

The College of New Jersey  
School of Business  
ACC 302: Intermediate Financial Accounting II  
Syllabus (Spring, 2011)

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**Office:** Business Building 234  
**Office Hours:** As posted and by appointment  
**Texts:**

*Intermediate Accounting*, Thirteenth Edition, Kieso, Weygandt, and Warfield,  
John Wiley & Sons, Inc.

**Study Guide:** Optional but helpful

**International Financial Reporting Standards (IFRS): Available on SOCS**

Websites: [www.wiley.com/college/kieso](http://www.wiley.com/college/kieso)

[www.fasb.org](http://www.fasb.org)

[www.asc.fasb.org](http://www.asc.fasb.org)

**Access to Accounting Standards Codification:**

Username - AAA52105

Password- S6ka9ob

**Course Description:**

This course examines the advanced and complex topics (e.g., deferred taxes, leases, pensions, etc.) in corporate financial reporting. Students learn how to apply the generally accepted accounting principles to record transactions related to these topics and to prepare financial statements. In addition, students evaluate the theories underlying the current financial accounting principles and practices.

**Course purpose and learning goals**

Intermediate Financial Accounting II examines the advanced and complex topics (e.g., deferred taxes, leases, pensions, etc.) of corporate financing reporting. The major purposes of the course are to (1) learn the current principles and practices of financial reporting of advanced topics, (2) examine the theories underlying the principles of financial reporting, (3) apply the generally accepted accounting principles in recording advanced and complex transactions and in preparing financial statements, and (4) critically evaluate the current financial accounting standards. This course focuses not only on the mechanics of accounting but also on the accounting theories related to financial reporting. This emphasis on accounting theory will enhance critical thinking skills of the students.

**Course Prerequisite:** ACC 301 with a minimum grade of “D”

## **LEARNING ACTIVITIES**

Students will be involved in a variety of activities that will reinforce their learning. Learning activities will be consistent with and supportive of achieving the learning goals for the course. They will be required to study the chapters/topics in depth prior to each class meeting. All assigned problems should be solved by the student independently. Solutions to the selected problems are available on the SOCS. Other problems from the text will be analyzed and solved by the instructor and students together during the class period. The purpose of this is to develop students' ability to analyze and solve problems effectively. There is no sufficient class time to review assigned problems on a regular basis. Students who have difficulty in solving assigned problems or in understanding in solutions should seek the assistance of the accounting tutor and instructor early.

In addition, students will write-up the analysis of the cases and will present the analysis in the class. Accounting Standards Codification (FASB ASC) will be helpful in analyzing the cases. The instructor will give written comments on the case analysis of each student.

## **SPECIFIC TOPICS AND LEARNING GOALS**

### **Content and Performance:**

This course focuses on the understanding, application, and evaluation of current financial reporting practices of advanced and complex topics. The course emphasizes on seven core topics: (1) dilutive securities and earnings per share, (2) investments, (3) revenue recognition, (4) income taxes, (5) pensions and postretirement benefits, (6) leases, (7) statement of cash flows. The organization of the course and the learning goals are arranged around the seven core topics.

### **DILUTIVE SECURITIES AND EARNINGS PER SHARE**

Dilutive securities are the securities that are not common stock in form but that enable their holders to obtain common stock upon exercise or conversion. The specific items and related tasks include:

- Explain the accounting for the issuance, conversion, and retirement of convertible securities
- Compare and contrast the accounting for stock warrants and stock warrants issued with other securities
- Evaluate the controversy involving stock compensation plans
- Describe the accounting for various stock option plans under APB Opinion No. 25 and SFAS No. 123.
- Calculate earnings per share in a simple and a complex capital structure

## **INVESTMENTS**

Investments are generally classified as either debt securities or equity securities. The problems of accounting for investments involve measurement, recognition, and disclosure. The specific tasks include:

- List the three categories of debt securities and describe the accounting and reporting treatment of each category
- Compute discount and premium amortization on bonds investments
- List the categories of equity securities and describe the accounting and reporting treatment of each category
- Describe the equity method of accounting and contrast it to the fair value method for equity securities
- Illustrate the disclosure requirements for investments in debt and equity securities
- Explain the accounting for impairments of debt and equity investments

## **REVENUE RECOGNITION**

Revenue recognition by a business is one of the most complex and difficult issues facing accountants. Even though general guidelines exist, the diverse marketing methods for products and services make it difficult to apply the rules and guidelines consistently. The specific tasks include:

- Describe and apply the guidelines for revenue recognition
- Explain accounting issues related to revenue recognition at point of sale.
- Compute profit or loss under percentage- of- completion method and completed-contract method for long-term contracts
- Describe revenue recognition for franchises and consignment sales
- Explain the installment method and cost recovery method of accounting

## **INCOME TAXES**

Taxable income is calculated based on Internal Revenue Code, whereas financial/accounting income is computed in accordance with generally accepted accounting principles. This difference in taxable and financial income causes the recognition of deferred tax assets and liabilities. The specific tasks are:

- Differentiate between pretax financial income and taxable income
- Explain various temporary and permanent differences
- Illustrate the presentation of income tax expense in the income statement
- Identify the basic principles of asset-liability approach
- Explain the presentation of deferred income taxes in financial statements
- Apply accounting procedures for a loss carryback and a loss carryforward

## **PENSIONS AND POSTRETIREMENT BENEFITS**

In a pension plan, an employer provides benefits to employees after they retire for services they performed when the employees were working. Computation of employer's liability and periodic pension expense is complicated because of the legal considerations, actuarial assumptions, and income tax regulations. The specific tasks are:

- Describe various types of pension plans and their characteristics

- Illustrate alternative measures for valuing the pension obligations
- Identify the components of pension expense
- Use a work sheet for employer's pension plan entries
- Describe the accounting procedures for recognizing unexpected gains and losses
- Compute a minimum liability for a pension plan
- Explain the reporting requirements for pension plan in financial statements
- Compare and contrast accounting for pensions to accounting for other postretirement benefits

## **LEASES**

As an alternative to ownership, many businesses lease a major portion of their Property, Plant, and Equipment. The related topics and tasks are:

- Describe the nature, economic substance, and advantages of lease transactions
- Explain the accounting criteria and procedures for capitalizing leases by the lessee
- Compare and contrast the accounting for operating leases and capital leases
- Explain the effect of residual values, guaranteed and unguaranteed, on lease accounting
- Describe the lessor's accounting for sales-type leases
- Explain the disclosure requirements for leases

## **STATEMENT OF CASH FLOWS**

In addition to the information about the financial position and results of operations, investors seek information about cash flows. The statement of cash flows shows cash receipts and cash disbursements by operating, investing, and financing activities. The specific tasks are:

- Describe the purpose of cash flows
- List the major classification of cash flows
- Compare the direct method with indirect method of computing net cash flows from operating activities
- Differentiate between net income and net cash flows from operating activities
- Compute net cash flows from investing and financing activities
- Prepare a statement of cash flows

## **STUDENT ASSESSMENT**

Students will be assessed on their knowledge and understanding of learning goals outlined. The assessment will be in the form of exams, case study, spreadsheet assignments, and class participation.

### **Exams**

Students will take two midterm exams and a final exam. Exams will be comprised of multiple choice questions and computational problems. Multiple choice questions will assess students' understanding of basic concepts and theories while computational problems will test students' knowledge of solving complex problems.

#### **Grading on the Exams:**

- A = A grade of "A" (excellent performance) indicates that the student has demonstrated superior mastery in the concepts, theories, and computational problems.
- B = A grade of "B" (above average performance) indicates that the student has demonstrated mastery in most of the concepts, theories, and computational problems.
- C = A grade of "C" (average performance) shows that the student understands some of the course related concepts, theories, and computational problems.
- D = A grade of "D" (below average) indicates that the student has demonstrated significant deficiencies in understanding the basic concepts, theories, and computational problems.
- F= A grade of "F" indicates a failing performance.

#### **Feedback:**

- Explaining and clarifying the answers to the questions in the first two exams in class.
- Providing opportunities to address student's concerns.

### **Case Analyses**

Student will analyze several cases: one for each of the major topics. Case analysis promotes critical thinking, understanding of theory underlying the issues, and the ability to do research. Students use the Financial Accounting Research System for analysis of cases. Students will be asked to present the cases at random on the last day the major topic is discussed.

The criteria for evaluation of the case analyses are:

- (1) Ability to identify the underlying problem/issue
- (2) The thoroughness with which the students discuss the relevant theories, accounting concepts, and accounting standards in an appropriate manner to reach logical, well supported, and compelling conclusions
- (3) Providing proper citations of accounting concepts and accounting standards
- (4) Avoiding generalities and superficial statements
- (5) Having good grammar and punctuation

Generally, students will analyze cases for the following topics:

**Cases:**

**Topics**

|             |                     |
|-------------|---------------------|
| Case no. 1: | Dilutive securities |
| Case no. 2: | Investments         |
| Case no. 3: | Revenue Recognition |
| Case no. 4: | Income Taxes        |
| Case no. 5: | Pensions            |
| Case no. 6: | Leases              |
| Case no. 7: | Cash flows          |

**The write-ups for a case should not exceed three pages.**

**Feedback:**

In addition to the discussion in the class, the graded cases will be returned to students with written comments by the instructor.

**Spreadsheet Assignments**

Students will use spreadsheet package for developing templates for at least two topics covered in the course. This assignment will be evaluated on the appropriate use of formulas, proper organization, and presentation.

**GRADING:**

Final grades will be determined as follows:

|                            |     |
|----------------------------|-----|
| Exam 1 (Feb. 21)           | 25% |
| Exam 2 (March 28)          | 25% |
| Final Exam (Comprehensive) | 35% |
| Spreadsheet Assignments    | 5%  |
| Case Analysis              | 10% |

**There is no extra-credit for this course.**

**MAKE-UP TEST:** Make-up test is only given in an extraordinary situation. Prior approval of the instructor is required. Students are expected to provide acceptable documentation to substantiate the reasons for missing the exam.

**ENROLLMENT INTO HIGHER LEVEL ACCOUNTING COURSES:**

A grade of D or better is required in this course.

**Attendance and class participation:**

Every student is expected to participate in this course through regular attendance at lecture. It is further expected that every student will be present, on time, and prepared to participate when scheduled class sessions begin. Attendance and participation are required for successful completion of the course. Students' contribution to the class by their solutions, comments, and questions is an integral part of the course. **Class participation will be used for borderline grades.**

TCNJ's attendance policy is available on the web:

<http://www.tcnj.edu/~recreg/policies/attendance.html>

**Academic Integrity Policy**

Academic dishonesty is any attempt by the student to gain academic advantage through dishonest means, to submit, as his or her own, work which has not been done by him/her or to give improper aid to another student in the completion of an assignment. Such dishonesty would include, but is not limited to: submitting as his/her own a project, paper, report, test, or speech copied from, partially copied, or paraphrased from the work of another (whether the source is printed, under copyright, or in manuscript form). Credit must be given for words quoted or paraphrased. The rules apply to any academic dishonesty, whether the work is graded or ungraded, group or individual, written or oral.

TCNJ's academic integrity policy is available on the web:

<http://www.tcnj.edu/~academic/policy/integrity.html>.

**Americans with Disabilities Act (ADA) Policy**

Any student who has a documented disability and is in need of academic accommodations should notify the professor of this course and contact the Office of Differing Abilities Services (609-771-2571). Accommodations are individualized and in accordance with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1992.

TCNJ's Americans with Disabilities Act (ADA) policy is available on the web:

<http://www.tcnj.edu/~affirm/ada.html>

## Schedule of Classes and Assignments

| Topic | Assignments |
|-------|-------------|
|-------|-------------|

**Dilutive Securities  
& Earning per Share**

Case:  
BE16-2, BE16-3, E16-5, E16-7, E16-10, P16-1, E16-16, E16-23, E16-24, E16-25, E16-28, P16-2\*, P16-3\*, P16-6\*, P16-7, P16-8, E16-6\*, E16-15\*, E16-8\*

**IFRS: Unit 15**

Compare the major recommendations of SFAS No.123 (revised 2004) with those of SFAS No. 123. Do you agree with the recommendations of SFAS No. 123 (revised 2004)? Justify your answer.

**Investments**

Case:  
P17-2, E17-5, E17-9, P17-12\*, P17-9\*, P17-6\*, P17-10\*, E17-12\*, E17-13, E17-16, E17-17

**IFRS: Unit 16**

- (a). Define Comprehensive and Other Comprehensive Income.
- (b). Discuss alternative formats for reporting comprehensive income.
- (c). Explain the usefulness of reporting the components of comprehensive income.

**Revenue Recognition**

Case: Ethics case:  
P18-4, P18-3\*, P18-6\*, P18-7\*,  
P18-8, P18-9\*, P18-15\*,  
E18-15\*, E18-16

**IFRS: Unit 17**

**Income Taxes**

Case:  
E19-17, E19-21, E19-18\*, P19-2\*,  
P19-3, P19-4, P19-7\*, P19-8, P19-9\*.

**IFRS: Unit 18**

- (a). Discuss, in your own words, the major features of SFAS No. 157. Make sure to include in your discussion, among others, the Fair Value Techniques and Fair Value Hierarchy.
- (b). Explain how the changes in SFAS No. 157 improve Financial Reporting.



## **Leases**

Case: Professional Research: FASB Codification (Page 1179)

E21-12, E21-11, E21-10, E21-8\*, E21-9, P21-1, P21-2\*, P21-3\*, P21-8, P21-5\*, P21-6, P21-7\*, P21-10, P21-11\*, P21-13 \*, P21-14, P21-16\*

**IFRS: Unit 20**

## **Pensions and OPEB**

Case: Professional Research: FASB Codification (page 1113)

E20-1, E20-2, E20-3, E20-5, E20-7, E20-12\*, E20-15\*, E20-16\*, E20-17\*, P20-1\*, P20-2, P20-4\*, P20-5\*, P20-6\*, P20-9\*

**IFRS: Unit 19**

## **Cash Flow Statement**

Case: Comparative Analysis Case: The Coca-Cola Company and PepsiCo, Inc. Page 1308.

Also answer the following general questions not related to above case:

1. How is the information provided in the statement of cash flows different from the information reported in the income statement?
2. Why do you think most companies use indirect method of preparing statement of cash flows?
3. How do each of the three sections of the statement of cash flows relate to the Balance Sheet?
4. Net income is determined on accrual basis. However, net income is the first item on the statement of cash flows. Explain this obvious contradiction.

E23-11, E23-12\*, E23-13, E23-14\*, P23-2\*, P23-3\*, P23-4\*, P23-5, E23-13, E23-14\*, P23-6, P23-7\*

## **Comprehensive Final Examination**

\* Solutions are available on SOCS