, and conclude on effectiveness in managing receivables based on ratio analysis.
6. Calculate cost of goods sold and ending inventory using different costing methods and systems, apply the lower-of-cost-market method, and conclude on effectiveness in managing inventory based upon ratio analysis.
7. Compare and contrast the accounting for property, plant and equipment, intangible assets, and expenditures incurred after acquisition (of PP&E or intangibles), summarize the major differences between cost allocation methods, evaluate impact of a disposition on accounting equation, and apply DuPont formula to better analyze return on assets ratio.
8. Differentiate between current and long-term liabilities, generate accounting entries for notes payable, illustrate accounting for other current liabilities, appraise when appropriate
9. Distinguish between debt and equity financing, identify features of bonds, determine price of bond using time value of money concepts, generate entries for issuance and retirement of bonds, compare differences between operating and capital leases, interpret an amortization schedule, and evaluate risk using long-term debt ratio analysis.
10. Summarize advantages and disadvantages of corporate form, contrast common stock, preferred stock, treasury stock, and bonds payable, justify why some companies choose to retain earnings, explain stock dividends and stock splits, create a statement of stockholders' equity, and evaluate company performance based upon equity section analysis.
11. Classify transactions as operating, investing, financing, or non-cash activities, prepare statement, and explain how cash flow analysis can supplement other financial statement analysis.
12. Evaluate financial data using vertical and horizontal analysis, conclude on risk and profitability using ratio analysis (various ratios covered throughout course, distinguish reporting for discontinued operations, extraordinary items, versus other revenues (expenses), and differentiate conservative versus aggressive accounting policies.
13. Explain why accounting practices differ throughout world and why there is a need for convergence.

## **E. Minnesota Transfer Curriculum Goal Area(s) and Competencies**

None

## **F. LEARNER OUTCOMES ASSESSMENT**

As noted on course syllabus

## **G. SPECIAL INFORMATION**

None noted