Independent Study in Idaho

ACCT 201
Introduction to Financial Accounting

Providing independent study opportunities for more than 40 years.

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

Self-paced study. Anytime. Anywhere!

Accounting 201
Introduction to Financial Accounting

University of Idaho
3 Semester-Hour Credits

Prepared by:
Kristina Graves, MS
Instructor of Accounting
University of Idaho

RV: October 2013
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Introduction to Financial Accounting 3 Semester-Hour Credits: UI

Welcome!
Whether you are a new or returning student, welcome to the Independent Study in Idaho (ISI) program. Below, you will find information pertinent to your course including the course description, course materials, course objectives, as well as information about assignments, exams, and grading. If you have any questions or concerns, please contact the ISI office for clarification before beginning your course.

Policies and Procedures
Refer to the ISI website at www.uidaho.edu/isi and select Students for the most current policies and procedures, including information on setting up accounts, student confidentiality, exams, proctors, transcripts, course exchanges, refunds, academic integrity, library resources, and disability support and other services.

Course Description
Overview of the nature and purpose of general purpose financial statements provided to external decision makers; emphasis on use of financial statement information.

Required: Internet access, access to a computer
Recommended: Microsoft Office Word, Microsoft Office Excel
13 graded assignments on Wiley Plus, 7 graded QuickBooks assignments, 4 proctored exams

Students may submit up to 3 assignments per week. Before taking exams, students MUST wait for grades and feedback on assignments, which may take up to three weeks after date of receipt by the instructor.

ALL assignments and exams must be submitted to receive a final grade for the course.

Course Materials
Required Course Materials
  This is a packet that includes an access code to the publisher’s website, which hosts course materials for this course. The packet was prepared by the publisher specifically for the University of Idaho (UI) and is ONLY available through the VandalStore. Use the access code to login through a link provided in BbLearn.


If purchasing a textbook from a source other than the VandalStore store, refer to the ISBN to ensure that you obtain the correct edition.
Course Delivery
Independent Study in Idaho courses are delivered online through the BbLearn course management system. Upon registration, the student will receive a Registration Confirmation Email with information on how to access ISI courses online.

Course Introduction
This course will provide an overview of the nature and purpose of general purpose financial statements provided to external decision makers; emphasis on use of financial statement information. Students will be expected to solve a variety of different problems including multiple choice, essay, short answer, etc. In order to be successful in this course, students must take the time to review the course guide as well as complete all reading assignments.

Course Objectives
• The primary objective of this course is to provide you with a basic understanding of the basic financial statements. This understanding will be gained through learning how to create these financial statements and how to interpret them. With this understanding, you will be able to have a better understanding of the language of business – accounting.
• The secondary objective of this course is to provide you with an understanding of one of the most commonly used tools for accounting in small businesses: QuickBooks. With an understanding of QuickBooks, job opportunities can be opened and small business owners can learn to better manage their company finances.

Lessons
Each lesson includes lesson objectives, a reading assignment, important terms, an introductory lecture, and a written assignment. Please note that some of the written assignments will be completed online using Wiley Plus. These assignments will be auto-graded by Wiley Plus. While the points possible for each Wiley Plus assignment will vary, each assignment will be worth 1.5% of your grade for a total of 20% coming from Wiley Plus assignments. There will also be 6 assignments and 1 project from Computer Accounting Essentials (QuickBooks Assignments). QuickBooks assignments must be submitted to your instructor for grading. These 6 assignments will be worth 2.5% of your grade for a total of 15%. The QuickBooks project will be worth 5% of your grade. The QuickBooks portion of this course essentially a workbook that you will be working through on your own. The timing of the assignments in this course should give the background you need to complete the assignment. Finally, there are four exams consisting of multiple choice questions (2 points each) and problems (10 points each). Each exam is worth 15% of your grade for a total of 60% of your grade.

Each lesson may include the following components:
• lesson objectives
• reading assignments
• important terms
• lecture
• written assignment, project, or activity

Study Hints:
• Keep a copy of every assignment submitted.
• Complete all reading assignments.
• Set a schedule allowing for course completion one month prior to your personal deadline. An Assignment Submission Log is provided for this purpose.
• Web pages and URL links in the World Wide Web are continuously changing. Contact your instructor if you find a broken Web page or URL.

Refer to the Course Rules in BbLearn for further details on assignment requirements and submission.

Exams
• You must wait for grades and comments on assignments prior to taking subsequent exams.
• For your instructor’s exam guidelines, refer to the Course Rules in BbLearn.

Refer to Grading for specific information on assignment/exam points and percentages.

To submit your Proctor/Exam Request Form online, visit the ISI website and select Forms, Proctor/Exam Request Form. Submit this form at least two weeks before your first exam. Refer to the Proctor/Exam Request Form for information on acceptable and unacceptable proctors.

Grading
The course grade will be based upon the following considerations:

Wiley Plus Homework – Auto-graded by Wiley Plus
13 Lessons Each Assignment Worth 1.5% of Grade Total Percentage 20%

QuickBooks Homework
1 Project Total Percentage 5%
6 Lessons Each Assignment Worth 2.5% of Grade Total Percentage 15%

Exam Points Percentage
Exam 1 150 15%
Exam 2 150 15%
Exam 3 130 15%
Exam 4 130 15%
Total 560 60%

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

Acts of academic dishonesty, including cheating or plagiarism are considered a very serious transgression and may result in a grade of F for the course.

About the Course Developer
Your course developer is an Accountant over budgets and fixed assets for a large organization. She received her Masters of Accountancy from the University of Idaho in 2012. Prior to studying accounting, she worked in the field of business for five years primarily in a bookkeeping function. Her love of accounting has driven her to pursue the educational field in order to help students gain a greater appreciation for the field of accounting.

Contacting Your Instructor
Instructor contact information is posted on your BbLearn site under Course Rules.
Assignment Submission Log
Send the completed Proctor Information Form to the ISI office at least two weeks prior to taking your first exam.

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It is time to make arrangements with your proctor to take Exam 1.

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It is time to make arrangements with your proctor to take Exam 4.

| Exam 4 |                               |                |                |                         |
Lesson 1
Introduction to Financial Accounting

Lesson Objectives
- Learn what accounting is.
- Learn the types of financial information.
- Learn about ethics in financial accounting.
- Learn about the types of business organizations.
- Learn the basic accounting equation.
- Learn about business activities

Reading Assignment
Accounting: Tools for Business Decision Making, 5e, Chapter 1, “Introduction to Financial Statements.”

Important Terms
- Accounting
- Bookkeeping
- Managerial Accounting
- Financial Accounting
- Sarbanes-Oxley Act (SOX)
- Ethics
- Convergence
- Relevance
- Faithful Representation
- Cost Principle
- Fair Value Principle
- Conservatism
- Monetary Unit Assumption
- Economic Entity Assumption
- Proprietorship
- Corporation
- Partnership
- Asset
- Liability
- Stockholder’s Equity
- Basic Accounting Equation
- Accounts Payable
- Notes Payable
- Salaries/Wages Payable
- Common Stock
- Retained Earnings
- Revenue
- Expense
- Dividend
- Transactions
- Expanded Accounting Equation
- Financial Statements
- Balance Sheet
- Income Statement
- Statement of Cash Flows
- Statement of Retained Earnings
- Net Income
- Net Loss
- Financial Accounting
- Financial Accounting Standards Board (FASB)
- Securities and Exchange Commission (SEC)
- International Accounting Standards Board (IASB)
- International Financial Reporting Standards (IFRS)
- Generally Accepted Accounting Principles (U.S. GAAP or GAAP)

Introductory Lecture

Objective 1 - Learn What Accounting Is

Accounting is used in many aspects of life. It is the means by which companies communicate their success or failure, as well as a tool we use in managing our own personal finances. The definition of accounting is “The information system that identifies, records, and communicates the economic events of an organization to interested users” (Weygant, Kimmel and Kieso). We are going to further explore these three aspects of accounting.

- Identify Transactions
  - In accounting we must identify what the elements of a transaction are, what should be recorded, and how it should be recorded.
- Record Transaction
After all the aspects of a transaction have been identified we must record the transactions in a journal.

Communicate Results
- After all transactions have been recorded, we have what is known as financial information. It is then our responsibility to communicate that information to others in a way in which they will be able to understand it. This communication also includes some interpretation on our part.

Objective 2 - Learn the Types of Financial Information

There are two basic types of financial information based on who the user is.
- Internal
  - Internal financial information is used within a company for decision making purposes.
- External
  - External financial information is used outside of a company to provide information regarding the financial health of the company. These external users can be many different stakeholders such as banks, investors, employees, etc.

Objective 3 - Learn About Ethics in Financial Accounting

Ethics are becoming an increasingly important aspect in the field of accounting. In the recent past, there have been a number of accounting scandals. Each of these scandals could have been prevented if those people involved had made ethical decisions. It is important to develop an ethical decision-making model now in order to make good decisions in the future.

- Users of the financial information must feel they can rely on the information they are given
  - If users do not feel that they can trust the information that is being created, it then loses its value
- SOX
  - The Sarbanes Oxley Act was passed by Congress in an effort to provide more standards and regulation for the accounting profession.

Objective 4 - Learn About Types of Business Organizations

There are three basic types of business organizations. These business types are used for different types of companies.

- Proprietorship
  - This is a business organization with one owner. It is usually used for small companies. There is unlimited liability for the owner of a sole proprietorship. Also, it is not taxable as a separate entity meaning that all of the taxable income of the company is included on the owner’s individual income taxes.
- Corporation
  - A corporation is a business that can have many different owners with the ability to easily transfer ownership. Owners have limited liability in a corporation. The corporation is taxed as a separate entity from its owners.
- Partnership
  - A partnership consists of two or more people working together to earn a profit from a business activity. Depending on the type of partnership that is formed, the partners have either limited or unlimited liability. The partnership is not taxed as a separate entity. Partners will report their share of the partnership’s income on their individual income taxes.
Objective 5 - Learn the Basic Accounting Equation

The basic accounting equation governs the way in which transactions are recorded in the journal. There are three major parts of the equation and it is expressed as follows.

- **Assets=Liabilities + Stockholder’s Equity**
  - Whenever an entry is made, each side of the equation must always balance. For example, if you make an entry that affects an asset account, the other part of the entry must affect either the liability section or the stockholder’s equity section. This is called double-entry accounting. For every transaction you have two parts, a debit and a credit. Each account has a normal debit or credit balance. An example of this is purchasing a building with a loan. Asset accounts have normal debit balances meaning that an increase in the company’s assets will be a debit to an asset account. Liabilities have normal credit balances. So, if a company increases their liabilities, there would be a credit to a liability account. In this example of purchasing a building with a loan, there would be a debit to an asset account and a credit to a liability account. The transaction would look like this:

  04/01/20X5          Building $100,000
  Note Payable        $100,000
  (To record the purchase of a building with a bank loan)

  You will see in this example that the debit to the asset account is on the left and the credit to the note payable is indented to the right. This is the way that debits and credits should be represented. Debits are always on the left and the credits are always on the right.

- **Stockholder’s Equity**
  - Stockholder’s Equity is the way in which a company represents its owner’s ownership interest. There are different parts of Stockholder’s Equity.
    - **Common Stock**
      - Common Stock is the most often used form of ownership interest. When a company sells stock (ownership interest), there is an entry to common stock which has a normal credit balance for the amount of money that the owner paid for the stock.
    - **Retained Earnings**
      - Retained earnings are the amount of earnings a company makes over its life, based on the revenues that come in, as well as the expenses that go out and the dividends that are paid. This is shown with the following equation.
        - Retained Earnings=Revenues-Expenses-Dividends
      - Retained earnings are not the same as net income which is based on year-to-year revenues minus expenses.
    - **Dividend**
      - Dividends are payments made to the owners of the company. These are not the same as expenses. Dividends are usually paid out of a company’s net income as a return on the owner’s investment in the company.

Objective 6 – Learn About Business Activities

- **Classification of cash flows** – cash flows are broken down into three different classifications on the statement of cash flows
  - Operating activities – these are things that create revenues and expenses, meaning they factor into net income
    - Income statement accounts
  - Investing activities – these are things that the company invested in including
    - Cash flows resulting from changes in investments and long-term assets
• Acquiring/disposing of investments
• Acquiring/disposing of property, plant, and equipment
• Lending money
• Collecting loans
  o Financing activities – this is how the company financed some of their activities
    • Cash flows resulting from changes in long-term liability and stockholder’s equity items
    • Obtaining cash in the form of a loan
    • Repaying loans with cash
    • Obtaining cash from the sale of stock
    • Purchasing treasury stock
    • Paying dividends

Written Assignment
Before beginning the first assignment, refer to the assignment details and instructions for submitting completed assignments under Course Rules in BbLearn.