



El Camino College
COURSE OUTLINE OF RECORD – Approved

I. GENERAL COURSE INFORMATION

Subject and Number: Business 2B
Descriptive Title: Intermediate Accounting
Course Disciplines: Accounting
Division: Business

Catalog Description:

This course is a continuation of the study of advanced financial and managerial accounting theory and practice for the corporate form of ownership. The emphasis of the course is on the analysis, evaluation, and preparation of complex corporate financial statements including notes, special topics, and extenuating circumstances and the resulting reporting issues.

Conditions of Enrollment:

Prerequisite: Business 2A with a minimum grade of C

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|--------------------------|----------------------------|---|
| Course Length: | X Full Term | Other (Specify number of weeks): |
| Hours Lecture: | 3.00 hours per week | TBA |
| Hours Laboratory: | 0 hours per week | TBA |
| Course Units: | 3.00 | |

Grading Method: Letter
Credit Status: Associate Degree Credit

Transfer CSU: X Effective Date: Prior to July 1992
Transfer UC: No

General Education:

El Camino College:

CSU GE:

IGETC:

II. OUTCOMES AND OBJECTIVES

A. COURSE STUDENT LEARNING OUTCOMES (The course student learning outcomes are listed below, along with a representative assessment method for each. Student learning outcomes are not subject to review, revision or approval by the College Curriculum Committee)

1. SLO #1 Concepts and Terminology

Understand the concepts and terminology covering the accounting for investments in financial assets, liabilities, stockholders' equity and error corrections.

2. SLO #2 Problem Solving

Solve a variety of problems related to the accounting for financial assets and investments in equity securities, current and long term liabilities, income taxes, pension costs and other post-retirement benefits, stockholders equity, and error corrections.

3. SLO #3 Analyzing and Preparation

Analyze transactions, prepare journal entries recording those transactions, and prepare Balance Sheets, Income Statements, Statements of Changes in Stockholders' Equity.

The above SLOs were the most recent available SLOs at the time of course review. For the most current SLO statements, visit the El Camino College SLO webpage at <http://www.elcamino.edu/academics/slo/>.

B. Course Student Learning Objectives (The major learning objective for students enrolled in this course are listed below, along with a representative assessment method for each)

1. Describe accounting as a management information system.
 - Objective Exams
2. Solve problems, suggesting revisions in cost allocation plans for land, buildings, and equipment.
 - Homework Problems
3. Analyze, record, and process the acquisition, valuation, and disposal of intangible assets.
 - Quizzes
4. Contrast, compare, and solve problems pertaining to leases under the lessee- rental method and lease purchase method.
 - Other (specify)
 - Problem-solving exams
5. Contrast, compare, and solve problems pertaining to leases under the lessee- rental method and lease purchase method.
 - Objective Exams
6. Contrast, compare, and solve problems pertaining to the proper measurement of liabilities and contingent liabilities.
 - Homework Problems
7. Analyze, evaluate, and solve problems for state and federal taxes levied on the employer and employees.
 - Quizzes
8. Contrast, compare, and solve problems pertaining to bond premium and discount amortization, using the straight-line and compound interest methods.
 - Other (specify)
 - Problem-solving exams
9. Analyze, evaluate, and solve problems pertaining to the timing and measurement of pension costs and the presentation of the pension plan information in the financial statements.
 - Objective Exams
10. Analyze, record, and process problems pertaining to the overall capital structure of corporations and their formation, changes, and dissolution.
 - Homework Problems

11. Analyze, record, and process problems pertaining to the determination and measurement of stockholders' equity.
 - Quizzes
12. Analyze and solve problems pertaining to converting the partnership books to corporation books when a going partnership is incorporated.
 - Other (specify)
 - Problem-solving exams
13. Analyze, evaluate, and solve problems pertaining to treasury stock purchases and retirements.
 - Objective Exams
14. Analyze, record, and process cash dividends, stock dividends, liquidating dividends, and calculate earnings per share.
 - Homework Problems
15. Prepare comparative statements and analyze and evaluate the ratios and measurements developed.
 - Quizzes
16. Prepare and analyze a working capital fund statement and a cash fund statement.
 - Objective Exams
17. Analyze and solve problems pertaining to errors and omissions and evaluate and formulate the appropriate action to take in order to prepare statements that meet acceptable accounting standards.
 - Other (specify)
 - Problem-solving exams
18. Contrast, compare, and solve problems pertaining to adjustments and corrections to prior years' statements and report the results on the current statement.
 - Quizzes
19. Report general price-level changes in financial statements.
 - Homework Problems

III. OUTLINE OF SUBJECT MATTER (Topics are detailed enough to enable a qualified instructor to determine the major areas that should be covered as well as ensure consistency from instructor to instructor and semester to semester.)

| Lecture or Lab | Approximate Hours | Topic Number | Major Topic |
|----------------|-------------------|--------------|--|
| Lecture | 4 | I | Long term investment in common stocks and bonds A. Fair value disclosures B. Differences between IFRF (International Financial Reporting Standards) and U.S. GAAP (Generally Accepted Accounting Principles) for equity method investments |
| Lecture | 6 | II | Long term debt A. Bonds B. Amortization methods C. Retirement D. Restructured debt E. Potential effect of FASB (Financial Accounting Standards Board)/IASB (International Accounting Standards Board) joint Financial Instruments project |
| Lecture | 3 | III | Paid-in capital, retained earnings, and dividends A. Share-Based compensation and Earnings Per Share |

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|---------------------|---|------|---|
| Lecture | 6 | IV | Warrants, convertible securities, stock options, and stock purchase plans A. The amount of compensation to be recognized as expense for stock options B. Intrinsic value as it relates to options C. Similarities between stock options, stock rights and stock warrants D. Conversion options for convertible securities |
| Lecture | 6 | V | Treasury stock, retained earnings statement, changes in stockholders' equity A. The effects of treasury stock on shareholders' equity B. Characteristics of retained earnings and the development of retained earnings reports |
| Lecture | 3 | VI | Earnings per share A. The earnings per share requirements of U.S. GAAP and FASB |
| Lecture | 3 | VII | Accounting standards for pension plans A. FASB and IASB accounting standards for postemployment benefits |
| Lecture | 6 | VIII | Capital leases, operating leases, sales type leases, direct financing, and leveraged leases A. Discussion of GAAP reporting standards B. Rent abatement and rent holidays C. Case study |
| Lecture | 4 | IX | Income tax in income reporting, interperiod and intraperiod tax allocation A. Financial statement presentation for tax purposes B. The effect of discontinued operation and extraordinary items in tax reporting C. The differences between interperiod and intraperiod tax allocations |
| Lecture | 6 | X | Accounting changes, correction of errors, completion of financial statements from incomplete records A. The four-step process of correcting and reporting errors B. Procedures to change estimates to reflect in the financial statements of current and future periods |
| Lecture | 4 | XI | Statement of changes in financial position, working capital, and cash concepts A. Discussion of the correct method of reporting earnings and financial strength B. Analysis of financial statements to determine financial position of the company |
| Lecture | 3 | XII | Analysis of financial statements, earnings performance, and financial strength A. Earnings performance B. Financial strength |
| Total Lecture Hours | | 54 | |

| | |
|------------------------|----|
| Total Laboratory Hours | 0 |
| Total Hours | 54 |

IV. PRIMARY METHOD OF EVALUATION AND SAMPLE ASSIGNMENTS

A. PRIMARY METHOD OF EVALUATION:

Problem solving demonstrations (computational or non-computational)

B. TYPICAL ASSIGNMENT USING PRIMARY METHOD OF EVALUATION:

(Operating Lease: Lessee-Lessor Entries) Synergetics Inc. leased a new crane to M.K. Gumowski Construction under a 5-year noncancelable contract starting January 1, 2009. Terms of the lease require payments of \$22,000 each January 1, starting January 1, 2009. Synergetics will pay insurance, taxes, and maintenance charges on the crane, which has an estimated life of 12 years, a fair value of \$160,000, and a cost to Synergetics of \$160,000. The estimated fair value of the crane is expected to be \$45,000 at the end of the lease term. No bargain purchase or renewal options are included in the contract. Both Synergetics and Gumowski adjust and close books annually at December 31. Collectability of the lease payments is reasonably certain and no uncertainties exist relative to unreimbursable lessor cost. Gumbowski's incremental borrowing rate is 10% and Synergetics' implicit interest rate of 9% is known to Gumbowski. Instructions: 1. Identify the type of lease involved and give reasons for your classification. Discuss the accounting treatment that should be applied by both the lessee and the lessor. 2. Prepare all the entries related to the lease contract and leased asset for the year 2009 for the lessee and lessor, assuming: a. Insurance, \$500 b. Taxes, \$2,000 c. Maintenance, \$650 d. Straight-line depreciation and salvage value, \$10,000 3. Prepare a one-page paper discussing what should be presented in the balance sheet and income statement and related notes of both the lessee and the lessor at December 31, 2009.

C. COLLEGE-LEVEL CRITICAL THINKING ASSIGNMENTS:

1. Amalgamated General Corporation is a consulting firm that also offers financial services through its credit division. From time to time the company buys and sells securities intending to earn profits on short-term differences in price. The following selected transactions relate to Amalgamated's investment activities during the last quarter of 2009 and the first month of 2010. The only securities held by Amalgamated at October 1 were \$30 million of 10% bonds of Kansas Abstractors, Inc. purchased on May 1 at face value. The company's fiscal year ends on December 31. 2009 Oct. 18 -- Purchased 2 million preferred shares of Millwork Ventures Company for \$58 million as a speculative investment to be sold under suitable circumstances. Oct. 31 -- Received semiannual interest of \$1.5 million from the Kansas Abstractors bonds. Nov. 1 -- Purchased 10% bonds of Holistic Entertainment Enterprises at their \$18 million face value, to be held until they mature in 2016. Semiannual interest is payable April 30 and October 31. Nov. 1 -- Sold the Kansas Abstractors Bonds for \$28 million because rising interest rates are expected to cause their fair value to continue to fall. Dec. 1 -- Purchased 12% bonds of Household Plastics Corporation at their \$60 million face value, to be held until they mature in 2026. Semiannual interest is payable May 31 and November 30. Dec. 20 -- Purchased U.S. Treasury bonds for \$5.6 million as trading securities, hoping to earn profits on short-term differences in prices. Dec. 21 -- Purchased 4 million common shares of NXS Corporations for \$44 million as trading securities, hoping to earn profits on short-term differences in prices. Dec. 23 -- Sold the Treasury Bonds for \$5.7 million. Dec. 29 -- Received cash dividends for \$3 million from the Millwork Ventures Company preferred shares. Dec. 31-- Recorded any necessary adjusting entry(s) and closing entries relating to investments. The market price of Millwork Ventures Company preferred stock was \$27.50 per share and \$11.50 per share for the NXS Corporation common. The fair values of the bond investments were \$58.7 million for Household Plastics Corporation and \$16.7 million for Holistic Entertainment Enterprises. 2010 Jan. 7 -- Sold the NXS Corporation common shares for \$43 million. Required: Prepare the appropriate journal entry for each transaction or event.

2. Based on the table provided in class by the instructor determine the following: 1. What is the rationale for the argument that long-term deferred tax liabilities should be excluded from liabilities when computing the debt to equity ratio? 2. What would be the effect of FedEx's debt to equity ratio of excluding deferred tax liabilities from its calculation? What would be the percentage change? 3. What might be the rationale for not excluding long-term deferred tax-liabilities from liabilities when computing the debt to equity ratio?

D. OTHER TYPICAL ASSESSMENT AND EVALUATION METHODS:

Quizzes
Homework Problems
Multiple Choice
Matching Items
True/False
Other (specify):
Analyzing and solving problems and cases

V. INSTRUCTIONAL METHODS

Discussion
Lecture
Multimedia presentations

Note: In compliance with Board Policies 1600 and 3410, Title 5 California Code of Regulations, the Rehabilitation Act of 1973, and Sections 504 and 508 of the Americans with Disabilities Act, instruction delivery shall provide access, full inclusion, and effective communication for students with disabilities.

VI. WORK OUTSIDE OF CLASS

Study
Answer questions
Required reading
Problem solving activities
Written work

Estimated Independent Study Hours per Week: 6

VII. TEXTS AND MATERIALS

A. UP-TO-DATE REPRESENTATIVE TEXTBOOKS

Spiceland, Nelson and Thomas. Intermediate Accounting. 10th ed. McGraw Hill, 2019.

B. ALTERNATIVE TEXTBOOKS

C. REQUIRED SUPPLEMENTARY READINGS

D. OTHER REQUIRED MATERIALS

VIII. CONDITIONS OF ENROLLMENT

A. Requisites (Course and Non-Course Prerequisites and Corequisites)

| Requisites | Category and Justification |
|------------------------------------|----------------------------|
| Course Prerequisite Business-2A | Sequential |

B. Requisite Skills

| Requisite Skills |
|---|
| Prepare and analyze financial statements for most types of corporate businesses involving special accounting reporting issues. BUS 2A - Prepare and analyze financial statements for most types of corporate businesses involving accounting reporting issues. |
| Define, contrast, compare and solve problems pertaining to the time value of money with emphasis on future versus present value and related issues. BUS 2A - Define, contrast, compare, and solve problems pertaining to the time value of money, with emphasis on future versus present value and related issues. |
| Contrast, compare and solve problems pertaining to the various types of depreciation methods and evaluate the impact on financial statements. BUS 2A - Contrast, compare, and solve problems pertaining to the various types of depreciation methods and evaluate the impact on financial statements; such as balance sheets for plant assets. |

C. Recommended Preparations (Course and Non-Course)

| Recommended Preparation | Category and Justification |
|-------------------------|----------------------------|
|-------------------------|----------------------------|

D. Recommended Skills

| Recommended Skills |
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E. Enrollment Limitations

| Enrollment Limitations and Category | Enrollment Limitations Impact |
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Course created by Dave Tanaka on 06/01/1973.

BOARD APPROVAL DATE:

LAST BOARD APPROVAL DATE: 12/16/2019

Last Reviewed and/or Revised by: Sidney Porter
20173

Date: 10/1/2019