



# Independent Study | in Idaho

## Acct 201

### Introduction to Financial Accounting

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The University of Idaho in statewide cooperation with  
Boise State University — Idaho State University  
Lewis-Clark State College

# Course Guide

Independent  
Study | in Idaho

PO Box 443225  
Moscow ID 83844-3225

*Self-paced study. Anytime. Anywhere!*

## **Accounting 201** **Introduction to Financial Accounting**

University of Idaho  
3 Semester-Hour Credits

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# Independent Study in Idaho

## This course is offered by the University of Idaho.

### Introduction to Financial Accounting

3 Semester-Hour Credits: UI

#### Welcome!

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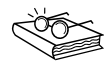
Whether you are a new or returning student, welcome to the Independent Study in Idaho (ISI) program. Before beginning this course, read the information provided below, including course description, prerequisites, required materials, course objectives, and information about lessons, exams, and grading.

#### Important!

As you read this section, you will see the following icon:



Use this icon to direct yourself to the **Appendix** in the back of this course guide for essential registration information, Independent Study in Idaho policies and procedures, and forms you will need to successfully complete this course. You are responsible for understanding and following ISI policies and procedures.



Turn to the **Appendix** now. Familiarize yourself with the information in the *Registration* section, student responsibilities in *Academic Integrity*, and the necessary forms. If there is anything you do not understand, please contact the ISI office for clarification before starting your course.

#### Course Description

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Financial accounting is the process of measuring and communicating economic information about an entity to external decision makers, such as investors and creditors. Accounting 201 is an introductory course in financial accounting and a prerequisite for all upper-division accounting courses at the University of Idaho.

#### Course Materials

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##### Required Texts

- Albrecht, W. Steve, et al. *Financial Accounting*, 8<sup>th</sup> ed. Mason, OH: South-Western, a division of Thompson Learning, 2002. ISBN-10: 0-324-06670-8 ISBN-13: 978-0-324-06670-8

##### Recommended Texts

- Albrecht, W. Steve, et al. *Study Guide for Financial Accounting*, 8<sup>th</sup> ed. Mason, OH: South-Western, a division of Thompson Learning, 2002. ISBN 0-324-06761-5

Independent Study in Idaho course materials are available at the University of Idaho Bookstore. Visit the UI Bookstore's Web site, <http://www.uidahobookstore.com>, select *Textbook, Independent Study* for a list of course materials. You may order online, by telephone, (208) 885-7334, or by e-mail to [uibooks@uidaho.edu](mailto:uibooks@uidaho.edu).

Independent Study in Idaho courses are updated and revised periodically. Ordering course materials from the UI Bookstore at the time of registration allows you to purchase the correct edition(s) of textbooks, course guides, and supplemental materials. If purchasing textbooks from another source, refer to the ISBN(s) for the textbook(s) listed for this course to ensure that you obtain the correct edition(s). If you have questions regarding the course materials you have ordered and received, contact the UI Bookstore.

## **Course Introduction**

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This course is designed to provide an introduction to the concepts and principles of financial accounting and give a realistic view of how financial accounting is done in leading companies across the nation and around the world. Every company, regardless of its industry or type, must manage its business to acquire and sell products or services, make financing decisions, and invest in assets that will help the company generate growth and income. This course uses an organizational format that is consistent with business activities and cycles. Specifically, after introducing and explaining financial reporting and the accounting cycle, the course is divided into three parts: Part 1 discusses the operating activities of a business, Part 2 discusses the investing activities of a business, and Part 3 discusses the financing activities of a business. This focus on business activities helps students understand the functions of business and see accounting as a tool to assist making business decisions, not as an end in itself.

## **Course Objectives**

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The primary objective of this course is for you to understand how economic information is input into the accounting system and subsequently summarized in general-purpose financial statements. A secondary objective is for you to gain an understanding of the basic functions of business and to see accounting as a tool to assist business decision making.

The course is designed to provide an introduction to the principles and concepts of financial accounting and develop the skills necessary to apply those principles and concepts. Memorization is not an important skill in this regard; however, critical thinking in analyzing transactions and understanding the logic of double-entry bookkeeping are important skills.

In this course you will learn the language of accounting and develop an understanding of the financial accounting system. Specifically, you will learn how accounts function and the mechanics of double-entry bookkeeping. You will learn the difference between accrual accounting and cash basis accounting. You will learn the steps in the accounting cycle and you will learn the content of the four basic financial statements – the balance sheet, the income statement, the statement of cash flows, and the statement of shareholder's equity.

## **Lessons**

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### **Overview**

Each lesson includes the following components:

- A reading assignment
- A writing assignment

### **Study Hints**

- Complete all assigned readings.
- Set a schedule allowing for completion of the course one month prior to your desired deadline. (An *Assignment Submission Log* is provided for this purpose.)
- Before you begin your lesson, read and study carefully the assigned chapter in your textbook. Each chapter is preceded by a list of learning objectives designed to highlight the important issues in the chapter. The chapter summary at the end of the chapter restates the learning objectives and relates each to the chapter material. Many students report that it is useful to scan the contents of a chapter and then review the summary before reading the chapter.

There are 13 lessons for this course, each lesson corresponding to a chapter in the textbook. After each chapter in the textbook you will find the following:

- a. Discussion Questions
- b. Discussion Cases
- c. Exercises
- d. Problems

These are what make-up the written assignment for each lesson. Specifically:

**Discussion Questions**—require a short narrative response. Read the question thoroughly to determine what is being asked. Attempt to visualize the answer and write it in your own words. It is not necessary to repeat the question. Use pencil and be brief, complete, and concise.

**Discussion Cases**—require a longer narrative response. Read the case thoroughly to identify the relevant issues. Organize the issues in a logical manner and present your arguments, recognizing both their strengths and weaknesses.

**Exercises**—frequently require both a numerical and narrative response. Most exercises address only one principle or concept, and therefore, require a focused understanding of the principle or concept.

**Problems**—usually require multiple numerical and narrative responses. Most problems consider several concepts simultaneously and usually attempt to unify these concepts under a common set of facts. Problems require more time to complete than Exercises or Questions.

- You may complete your written assignments using Excel, Word or QuickBooks software programs, and you may e-mail or mail the assignments to your instructor.
- Use pencil and be neat. The presentation of your work makes an impression on those reviewing it. For most students, financial accounting is a subject that requires both real time and calendar time to absorb.



See the **Appendix** at the back of this course guide for essential *ISI policies on submitting lessons to your instructor*. See the letter sent in your registration packet for *your instructor's requirements: how to format and submit lessons; number of lessons you may submit at one time, and lesson guidelines*.

## **Exams**

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### **Overview**

- You must wait for grades and comments on lessons prior to taking each subsequent exam.
- For your instructor's exam guidelines, refer to the letter sent in your registration packet and the *Exam Information* sections in this course guide.

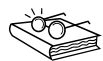
Three mid-course exams and a comprehensive final examination will be given in the course. The examinations are scheduled as follows:

Examinations 1-3 will be composed primarily of short answer/problem types of questions; however, there may be some matching or multiple choice type questions. The final will be predominantly multiple choice type questions. You will have three hours to complete the final examination. Your written assignments and the course guide that accompanies your textbook should be particularly useful in preparing for these examinations. Submit all lessons preceding each exam prior to requesting it.

See *Grading* for specific information on exams, points, and percentages.

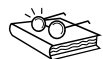
### Choosing a Proctor/Scheduling Exams

All exams require a proctor unless an exam is self-administered.



See the **Appendix** for guidelines on *how to choose a proctor and schedule exams*.

### Self-Administered Exams



See the **Appendix** for important information on *self-administered exams*.

## Grading

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The final course grade will be based upon the following considerations.

The grading for this course is performance based. Your final grade for the course will be determined as follows:

13 Lesson Assignments	20 percent
Mid-course examinations (3 exams, each 15 percent)	45 percent
Final comprehensive examination	<u>35 percent</u>
<b>Total</b>	100 percent

Your written assignments will receive either a satisfactory (S) or unsatisfactory (X) grade. A satisfactory grade will be given for assignments with evidence the student attempted to complete the assignment and demonstrated an acceptable level of understanding. Twelve or 13 satisfactory written assignments will earn a letter grade of “A”; 10 or 11 satisfactory written assignments will earn a letter grade of “B”; 8 or 9 satisfactory written assignments will earn a letter grade of “C”; 6 or 7 satisfactory written assignments will earn a letter grade of “D”; and less than 6 satisfactory written assignments will earn a letter grade of “F”.

In computing your final course grade each mid-course examination stands alone and is worth 15 percent. For example, if you received a satisfactory grade on 10 written assignments (a “B” as stated in the preceding paragraph), an “A” on your first mid-course exam, a “C” on your second mid-course exam, a “D” on your third mid-course exam, and a “B” on your comprehensive final exam, your final course grade would be a “B” computed as follows on a four point scale:

		<u>Grade Point</u>
Written Lesson Assignments	(3 x .2)	.6
Exam 1	(4 x .15)	.6
Exam 2	(2 x .15)	.3
Exam 3	(1 x .15)	.15
Final	(3 x .35)	<u>1.05</u>
<b>Total</b>		2.7

A grade point of 3.6 – 4.0 earns a final course grade of “A”; 2.6 – 3.5 a grade of “B”; 1.6 – 2.5 a grade of “C”; .6 – 1.5 a grade of “D”; and below .6 a grade of “F”.

The final course grade is issued after **all** lessons and exams have been graded.



See the **Appendix** for information about *confidentiality of student grades, course completion and time considerations*, and *requesting a transcript*.

## **Contacting Your Instructor**

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You will receive *course and instructor contact information* in your registration packet.



See the **Appendix** for detailed information on *contacting your instructor*.

## **Disability Support Services**

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See the **Appendix** for *information on Disability Support Services (DSS)*.

## Assignment Submission Log

Legend:

Q. = Discussion Question      Ex. = Exercises  
 C. = Discussion Cases        Pr. = Problems

Lesson	Chapter	Reading	Written Assignment
1	1	pg. 2-22	Q. 7, 8, 10 Ex. 1-8, 1-9, 1-10, 1-15
2	2	pg. 30-59	Q. 2, 5, 6, 8, 12 Ex. 2-1, 2-4, 2-6, 2-8, 2-9, 2-12, 2-19 Pr. 2-10, 2-12, 2-13
3	3	pg. 78-113	Q. 1, 4, 6, 7, 9, 13 Ex. 3-3, 3-4, 3-5, 3-6, 3-8, 3-9, 3-10 Ex. 3-11, 3-12, 3-13, 3-15, 3-17 Pr.3-9
4	4	pg. 130-157 168-179	Q. 2, 3, 4, 5, 7, 17, 18 Ex. 4-3, 4-5, 4-7, 4-8, 4-9, 4-10, 4-11 Ex. 4-14, 4-16, 4-19, 4-21, 4-24 Pr. 4-1, 4-6, 4-7, 4-9
<p><b>It is now time to make arrangements with your proctor to take Exam 1.</b></p>			
5	5	pg. 204-224	Q. 1, 2, 3, 4, 5, 8 Ex. 5-1, 5-3, 5-4, 5-8, 5-11, 5-13
6	6	pg. 236-269	Q. 1, 3, 9, 10, 14, 15 Ex. 6-2, 6-5, 6-6, 6-8, 6-9, 6-11 Ex. 6-16, 6-19, 6-22, 6-26 Pr. 6-17
7	7	pg. 292-330	Q. 2, 4, 5, 7, 8, 10, 20, 21 Ex. 7-2, 7-3, 7-4, 7-5, 7-6, 7-8, 7-15 Ex. 7-16, 7-17, 7-18, 7-20 Pr. 7-5, 7-12

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<b>8</b>	<b>8</b>	<b>pg. 350-376</b>	<b>Q. 2, 7, 8, 9, 12, 15, 16, 19, 20</b> <b>Ex. 8-1, 8-2, 8-3, 8-4, 8-6, 8-8</b> <b>Ex. 8-9, 8-11, 8-12, 8-14</b>
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**It is now time to make arrangements with your proctor to take Exam 2.**

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<b>9</b>	<b>9</b>	<b>pg. 394-432</b>	<b>Q. 1, 3, 7, 8, 10, 12, 17, 20</b> <b>Ex. 9-2, 9-4, 9-5, 9-6, 9-10, 9-12</b> <b>Ex. 9-14, 9-21, 9-24, 9-25</b> <b>Pr. 9-10, 9-18</b>
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<b>10</b>	<b>10</b>	<b>pg. 454-490</b>	<b>Q. 1, 3, 7, 9, 11, 12, 17, 19, 20</b> <b>C. 10-2</b> <b>Ex. 10-1, 10-2, 10-3, 10-4, 10-10, 10-15</b> <b>Pr. 10-1, 10-3, 10-5, 10-6, 10-7</b> <b>Pr. 10-16, 10-19, 10-20, 10-23</b>
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<b>11</b>	<b>11</b>	<b>pg. 510-543</b>	<b>Q. 1, 2, 8, 11, 15, 19, 20, 23</b> <b>Ex. 11-1, 11-3, 11-7, 11-9, 11-10, 11-13</b> <b>Ex. 11-14, 11-16, 11-20, 11-22</b> <b>Pr. 11-9</b>
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<b>12</b>	<b>12</b>	<b>pg. 568-594</b>	<b>Q. 3, 6, 8, 9, 10, 16, 20</b> <b>Ex. 12-1, 12-4, 12-6, 12-8, 12-11, 12-14</b> <b>Ex. 12-15, 12-16, 12-18, 12-19</b>
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**It is now time to make arrangements with your proctor to take Exam 3.**

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<b>13</b>	<b>13</b>	<b>pg. 616-646</b>	<b>Q. 1, 2, 3, 4</b> <b>Ex. 13-2, 13-4, 13-6, 13-8, 13-9, 13-14</b> <b>Ex. 13-15, 13-16, 13-17, 13-18, 13-19</b>
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**It is now time to make arrangements with your proctor to take the Final Exam.**

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# Lesson 1

## Users and Uses of Accounting Information

### Lesson Objectives

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- 1. Describe the purpose of accounting and explain its role in business and society.**
  - Accounting is a service activity designed to assist individuals and organizations in deciding how to allocate scarce resources and reach their financial objectives.
  - Accounting is used to accumulate, measure, and communicate economic data about organizations and to assist in the decision-making process.
  
- 2. Identify the primary users of accounting information.**
  - The primary users of accounting information are lenders, investors, management, and other interested individuals and organizations.
  - Management accounting deals primarily with the internal accounting functions of planning, implementing, and control.
  - Financial accounting is concerned with reporting business activities and results to external parties.
  - The objectives of both areas of accounting are measurement and communication of information for decision-making purposes.
  
- 3. Describe the environment of accounting, including the effects of generally accepted accounting principles, international business, ethical considerations, and technology.**
  - Accounting functions in a dynamic environment.
    - The principles of accounting have evolved over time to meet the changing demands of the business environment.
    - They are therefore not absolute.
    - Only if they prove useful do they become generally accepted.
    - Accounting principles provide comparable data for external users and need to be applied with judgment.
  - Since the 1930s, several organizations have been involved in the development of accounting principles in the United States.
    - The American Institute of Certified Public Accountants (AICPA), the Securities and Exchange Commission (SEC), and the Financial Accounting Standards Board (FASB) are among the most prominent.
    - The FASB is currently the primary standard-setting body for accounting principles in the private sector.
  - Accounting is practiced in an international environment.
    - Accounting procedures in the United States sometimes must be modified to accommodate foreign operations.
    - Attempts are being made to establish consistent and comparable accounting practices throughout the world, primarily through the efforts of the International Accounting Standards Committee (IASC).
  - Ethical considerations affect society.
    - Ethical considerations are particularly important for accountants, who have a special responsibility to the public.
    - CPAs have adopted standards of conduct to guide them in the performance of their duties.

- Technology has changed the way accounting information is accumulated and analyzed.
  - What once occupied a large part of an accountant’s time is now done quickly by computers, thereby freeing the accountant to be involved in more productive tasks.
  - Technology has not removed the accountant from the decision-making process.
  - Accounting judgment is still essential.

**4. Analyze the reasons for studying accounting.**

- Knowing how to use accounting information will help individuals make better decisions in their personal life as well as in their employment.
- Whatever the job, it is likely that accounting information plays a part.
- Knowing where information comes from, how it is accumulated, and how it is best used will result in better decision making.

## **Reading Assignments**

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Chapter 1

## **Important Terms**

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See page 22. (All terms are in your text.)

## **Written Assignment**

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Please read the **Appendix** in the back of this course guide for essential Independent Study in Idaho policies and procedures and forms you will need to successfully complete this course. You are responsible for understanding and following ISI policies and procedures. If there is anything on these pages you do not understand, contact the ISI office for clarification before starting the written assignment for Lesson 1.

Questions: 7, 8, 10

Exercises: 1-8, 1-9, 1-10, 1-15